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What's News

Business & Finance

Lego jettisoned its CEO after just eight months in the job, appointing a younger leader in a surprise move it hopes will help it compete in an increasingly digitally focused environment. **A1**

♦ Two of the largest rental-home owners in the U.S. agreed to merge in a bid to gain scale and operating efficiencies in markets. **B1**

♦ The WWE plans to debut its online streaming channel in China in a revenue-sharing deal with local partner PPTV. **B1**

♦ Wisconsin's governor defended a \$3 billion tax incentive package for Foxconn amid growing concerns about the hefty bill to taxpayers. **B2**

♦ A group of 28 Chinese app developers filed a complaint against Apple alleging antitrust violations over its App Store. **B1**

♦ OPEC crude-oil production rose further in July, the latest sign the cartel's efforts to drain a global supply glut are falling short. **B7**

♦ Toshiba said it reopened talks with Foxconn and Western Digital over selling its memory-chip unit. **B3**

♦ SoftBank's Vision Fund will invest about \$2.5 billion in India's biggest e-commerce firm Flipkart. **B5**

♦ Blue Apron shares

dropped as the meal-kit maker struggled to reassure investors that it can contain costs and fend off competition. **B3**

World-Wide

♦ The conflict between the U.S. and North Korea is complicating Beijing's efforts to reduce tensions on the Korean Peninsula. **A1**

♦ A sharp drop in the number of seaborne migrants arriving in Italy in the past month is raising hopes that the country is making progress in its migration crisis. **A1**

♦ Netanyahu addressed a rare public rally as police corruption probes threaten the Israeli leader's 30-year political career. **A3**

♦ Security experts and scholars believe North Korea has a tougher path to resolution than previous times when the country made military threats. **A4**

♦ South Korea warned Pyongyang it would face a stern response from allied forces if it followed through on its threats. **A4**

♦ Trump criticized Senate leader McConnell for the failure to advance the GOP health-care bill. **A5**

♦ The White House must decide within weeks whether to stop funding organizations that help people enroll in health insurance through the ACA. **A5**

♦ Economists in a WSJ survey forecast greater risks of a government shutdown and delays in Social Security for the U.S. **A5**

♦ A U.S. consultant working for Kenya's opposition leader was deported ahead of Kenya's elections. **A3**

CONTENTS Markets B8
Books A7-9 Off Duty W1-6
Business News B3 Opinion A10-11
Crossword A12 Technology B4
Heard on Street B8 U.S. News A5
Life & Arts A12 Weather A12
Mansion W7-12 World News A2-4

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Wary After Quake, Chinese Shun Their Homes



UNDER THE STARS: Residents of Zhangzha, in southwest China's Sichuan province, sleep outside for fear of aftershocks from a 6.5-magnitude earthquake that tore cracks in highways and damaged buildings on Tuesday. At least 20 people were killed.

FOR TECH INNOVATORS, FACEBOOK LOOMS LARGE

Startup Houseparty created a hot video-chat app—then a big rival noticed

By BETSY MORRIS AND DEEPA SEETHARAMAN

Tech startups live by the rule that speed is paramount. Houseparty, creator of a hot video app, has an extra reason for urgency.

Facebook Inc., a dominant force in Silicon Valley, is stalking the company, part of the social network's aggressive mimicking of smaller rivals. Facebook is being aided by an internal "early-bird" warning system that identifies potential threats, according to people familiar with the technology.

This fall, Facebook plans to launch an app similar to Houseparty, internally called Bonfire, say people familiar with the project. Both apps let groups of people hang out over live video on a smartphone.

"They see we're having traction," says Sima Sistani, co-founder of Houseparty, which is based in San Francisco. "That's why we're pushing so hard."

Silicon Valley is dominated by a few titans, a development that's fundamentally altering the nature of America's startup culture. While it's as easy as

ever to start a company, it is getting harder to grow fast enough and big enough to avoid getting either acquired or squashed by one of the behemoths.

For months, Houseparty could see Facebook in the rearview mirror. Last year, Facebook executives approached it for meetings the startup interpreted as exploring an acquisition. Then, two months after Houseparty publicly introduced itself as "the internet's living room" in November, Facebook's Messenger app said it would become a "vir-

Please see COPY page A6

Lego's Top Man Is Out After 8 Months in Job

By SAABIR CHAUDHURI

Lego A/S jettisoned its chief executive after just eight months in the job, appointing a younger leader with technology experience in a surprise move it hopes will help it compete in an increasingly

digitally focused environment.

The Billund, Denmark-based toy maker named Niels B. Christiansen, the 51-year-old former boss of Danish industrial group Danfoss A/S, as its new CEO. He succeeds Bali Padda, a 61-year-old Briton who in December became

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Mr. Christiansen approached Lego's former CEO Jørgen Vig Knudstorp over the summer to express his interest in the top role, shortly after announcing in March that he would resign from Danfoss, according to Mr. Knudstorp. The pair had met many times at business events but weren't friends and hadn't worked together, he said in an interview with The Wall Street Journal.

At the time, Mr. Knudstorp says, he was actively searching for new CEO candidates since Mr. Padda's appointment was never intended to be long-term due to his advanced age. "One of my central responsibilities in my new capacity was thinking about succession," he said, adding that he thought finding a long-term CEO could take years.

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Please see LEGO page A2

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WORLD NEWS

Surveillance Feeds: China's Reality TV

Websites show real-time footage from thousands of cameras across country

By JOSH CHIN

BEIJING—They may be blocked from watching YouTube, but China's 751 million internet users can binge on real-time video streams of yoga studios, swimming lessons, alpaca ranches and thousands of other scenes captured by surveillance cameras.

Much of what's available would be unthinkable in the West, according to legal experts, because people dining out, taking dance classes or shopping for lingerie would likely object to having their live images beamed publicly, and doing so without their permission could invite litigation.

In China, however, surveillance is both pervasive and widely accepted. And that's the subject of a new film by one of China's best-known contemporary artists.

In "Dragonfly Eyes," director Xu Jing uses real surveillance footage to tell the story of an ill-fated romance between a young woman who works on a dairy farm and a technician who watches her through the farm's surveillance system. Mr. Xu believes it's the first full-length fiction film to be made entirely with surveillance footage.

To make the movie, which was scheduled to premiere Thursday at Switzerland's Locarno Film Festival, Mr. Xu and his assistants sifted through roughly 7,000 hours of footage, most of it downloaded from Chinese websites.

The largest of the sites, Shuidi, or Water Drop, is run by internet security company Qihoo360 Technology Co. Another, Ezviz, is operated by Hangzhou Hikvision Digital Technology Co., the world's largest maker of surveillance cameras. Together, the sites host feeds from thousands of cameras scattered around the country.

Creating "Dragonfly Eyes" convinced Mr. Xu of the pre-science of "The Truman Show," the 1998 satire starring Jim Carrey as a man whose every moment is telecast live without his knowledge, the director said.

"The entire world has become a gigantic film studio," he said.

The voyeurism of the project initially made Mr. Xu uneasy, he said, but most of the people who appeared in the footage had no problem signing release forms, and some told him they also watched the feeds.

"People's relationship to surveillance is changing," Mr. Xu said. "In the past, it was the government using it. But now it's expanded from the government to everyone."

Relaxed popular attitudes toward privacy are one reason



A scene from the movie 'Dragonfly Eyes,' which uses real surveillance video to tell a story.

China's government has been able to push the boundaries of surveillance. Authorities are implementing a system that will assign each person a "social credit" score based on data about their behavior and have rolled out facial-recognition technology more broadly than any other country, without widespread complaint.

China is unique in offering up such a trove of surveillance video, privacy advocates said. While sites exist elsewhere that provide live access to surveillance video, none do it on the scale of Chinese sites, said Simon Davies, a senior fellow

at Electronic Privacy Information Center, a Washington, D.C.-based privacy advocacy group.

Charles Farrier, founder of U.K. privacy activist group No CCTV, said the sites normalize spying on fellow citizens, "thus making it more acceptable for the police or the state to spy on its citizens."

Manufacturers shipped 5.7 million stand-alone network cameras like those that feed Qihoo's Shuidi platform in 2016, up from four million the year before, according to analytics provider IHS Markit Ltd. One popular feed from Bei-

jing focuses on a reception area overseen by a slim, attractive woman who, according to user comments, is a chronic nose picker. Efforts to contact the woman were unsuccessful.

A dust-up occurred earlier this year after local Chinese media reported stories of students who were angry over live surveillance feeds in classrooms. Qihoo issued a statement saying it requires camera operators to put up signs notifying people of the video streams. Hikvision's live-streaming rules require users to promise not to violate

others' image and privacy rights.

Neither company responded to requests to comment.

No notice was visible at the Shang Ya Dance School in northern Beijing last week as a white Qihoo camera live-streamed a dozen young girls in pastel leotards twirling around a cramped studio.

Parents and a staff member at the studio said they thought the feed was visible only in a private chat group for students' parents, but it was open to the public on the Shuidi site.

"The first and second ones in the front row are the best dancers," an anonymous user wrote in a comments section.

"I'm going to talk to the teacher," one father said after learning anyone on the internet could watch his daughter dance. A few days later, the feed was locked with a password.

Several other camera owners described the live feeds as a good way to promote their businesses and dismissed privacy concerns.

"Customers aren't concerned about it," said 26-year-old Liu Yajun, who live streams security video of his wine shop in Changsha, the capital of southern China's Hunan province. "It's just an ordinary safety measure, but using more advanced technology that's more fashionable."

—Liyan Qi in Beijing and Junya Qian in Shanghai contributed to this article.

LEGO

Continued from Page One

more than 25,000 people—into a more digitally focused company. Lego Foundation board member William Hoover, who serves on the board of Danfoss, also vouched for Mr. Christiansen.

"The most important thing for me is I can feel there's a fire in the belly, a passion for the Lego brand and that's very much there in a guy who trained as an engineer," Mr. Knudstorp said.

The appointment comes as Lego, which employs 18,500 people, grapples with slowing sales growth and competition from smartphone apps and videogames. It is locked in a battle with Mattel Inc. to be the world's largest toy company by sales. For now, Mattel is slightly bigger, with \$5.46 billion in revenue last year. Lego sales rose 6% last year to \$5.38 billion, following a decade of double-digit growth, after a marketing push in the U.S. failed to lift sales there.

Thursday, Mr. Knudstorp denied the leadership change was motivated by weak per-



SCANPIX DENMARK/REUTERS

Lego named Niels B. Christiansen, the 51-year-old former boss of Danfoss A/S, as its new CEO.

formance, saying the U.S. slump is tied to problems that date back to his own tenure as CEO. "The key thing is we simply haven't had the products that will add incrementally to the high level of sales we have had," he said. "The issues we face in the U.S. are my fault."

Like Mattel, Lego is in-

tensely focused on modernizing its toys for a digital era in which children spend more time on tablet computers and smartphones. The company launched an app in February that functions as a mini-social network, allowing children to share what they build online. It has also created Lego Boost,

which combines computer coding with brick play, and is focusing on ways to use smartphones to bridge physical and digital play.

The executive shuffle comes as Mattel has also sharpened its focus on technology. This year, it named Margaret Georgiadis, a former president for

the Americas at Alphabet Inc.'s Google, as its CEO.

Lego said Mr. Padda will initially help the new CEO transition into his role. After that, he will take on a special advisory role at Lego Brand Group, an umbrella entity headed by Mr. Knudstorp that oversees the Kirk Christiansen family's 75% stake in the toy maker, as well as interests in Legoland theme parks and in a business promoting the use of Lego toys in schools.

Mr. Padda, a Lego executive for 15 years who most recently served as its chief operating officer, has experience mainly in running its supply chain. More recently, the India-born Mr. Padda also focused on people and organizational development. In a December announcement naming Mr. Padda as CEO, Lego highlighted his deep knowledge of the company.

By contrast on Thursday, Lego underscored Mr. Christiansen's digital capabilities. Mr. Knudstorp described Mr. Christiansen as having "transformed a traditional industrial company into a technology leader" while at Danfoss. He said the new CEO would look for digital opportunities in ev-

erything from sourcing and manufacturing to engaging with consumers and retailers, who are increasingly moving online.

During his nine years heading Danfoss, Mr. Christiansen is credited with making operations more efficient and agile, investing in R&D and digital capabilities, and increasing sales both organically and through acquisitions.

Under him, Danfoss has focused on moving to a single IT architecture, helping customers interact seamlessly across devices and offering connected products and services. Danfoss has launched new products like a steering system that links with GPS to allow automatic steering for tractors and other machinery, and a heating system controlled via smartphone.

For 2016, Danfoss reported sales of €5.3 billion (\$6.23 billion), up from €3 billion in 2008. The company sells products and services used in areas such as refrigeration, air conditioning, heating, motor control, and mobile machinery. It also operates in renewable energy.

—Dominic Chopping contributed to this article.

MIGRATE

Continued from Page One

said Italian Interior Minister Marco Minniti this week. "We are starting to feel the migration flows can be controlled. We are seeing light at the end of the tunnel."

Italian officials, though, caution that the drop in arrivals could easily reverse, given the instability of Libya. Moreover, the number of people trying an alternative route to Europe by crossing into Spain more than doubled in the first half of the year to 6,500 from a year earlier. And political groups and human-rights organizations have raised serious concerns about the condition of prison-like centers where migrants rescued by the Libyan Coast Guard are detained.

"It is too early to call a victory," said Mario Morcone, head of immigration at the Italian Interior Ministry in an interview. "But we are seeing the fruit of a number of policies we have put into place."

Greece, another country hard hit by the influx of migrants, is also seeing its migration problem ease. Between the start of 2015 and spring 2016, nearly one million migrants arrived in Greece. An European Union agreement last year with Turkey to take back migrants from Greece then succeeded in cutting off the arrivals, but left about 60,000 migrants stranded in Greece because border controls in the Balkans prevented them from traveling to North-

ern Europe.

Today, about 70 migrants arrive in the country a day, but the total number living in Greece has receded to about 40,000. Some have found ways to sneak over the border and travel north, while 17,000 others have participated in an EU program to relocate them to other member states.

The change comes just two years after a huge surge in migrants reaching Europe caused deep political and social turmoil in the continent, helping to spur the rise of populist parties and exposing bitter divisions among member states.

Attitudes toward immigrants soon hardened in Europe, compounded by revelations that terrorists were able to hide among the migrants. In response, countries, particularly in the Balkans and Eastern Europe, have erected borders to keep migrants out and have forcibly repatriated those who remain illegally.

Efforts to slow the migrant flow from Libya have been complicated by the lawless state the country fell into after the overthrow of Moammar Gadhafi in 2011.

In response, Italy, which has seen 600,000 African and Middle Eastern migrants arrive since the start of 2014, has used a series of carrots and sticks to try to stem the flow—actions they believe are having an effect. It has given Niger—a key country on the routes smugglers use to ferry African migrants to Libya—about €50 million (\$59 million), in part to police its border and disrupt the traffic.

Italy also has given €18 million to the International Organization for Migration to support voluntary repatriations of migrants willing to return home from Libya. The IOM has repatriated 6,000 people from Libya this year—more than all of 2015 and 2016—and expects to return up to 9,000 more during the rest of 2017, according to Joel Millman, IOM's spokesman.

Meanwhile, Italy—a former colonial power in Libya and the only Western country with an embassy there—has raised diplomatic and military pressure this year in an attempt to stop the smugglers.

With support from the European Union, Italy in June delivered about 10 boats of migrants to the Libyan coast guard and has trained coast-guard crews, with the goal of empowering Libya to fight traffickers and conduct search-and-rescue operations on its own.

Rome also sent two military ships to sit within Libyan waters and give its coast guard logistical support and intervene should smugglers threaten the Libyan crews. As a result, the Libyan coast guard has rescued about

12,000 migrants so far, bringing them back to Libyan shores, according to the IOM.

The number of people who died trying to make the crossing from Libya this year through Aug. 6 dropped to nearly 2,400, compared with 3,151 during the period in 2016.

As a result of Italian aid efforts, according to Libyan coast guard and military officials in some of Libya's main smuggling areas, tribes also have stopped providing cover for family members involved in the smuggling trade. In some cases, tribes are even working with authorities to stop the smugglers.

"International pressure played a strong role in convincing local tribes to pressure smugglers," says Taher Ghurbali, the head of the military council in Subrata, a town roughly 50 miles west of Tripoli that has been the main launching point for migrant vessels. Subrata took over from Zuwara as the main base for smuggling when international pressure on the latter convinced elders there to rein in the trade.

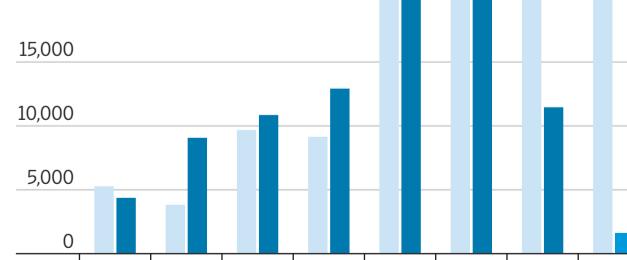
According to Mr. Ghurbali, the tribes may have pushed some smugglers to quit the business. And without concern of upsetting powerful tribes that have strong influence over most official structures in the lawless state, Libyan authorities are able to crack down on the smuggling business more effectively.

Tribal pressure is "unlikely to be an answer to the epidemic," added Mr. Ghurbali, but "it is a start."

Stemming the Flow

A sharp drop in migrant arrivals in Italy could indicate a turn in Europe's migration crisis.

Monthly arrivals by sea into Italy



Dead or missing en route to Italy, January to July



*Through Aug. 9 Source: UNHCR

THE WALL STREET JOURNAL.

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WORLD NEWS

Supporters Rallying Around Netanyahu

Israeli prime minister addresses crowd of thousands as pressure mounts amid probes

By RORY JONES

TEL AVIV—Prime Minister Benjamin Netanyahu addressed a rare public rally here as police corruption probes pose a growing threat to the Israeli leader's 30-year political career.

Mr. Netanyahu, leader of the right-wing Likud party and known by his nickname "Bibi," on Wednesday blamed the turmoil on a "witch hunt" by left-wing Israelis and the media to topple him from power.

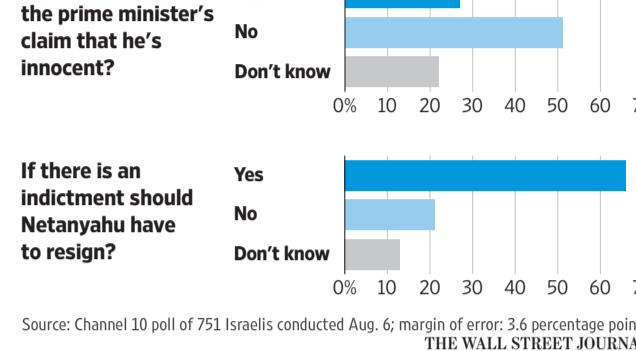
"I can only tell you what I've been saying since day one: There won't be anything because there isn't anything," Mr. Netanyahu told thousands of supporters, who waved Likud flags and chanted "Bibi Bibi!"

Despite the show of support, mounting public pressure means Mr. Netanyahu faces a test of survival like no other during his time in office. According to a poll this week for broadcaster Channel 10, two-thirds of Israelis believe the prime minister should resign if he is indicted on a charge of corruption, and half of them don't believe he is innocent.

The police probes gained a

Under Pressure

A recent poll showed that most Israelis believe Prime Minister Benjamin Netanyahu should have to resign if he is indicted.



Source: Channel 10 poll of 751 Israelis conducted Aug. 6; margin of error: 3.6 percentage points

THE WALL STREET JOURNAL.

key witness last week when Ari Harow, the prime minister's former chief of staff and longstanding confidant, agreed to cooperate. Analysts said that development could increase the political pressure on Mr. Netanyahu.

An indictment wouldn't obligate Mr. Netanyahu to resign but would likely lead to calls for him to step down.

Mr. Netanyahu's departure would have a profound effect on Israeli politics, the country's relations with the U.S., the conflict with Palestinians, and its ties with Arab neighbors and nations throughout the Middle East.

He started his second stint as prime minister in 2009, and has no clear successor in his

party.

After years of strained ties with former President Barack Obama, Mr. Netanyahu has nurtured a close relationship with President Donald Trump's administration.

The Palestinian leadership, who deeply distrust the Israeli leader, would hope to reboot peace talks with Israel if Mr. Netanyahu moved on and a new leader explored that option. Settlement construction has expanded under Mr. Netanyahu while negotiations have stalled.

Mr. Netanyahu's loyalists have rallied behind him during this time of political peril. Ministers from Likud in recent days have made statements backing his leadership and party members organized



Mr. Netanyahu told a rally in Tel Aviv: 'There won't be anything because there isn't anything.'

Wednesday's rally in Tel Aviv.

The prime minister's coalition partners also show no sign of pulling out of the 66-seat governing alliance in the 120-member Israeli parliament and aren't calling for Mr. Netanyahu's resignation.

"He's the best prime minister we've ever had. It's never been better than this," Evan Cohen, 49, a lecturer at Tel Aviv University said inside the exhibition hall where the rally was held. "These investigations have been going on for 23 years. And all they can muster is that he got cigars from a friend."

Israeli police are investigating whether Mr. Netanyahu received cigars and other gifts from wealthy benefactors in return for favors. They also

are examining whether Mr. Netanyahu agreed to a deal with the owner of Israeli newspaper Yedioth Ahronoth, Arnon Mozes, to win favorable coverage in return for limiting the influence of another daily, Israel Hayom. Mr. Mozes hasn't publicly commented and isn't believed to be under investigation.

Mr. Netanyahu has repeatedly said the investigations will come to nothing as he has done nothing illegal.

The possibility of an indictment has gotten the attention of the Israeli public. "There's no question he should resign," if indicted, Heli Sinai, a home décor importer in Tel Aviv, said outside the rally. "Maybe at another time he was good

for Israel. But he's not the right man now."

Mr. Netanyahu has remained popular among his right-wing base because they view attacks against the leader as politically motivated attempts to force him from power, according to Mitchell Barak, a political analyst and director at Jerusalem-based Keevoon Global Research.

Mr. Netanyahu's departure would likely spark a free-for-all for the top job among powerful politicians he has long kept in check.

"Netanyahu has kept away other political stars and sidelined anyone around him that can possibly take over," said Mr. Barak. "So once he's gone, anything is possible."

Kenya Deported Opposition Aide

By MATINA STEVIS
AND JOE PARKINSON

DANIEL IRUNGU/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY



Kenyans catch up on the news with their breakfast on Thursday at a cafe in the capital Nairobi.

last week's killing of the commission's top information technology official, Chris Msando, was part of a plot to keep Mr. Kenyatta in power. Police are investigating the killing.

The electoral commission said in a tweet Wednesday from its official account that its software was secure and there were no hacks.

Supporters of the president dismissed Mr. Odinga's assertions as disinformation.

Kenya's Human Rights Commission, a nongovernmental organization, said it had discovered some discrepancies in an initial comparison between provisional digital results counted by the election commission's computer system and

a final tally of paper forms signed at polling stations.

One of Mr. Phillips' jobs for the Odinga campaign was to scour data for evidence of vote fraud—both to check voter rolls ahead of polling as well as to scrutinize the results for unusual patterns and signs of a rigging. Such analyses are a specialty of Aristotle International.

In an interview, Mr. Phillips, who is back in Washington, said that as plainclothes officers drove him around Nairobi after taking him from his apartment, one of them watched videos of torture scenes on a phone and asked Mr. Phillips if he had any children.

When the longtime political consultant—whose firm ad-

vised U.S. House and Senate candidates from both parties during the 2016 cycle—noticed he was being driven into a rural area, he wondered if he would be killed. "Given what had happened to Chris," he said, referring to Mr. Msando, "it crossed my mind."

The security officers confiscated his cellphone and laptop and those of his colleague Mr. Katsouris, both men said, adding that security officials then attempted to transfer files from the men's laptops. The episode was confirmed by a U.S. Embassy official familiar with the situation. Mr. Phillips said the officers refused to identify themselves or say why he was being detained.

Australian Spread Is Found to Have Healing Qualities

By ROB TAYLOR

CANBERRA, Australia—For years, Australians have extolled the virtues of Vegemite, a salty, yeast-based spread that frequently elicits polite no-thank-yous when offered to non-natives.

But new medical research has shown Australians were onto something, as a vitamin in the spread was found to prevent some birth defects and miscarriages.

A 12-year study by researchers at Sydney's Victor Chang Cardiac Research Institute found that Vitamin B3 in Vegemite, similar spreads and vitamin supplements can counter a rare genetic cause of birth defects.

"The ramifications are likely to be huge," said lead researcher Prof. Sally Dunwoodie. "This has the potential to significantly reduce the number of miscarriages and birth defects around the world, and I do not use those words lightly," she said.

The report, published Thursday in the New England Journal of Medicine, identified a major cause of miscarriages, in addition to heart, spinal, kidney and cleft palate problems in newborn babies. Drawing on research conducted with mice, the researchers found that a molecule known as NAD—which is important for organ development and is found in all living cells—can lead to birth defects in a developing embryo.

The discovery was similar to research last century that showed folic acid supplementation can prevent spina bifida and other neural-tube defects in babies, Prof. Dunwoodie said.

As a result, consumption of folic acid was adopted by expectant mothers world-wide, leading to a 70% decrease in babies born with neural-tube defects.

But other medical experts said that while the Vitamin B3 discovery was important, the described genetic condition was rare, meaning that the research was likely to apply to a relatively small number of pregnant women.

Ownership of Vegemite, Australia's best-known condiment, was brought home this year when Bega Cheese Ltd. bought a basket of brands from Mondelez International Inc. for nearly \$350 million.



Vegemite in a store in Melbourne. Vitamin B3 in Vegemite and similar spreads was found to counter birth defects and miscarriages.

WORLD WATCH

FRANCE

Details Emerge on Paris Attack Suspect

The man suspected of deliberately ramming a car into a group of soldiers in a Paris suburb, injuring six, is an Algerian national in his mid-30s, officials said Thursday.

The man, who was shot and detained on a highway north of Paris hours after the Wednesday attack, remains hospitalized with bullet wounds, officials familiar with the matter said.

Police searched his house in the northern Paris suburb of Bezons, a police officer said. He has had no convictions in court, the officials said.

Paris prosecutors are treating the attack as an act of terrorism. The attack highlights the shift from the kind of large-scale attacks carried out by extremist

cells that have hit the Continent in the past, including Islamic State militants' gun-and-bomb attacks in Paris in November 2015.

French authorities say they have seen an uptick in terror activity—often the small-scale, less-organized kind.

There have been roughly a dozen attacks in France since Nov. 2015, and more than half of those targeted military patrols or police. Three police officers have been killed.

The soldiers who were attacked were among some 7,000 deployed around France to protect sensitive targets such as government offices, schools, places of worship and tourist attractions.

The hit-and-run marks the second potential terrorist attack in just a few days in the Paris region.

A knife-wielding man with a

history of psychological problems tried to force his way into the Eiffel Tower on Saturday night. He later told police he was targeting soldiers.

—Noemie Bisserbe

SRI LANKA

Foreign Minister Quits Over Graft Allegation

Sri Lanka's foreign minister resigned on Thursday after being accused of possessing a luxury apartment paid for by a businessman investigated for shady treasury bond transactions.

Ravi Karunanayake, who was the finance minister at the time the deals took place, denied the allegation but told Parliament he is resigning from the cabinet to "set an example" to others and protect the government. He said he would remain a lawmaker.

He has previously said the

apartment deal was handled by his family and he was unaware of its contents or parties involved.

Although Mr. Karunanayake hasn't been charged, opposition lawmakers had been calling for his resignation over conflict of interest and ethical issues.

In his statement to Parliament, Mr. Karunanayake said there was an attempt to destabilize the government using the allegations against him. "I will not allow such a coup to topple our government. I resign with pride...setting an example," he said.

The businessman is being investigated by a presidential commission for allegedly having inside information about bond transactions with the Central Bank.

President Maithripala Sirisena, who came into power promising to end corruption, has been under pressure to act against Mr. Karunanayake.

—Associated Press

WORLD NEWS



North Koreans attend a mass pro-government rally on Wednesday at Kim Il Sung Square in the capital Pyongyang.

LATEST NORTH KOREA CRISIS OFFERS NO EASY WAY OUT

BY JONATHAN CHENG

SEOUL—When North Korea has made military threats in recent times, it has usually sought an off-ramp before tensions could spill over into armed conflict.

But the current standoff—President Donald Trump warning North Korea of “fire and fury,” Pyongyang declaring its intention to send

ANALYSIS missiles into the waters off Guam, site of a U.S. military base—could extend for weeks or months, security experts and scholars say. Unlike in the past, North Korea is near having the plausible ability to strike the U.S. mainland with nuclear weapons.

The exchange of threats comes at a delicate moment on the Korean Peninsula, less than two weeks before a planned joint military exercise by the U.S. and its allies in South Korea. The annual Ulchi Freedom Guardian drills, expected to start around Aug. 21 and usually lasting about two weeks, incense North Korea. A spokeswoman for the U.S. military in South Korea declined to comment on the exercises beyond saying they are “regularly scheduled” drills.

On the North Korean side, the general leading the country’s missile program is set in “mid-August” to present leader Kim Jong Un with a specific plan for the simultaneous launch of four intermediate-range missiles toward Guam, according to a North Korean state media report on Thursday. Separately, there are concerns that Pyongyang

Seoul Warns North Not to Attack Guam

Official notes that South Korea has seen no unusual North Korean military activity

South Korea warned Pyongyang it would face a stern response from allied forces if it followed through on its threats to carry out a missile attack on a U.S. Air Force base in Guam.

The South Korean military, in alliance with U.S. forces, “is fully prepared to take immediate and decisive action against any provocation from North Korea,” said Col. Roh Jae Cheon, spokesman for the South Korean Joint Chiefs of Staff.

The comment followed a North Korean threat Thursday outlining how it would attack Guam with “enveloping fire”

from a volley of missiles.

Four intermediate-range Hwasong-12 missiles could be launched in mid-August on the order of leader Kim Jong Un, flying over the Japanese city of Hiroshima and taking less than 18 minutes to land in the waters roughly 20 miles from

Guam, North Korean state media said. The warning was a serious challenge to allied forces, Col. Roh said. But he added no unusual activity has been seen that would indicate a North Korean attack is imminent.

In Japan, the government emphasized the need for effective defensive capabilities. In light of North Korea’s threats, “it is our responsibility to have a well-prepared alarm and surveillance system to protect people’s lives and be able to handle any situation,” Japanese government spokesman Yoshihide Suga said.

—Min Sun Lee

could answer the latest United Nations Security Council sanctions with another nuclear test or a long-range missile launch.

“Neither side has any incentive to make the first concession,” said Jung Kim, a professor of political science at the University of North Korean Studies in Seoul. “At least for one or two months, we’ll see this game of chicken continue.”

While the U.S. and South Korea say the drills are defensive, North Korea calls them rehearsals for invasion. That perception could be heightened if the U.S. deploys strategic assets such as aircraft carriers or sends nuclear-capable

bombers to the Korean Peninsula. Tensions spiked during the countries’ springtime exercises after Mr. Trump said that he was sending an “armada” to the peninsula.

“I’m concerned about inadvertent escalation as we enter into the season of planned U.S.-South Korea military exercises,” said John Park, director of the Korea Working Group at Harvard University’s Belfer Center. Another round of threats of force from Mr. Trump and North Korea’s state news agency—presumably from Mr. Kim—would make miscommunication and miscalculation more likely, he said.

“Almost 24 hours elapsed

before we saw a concerted effort in the Trump administration to dial back and qualify the president’s ‘fire and fury’ comment,” Mr. Park said.

China, North Korea’s most important ally, frequently calls on the U.S. and South Korea to desist with the drills in order to lower tensions.

In the past, tensions have flared only to subside. In 2013, North Korea suspended work at a joint inter-Korean industrial park and warned foreign diplomats to leave Pyongyang as it threatened missile strikes on U.S. Pacific bases, including in Guam and Hawaii.

And in August 2015, Pyongyang told Seoul it would attack in 48 hours unless South Korea ceased propaganda broadcasts over loudspeakers at the demilitarized zone between the two countries. Seoul had resumed the broadcasts after two of its soldiers were maimed in a mine explosion that it blamed on the North.

Both times, North Korea backed down.

Leif-Eric Easley, a professor of international studies at Ewha University in Seoul, said launching missiles toward Guam would be so provocative that Pyongyang is unlikely to deliver on that threat.

North Korea may also be trying new tactics, now that it has missiles capable of reaching prominent U.S. military targets.

Still, this time could be different. With less certainty about the U.S. approach under Mr. Trump, scholars and security experts see a higher possibility of miscalculation on either side.

U.S. Says It Is Overhauling Its Nuclear Arsenal

BY PAUL SONNE

WASHINGTON—A broad overhaul of the U.S. nuclear arsenal has been under way for half a decade, aiming to replace the planes, missiles and submarines the U.S. military would use to deliver nuclear weapons to enemy targets.

The project, expected to cost as much as \$1 trillion over 30 years, took on new relevance on Wednesday amid an exchange of threats between the U.S. and North Korea—and after President Donald Trump touted the nuclear revamp.

“My first order as president was to renovate and modernize our nuclear arsenal,” Mr. Trump wrote on Twitter. “It is now far stronger and more powerful than ever before.”

The overhaul of the nuclear program began under the Obama administration, which agreed to undertake the program in 2010 in exchange for Republican ratification of the New Start nuclear arms reduction treaty with Russia.

The modernization program doesn’t increase the size of the warhead arsenal, which already dwarfs that of North Korea.

As of March, the U.S. government said it had more than 1,400 nuclear warheads deployed on missiles, submarines and bombers. North Korea has about 10 nuclear warheads, according to the Arms Control Association, a nonpartisan Washington research group.

In January, Mr. Trump, in one of his earliest presidential memorandums, initiated a nuclear posture review—a customary action administrations undertake to examine and update the role of nuclear weapons in U.S. national security policy. A revamp of the nuclear arsenal requires congressional legislation.

“So far there have been no significant changes to any of

the nuclear modernization programs that were already put in place under the past administration,” said Todd Harrison, director of defense budget analysis at the Center for Strategic and International Studies. “In fairness, you can’t expect that the president would have done anything in the past six or seven months.”

The plan, agreed to by the Obama administration and the Republican Congress, is intended to replace by 2031 all three legs of what’s known as the nuclear triad—bombers in the air, submarines at sea and intercontinental ballistic missiles, or ICBMs, on alert in underground silos. In addition, the overhaul includes the development of a new air-launch cruise missile.

The Pentagon and its backers on Capitol Hill say the modernization is essential for the U.S. to retain a strategic

A \$1 trillion revamp begun under Obama is under way as tensions rise with North Korea.

edge, as China and Russia renew and advance their own nuclear systems, North Korea develops its nuclear capabilities, and U.S. technology becomes obsolete.

The U.S. military has extended the lifespan of the existing weapons systems—some of which date back five decades—for as long as the Pentagon believes they can reasonably last.

“We’ve waited so long that we’ve pushed all the timelines to the right,” Lt. Gen. Jack Weinstein, Deputy Air Force chief of staff for strategic deterrence and nuclear integration, said in an interview with The Wall Street Journal earlier this year. “We can’t push it anymore.”



Technicians remove part of an intercontinental ballistic missile with a nuclear warhead at Malmstrom Air Force Base, Montana.

CHINA

Continued from Page One
seeing his rhetoric as dangerous and his actions to pressure Beijing as unhelpful.

A U.S. Navy destroyer sailed within 12 nautical miles of one of China’s artificial islands in the South China Sea on Thursday, the Reuters news agency reported, in the latest American challenge to Chinese territorial claims. The U.S. Pacific Command didn’t immediately confirm the operation. China’s defense and foreign ministries didn’t initially respond to requests to comment about the U.S. maneuver, nor did they comment on policy discussions about the Korean tensions.

Over the past weekend, China agreed to join the U.S. in ramping up pressure on Pyongyang, signing on to fresh United Nations sanctions that would slash about \$1 billion off North Korea’s annual foreign revenue. In doing so, Beijing went about as far as it dares to go before sanctions bite too deeply and undermine the stability of the North Korean government, said Zhao Tong, a nuclear-policy specialist at the Carnegie-Tsinghua Center for Global Policy in Beijing.

Mr. Trump’s warning this week that any further threats from North Korea “will be met with fire and fury” was aimed in part at jolting China into

doing more to enforce the sanctions.

China in February suspended North Korean coal imports for the rest of this year, as part of efforts to enforce U.N. sanctions passed in November, which targeted Pyongyang’s reliance on coal sales as its single largest

source of revenue.

To tighten the pressure, China could cut off the crude oil supply to North Korea and bar imports of North Korean textiles and workers, said Mr. Zhao, who said he was among a number of foreign-policy experts consulted by Chinese officials in recent days. Those

moves could dangerously weaken the North Korean economy, so “China will never take that step,” he said. “Basically those steps are off-limits for now.”

Beijing has repeatedly in recent months urged Washington and Pyongyang to acknowledge each other’s security concerns

and avoid provocative action. It has called on Pyongyang to suspend its missile and nuclear programs and on Washington and Seoul to do the same with joint military exercises—moves China hopes will lead to negotiations. Though Russia has supported China’s bid, the U.S., South Korea and North Korea have objected to it. This week’s exchange seems to dim prospects for China’s plan further, some experts said.

Worse for China’s leaders, the latest escalation comes as they are preparing for a Communist Party congress that will reappportion power across its top leadership and give President Xi Jinping his second five-year term. Mr. Xi and other leaders are believed this week to be meeting in the coastal resort town of Beidaihe, where top officials have gathered most summers to discuss policy and political matters in secret. This year, party leaders are likely focused on negotiating promotions and personnel arrangements, according to Chinese politics experts.

“China’s leaders have directed their attention to domestic affairs, and lack sufficient time and energy to tackle foreign-policy crises,” said Mr. Cheng, the Beijing-based academic.

“There’s an absence of leadership” on the North Korean nuclear issue, Mr. Cheng said. He said China should ratchet

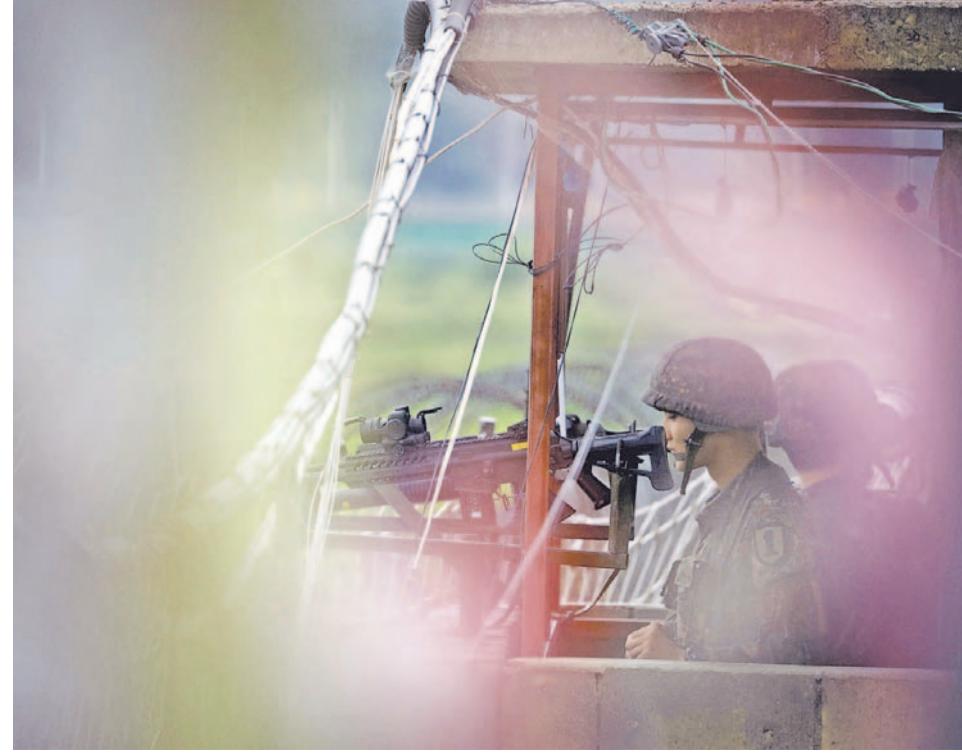
up its diplomacy, dispatching envoys to rally other regional powers like Russia and South Korea and coordinate policy to counter North Korea’s actions.

China has been quietly preparing for a crisis over North Korea. In recent months, Beijing has bolstered defenses along its 880-mile frontier with the hermit state and realigned military forces in surrounding regions to prepare for a potential crisis across their border, including the possibility of a U.S. military strike.

Mr. Zhao, the nuclear-policy specialist, said a consensus in his discussions with officials is that more pressure should be exerted on the U.S. to persuade it to talk directly with North Korea. Beijing remains hopeful that Washington will relax its conditions for negotiations with Pyongyang, as it has appeared to do in recent months, he said.

U.S. Secretary of State Rex Tillerson, in remarks this month, said Washington wasn’t interested in removing the North Korean government, and suggested the U.S. would accept talks with Pyongyang if it stopped launching missiles—comments that appeared to soften earlier demands for North Korea to immediately halt development of nuclear weapons.

—Eva Dou, Te-Ping Chen and Junya Qian contributed to this article.



South Korean soldiers stand watch at a guard post on Thursday near the heavily fortified demilitarized zone that separates North Korea and South Korea.

KIM HONG-JI/REUTERS

U.S. NEWS

Risk of National Fiscal Mishap Rising

Economists forecast greater chance of shutdown and default as deadlines loom

By JOSH ZUMBRUN

The risks of a budget crisis or fiscal mishap in Washington are rising, which could weigh on financial markets in the weeks ahead.

Forecasters in The Wall Street Journal's monthly survey of economists see on average a 22% chance of the government shutting down at the end of next month and a 17% chance that the U.S. Treasury will, at least temporarily, skip making payments on obligations such as government payroll or issuing Social Security checks to manage looming funding challenges.

The survey pointed to rising angst about land mines awaiting lawmakers when they return from their August recess. Two crucial fiscal deadlines are drawing nearer: The Treasury has estimated Congress must act by Sept. 29 to address the nation's debt ceiling, and Sept. 30 is the end of the fiscal year, and thus the deadline for Congress to authorize legislation to keep the government functioning when the new fiscal year begins Oct. 1.

Similar showdowns have rocked Wall Street in recent years. Though calamities were averted, that is no guarantee of a clear path now.



There is a 17% chance the U.S. Treasury will, at least temporarily, skip making payments on obligations such as government payroll to manage looming funding challenges, economists said.

"The annual games of Debt Ceiling Roulette and Federal Budget Chicken pose greater risks than ever this year," said Amy Crews Cutts, chief economist of the credit reporting agency Equifax.

Economists see a 6% chance the U.S. will default on debt payments. While 6% is fairly low, it's double the risk from earlier this summer for a scenario that most economists believe would be calamitous.

"Default would have quick and severe effects on the economy that no party wants to bear," said Brian Schaitkin,

senior U.S. economist at the Conference Board.

The Journal surveyed 62 economists from Aug. 4 to Aug. 8.

Even if the debt ceiling is raised, a contentious debate can have significant impact. Earlier this year, researchers at the Federal Reserve estimated the episodes in 2011 and 2013, in which Congress nearly failed to raise the debt ceiling, caused interest rates to rise, costing taxpayers about \$250 million in each episode.

A Goldman Sachs research note this week cautioned that

investors are starting to avoid Treasury bills that mature around this year's key fiscal deadlines, pushing up interest rates on those securities.

With Republicans in control of Congress and the White House, this isn't the post-election environment many had expected.

President Donald Trump took office pledging to swiftly repeal and replace his predecessor's health-care law, promising to give the tax code a business-friendly rewrite, and considering a \$1 trillion infrastructure package to rebuild

the nation's roads and bridges, while reviving up factories and construction firms.

Economists in The Wall Street Journal's monthly survey were initially optimistic about this agenda. After the election, the panel of academic, business and financial economists raised their forecasts for economic growth and interest rates, and many began fretting about "upside risks" to the economic outlook—that is, the risk that their forecasts could be wrong for not being optimistic enough.

But as the year wore on it became apparent that it wouldn't be easy to get Senate

year suggest Fed officials have managed to move outsiders' views more in line with their own thinking.

At least in the short run. Expectations for 2019 diverge, with economists anticipating a slower path of increases than policy makers.

Fed officials appeared to hint at a balance-sheet move at the Sept. 19-20 meeting by saying in the statement following their July meeting that they planned to begin the process of shrinking the portfolio "relatively soon."

On Wednesday, Chicago Fed leader Charles Evans said the central bank could hold off on raising rates at the September meeting and instead begin winding down its balance sheet.

—David Harrison

and House Republicans on the same page for an ambitious legislative agenda. Democrats have been unified in opposition. The challenge was most apparent when the Senate failed to advance its health-care bill last month.

The failed health-care bill has raised broader doubts about the legislative agenda. In January, 71% of economists in the Journal's survey said they expected a "substantial" boost to the economy from legislative changes such as a tax cut or infrastructure program. By this month's survey, just 26% expected such a boost.

Trump Criticizes McConnell Over Health-Care Bill

By BYRON TAU

WASHINGTON—Tensions flared publicly between President Donald Trump and Senate Majority Leader Mitch McConnell, with the president criticizing his party's Senate leader for the failure to advance a health-care bill through the Republican-led chamber.

"Senator Mitch McConnell said I had 'excessive expectations,' but I don't think so. After 7 years of hearing Repeal & Replace, why not done?" Mr. Trump wrote on Twitter on Wednesday. He was referring to the GOP effort to roll back and replace former President Barack Obama's 2010 Affordable Care Act.

And on Thursday morning, the president wrote, "Can you believe that Mitch McConnell, who has screamed Repeal & Replace for 7 years, couldn't get it done. Must Repeal & Replace ObamaCare!"

The president's tweets followed criticism from Dan Scavino Jr., Mr. Trump's social-media director and a senior aide, who wrote on Twitter earlier Wednesday that Mr. McConnell "must have needed another 4 years—in addition to the 7 years—to repeal and replace Obamacare."

The president's remarks came after Mr. McConnell at an event in Kentucky this week critiqued the "artificial deadlines" set by the president in the months-long debate over health care that were "unrelated to the reality of the complexity of legislating."

"Our new president has of course not been in this line of work before and, I think, had excessive expectations about how quickly things happen in the democratic process," Mr. McConnell said.

The House passed a bill to overhaul the ACA in May. But

the health-care repeal push was stymied in the Senate in a dramatic, late-night vote in July, when three Republicans joined with Democrats to vote against the bill. That effectively ended the GOP's repeal effort and dealt a blow to a longstanding campaign promise of the Republican Party. It also led to recriminations among Republican lawmakers over the failure to advance the repeal bill.

Sen. Ron Johnson (R., Wis.) said Wednesday that his GOP colleague Sen. John McCain's recent brain-tumor diagnosis might have played a role in his decision to cast the third GOP vote against the Senate bill.

"He has a brain tumor right now. That vote occurred at 1:30 in the morning. Some of that might have factored in," Mr. Johnson said on a radio program. A spokeswoman for Mr. McCain called those comments "bizarre and deeply unfortunate."

Separately, other Senate Republicans are increasingly becoming potential targets for Mr. Trump. He wrote in a tweet last month that Alaska Sen. Lisa Murkowski "really let the Republicans, and our country, down." She was one of the three who voted against the three who voted against the health-care measure.

Mr. Trump's allies have also begun targeting Sen. Jeff Flake of Arizona, one of the most vulnerable Republicans of the 2018 cycle. Mr. Flake voted in favor of the health-care bill but has been critical of the president on other issues.

A group supporting Kelli Ward, who is running as a Republican to unseat Mr. Flake, announced Wednesday that it had received a \$300,000 donation from Robert Mercer, a major donor and ally of Mr. Trump. A spokesman for Mr. Mercer didn't respond to a request to comment.



New York City taxi drivers received information about the Affordable Care Act and help getting insurance at a Harlem garage in 2014.

Health 'Navigators' Brace for Cuts

By MICHELLE HACKMAN

WASHINGTON—The Trump administration must decide within weeks whether to continue funding organizations that help people enroll in health insurance through the Affordable Care Act, one of several imminent choices that could signal the administration's larger approach to the law.

The Centers for Medicare and Medicaid Services awarded \$63 million in grants last year to nearly 100 community organizations that help people sign up for health plans under the 2010 law known as Obamacare. The grants for these so-called navigators are set to run through September 2018, but the contracts specify that funding year-to-year would be contingent on their performance.

That means the administration could choose to end the contracts early next month.

A spokeswoman for CMS

declined to comment, and officials with navigator organizations said CMS leaders have given them no indication either way about the funding. But some are concerned the administration could move to cut them off, given President Donald Trump's criticism of the law and the administration's earlier actions to weaken elements of the law.

The GOP president also has warned he might end federal payments that insurers use to offset subsidies to low-income consumers under the law. The administration has pulled funding for advertisements encouraging people to sign up for insurance, and it has hinted it wouldn't enforce a central requirement of the law that most people get coverage or pay a penalty.

"This is a sort of death by a thousand cuts," said Brendan Riley, a health-policy analyst with the North Carolina Justice

Center, an antipoverty group. "It seems pretty clear the administration is trying to undermine enrollment in order to destabilize the individual market and score political points."

The decision plays into a larger debate about the law, especially now that congressional Republicans' efforts to overturn it have stalled. Since the law went into effect in 2014, about 20 million people gained health coverage, most of them because of expanded coverage under the Medicaid program.

But Republicans have pointed to fragile insurance markets in some states for people who buy coverage on individual exchanges as evidence that the system is collapsing. Democrats have said Republican governors of some states, and now Mr. Trump's administration, are undermining the law.

Rep. Tim Murphy (R., Pa.), chairman of a congressional panel that has held hearings

on the navigator program, said through a spokeswoman that it failed to sign up enough people and didn't meet other quality standards, and that he doesn't believe federal funds should be used to enroll people in the law's plans in any case.

The navigator program never should have "been unleashed on the public, and Chairman Murphy does not support continuing to steer millions of taxpayer dollars" toward it, said Carly Atchison, Mr. Murphy's spokeswoman.

The administration ended two contracts last month with companies that provide supplemental enrollment assistance, citing the small number of people these groups had signed up the previous year. The administration also hasn't yet indicated whether it plans to staff the law's call centers and automatically re-enroll people who don't actively change their plan selections.

U.S. WATCH

CLIMATE CHANGE

White House Faces Deadline on Report

The Trump administration faces a deadline at the end of next week on whether to approve a scientific report that verifies climate change and attributes it to humans, a position that contradicts some of the rhetoric the president used during his 2016 campaign.

The White House's Office of Science and Technology Policy is supposed to decide by Aug. 18 whether to approve or recommend changes to the "Climate Change

Special Report," the research on climate science that feeds its National Climate Assessment.

The initial draft of the current report documents thousands of studies that show a changing climate with the hottest temperatures in 1,700 years, the fastest-rising seas in more than 2,000 years and a five- to 10-fold increase in U.S. coastal flooding since the 1960s.

The scientific draft has been through several versions, one publicly available since late last year. The New York Times reported about the latest draft earlier this week.

—Timothy Puko

SEPT. 11 ATTACKS

Court Bars Judge From Hearing Case

A federal appeals court barred a military-commissions appeals judge from hearing a key case on the Sept. 11 terror attacks, finding that his comments to the news media suggested he was biased against the defendants.

In a seven-page opinion Wednesday, the U.S. Court of Appeals for the District of Columbia Circuit also threw out a pro-government ruling in which the judge, Scott Silliman of the

Court of Military Commission Review, took part in July.

The D.C. Circuit decision is the latest setback for the government's 16-year effort to create a system separate from the federal courts and courts-martial that can prosecute suspected terrorists without affording them constitutional rights.

Judge Silliman said it would be inappropriate for him to comment on the decision. David Nevin, an attorney for Khalid Sheikh Mohammed, one of the defendants, declined to comment.

The Justice and Defense departments also had no comment.

—Jess Bravin



Senate Majority Leader Mitch McConnell this month.

IN DEPTH

COPY

Continued from Page One
tual living room."

Facebook in February launched a study of Houseparty, wooing its teenage users in a post that began: "Hi everyone!! Do you use Houseparty?"

The deep pockets of giants such as Facebook, Alphabet Inc.'s Google, Apple Inc., and Amazon.com Inc. make it increasingly difficult for startups to compete and stay independent. The four firms have a combined market capitalization of almost \$2.5 trillion, a rough equivalent to the annual gross domestic product of France.

Facebook acquired photo-sharing app Instagram in 2012 for \$1 billion and messaging service WhatsApp in 2014 for \$22 billion. Google in 2013 bought Waze, a rival to Google Maps. Amazon in 2010 bought Quidsi, the online retailing company behind diapers.com and other sites, after trying to copy it.

Lately, the titans also appear to be imitating smaller rivals more aggressively. In July, a week after the initial public offering of Blue Apron Holdings Inc., an Amazon subsidiary filed to trademark a meal-delivery kit with a tagline that echoed Blue Apron's offering. Both Google and Facebook have taken aim at features on Snap Inc.'s Snapchat platform. Amazon declined to comment. Google didn't respond to requests to comment.

At an all-hands meeting last summer, Facebook Chief Executive Mark Zuckerberg told employees they shouldn't let pride get in the way of serving users, another way of saying they shouldn't be afraid to copy rivals, according to someone who was at the meeting. The message became an informal internal slogan: "Don't be too proud to copy."

Facebook executives have said publicly it is common in tech for companies to build on technologies pioneered by others.

Regulators, politicians and academics are increasingly questioning how tech giants use their considerable clout. In June, the European Union's antitrust regulators fined Google \$2.71 billion, saying its search engine favored its own comparison-shopping service over others. Google has said it disagrees with the conclusions and will consider an appeal.

"If you're an app, are you better off getting acquired or competing against one of the big platforms?" says Scott Stern, management professor at Massachusetts Institute of Technology. While getting acquired can be "a very good win for the founders, that might be at the expense of a more competitive landscape."

Houseparty, formerly known as Life on Air Inc., was one of the first startups to go all-in on video chat, with an app that lets small groups of friends drop into a video conversation as if hanging out in a dorm room. It has tapped a coveted audience: teens who love Snapchat but not necessarily

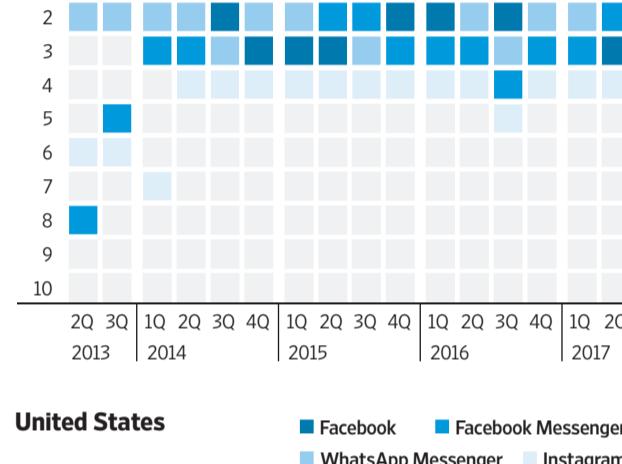


A San Francisco office at Houseparty, whose app caught the attention of Facebook. The tech giant plans to launch a similar product.

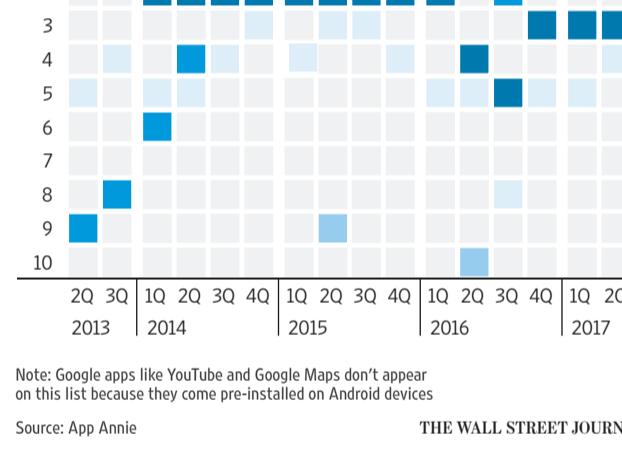
Social Dominance

Facebook's apps are among the most popular on mobile devices.

World-wide



United States



Note: Google apps like YouTube and Google Maps don't appear on this list because they come pre-installed on Android devices

Source: App Annie

THE WALL STREET JOURNAL.

Facebook.

The odds are already stacked against it. The average smartphone user has about 89 apps on a device but uses only seven or eight daily, according to Verto Analytics. Facebook, Apple and Google dominate, commanding about 60% of the time and 80% of the ad dollars spent on mobile, the market-research firm says.

Houseparty "is one of the cool new apps—a good example of somebody who is challenging the status quo and may have success in a certain

age group," says Verto CEO Hannu Verkasalo. But Facebook, Google and Apple "are extremely monopolistic," he says. "It's very difficult to break in."

Two of Houseparty's founders—Ms. Sistani, 38, and Ben Rubin, 29—have been on the verge of success before. They previously led one of the first live-video-streaming apps, Meerkat, but its downloads tumbled after Twitter Inc. booted the app off its platform in favor of its own live-streaming app.

When Houseparty was at its

most vulnerable, Facebook came knocking. Fidji Simo, head of Facebook's video efforts, contacted Mr. Rubin, according to people familiar with the contact. She wanted to talk about live video, the people say. It was the first sign Facebook was scrutinizing Houseparty.

Mr. Zuckerberg is sensitive

to anything that might disrupt Facebook, even the teeniest startup, say current and former executives and employees.

Facebook uses an internal database to track rivals, in-

cluding young startups per-

forming unusually well, people familiar with the system say. The database stems from Facebook's 2013 acquisition of a Tel Aviv-based startup, Onavo, which had built an app that secures users' privacy by routing their traffic through private servers. The app gives Facebook an unusually detailed look at what users collectively do on their phones, these people say.

The tool shaped Facebook's

decision to buy WhatsApp and informed its live-video strat-

egy, they say. Facebook used Onavo to build its early-bird tool that tips it off to promising services and that helped Facebook home in on Houseparty.

Houseparty says its growth had been stymied by the app's crash, which slowed its ability to introduce new features and attract new users. The calls from Facebook's Ms. Simo led to "natural conversations," says Mr. Elman, the Houseparty investor and director, in which Facebook was exploring whether Houseparty would be a good fit for an acquisition.

Mr. Rubin didn't want to sell but was under pressure

from his board to keep House-

party's options open, Mr. Elman says. "If a company like Facebook or Snapchat needs your team's expertise, that might be a better return for shareholders than the risk of going big," Mr. Elman says he told Mr. Rubin.

Mr. Rubin says in general he isn't against getting acquired as long as the opportunity would allow him "to continue to work on the mission on a larger scale."

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most vulnerable, Facebook came knocking. Fidji Simo, head of Facebook's video efforts, contacted Mr. Rubin, according to people familiar with the contact. She wanted to talk about live video, the people say. It was the first sign Facebook was scrutinizing Houseparty.

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Facebook home in on House-

party.

In February, Facebook in-

vited Houseparty users be-

tween the ages of 13 and 17 to

come to its offices in Menlo

Park, Calif., to participate in

a study and keep a diary for a

week afterward that they

would share with Facebook,

offering as an inducement

\$275 Amazon gift cards.

Meanwhile, Houseparty

readied for battle with \$50 mil-

lion in fresh funding in De-

cember from a group led by

Sequoia Capital, a venture-

capital firm that invested in

WhatsApp and Instagram.

Mike Vernal, a former Face-

book executive, a Sequoia

partner and Houseparty direc-

tor, says Facebook's interest in

Houseparty and live video chat

is to be expected because

BOOKS

'Some ticket buyers think they don't like Jews.' —Jack L. Warner

The House That Jack Built

Warner Bros
By David Thomson
Yale, 220 pages, \$25

BY LESLIE EPSTEIN

DAVID THOMSON'S "Warner Bros: The Making of an American Movie Studio" is the latest in the exemplary Yale Jewish Lives series, which now stretches from Jacob the Patriarch to Jacob Wonskoloski, known to the world as Jack L. Warner (1892-1978). Does one sense a certain falling off? A devolution in the history of the Jewish people?

Don't be too sure. For while Mr. Thomson, perhaps our most distinguished film critic and historian, does say that Jack is "the biggest scumbag ever to get into a Jewish Lives series," he immediately notes that the term in Hollywood connotes a certain affection for rascally villains and, more important, that Jack and his brothers—Harry, Albert and Sam—went on to have at least as much influence in the daily lives of the American people as Freud or Einstein, two other figures in the Yale series, did in shaping the attitudes and opinions of the rest of the world.

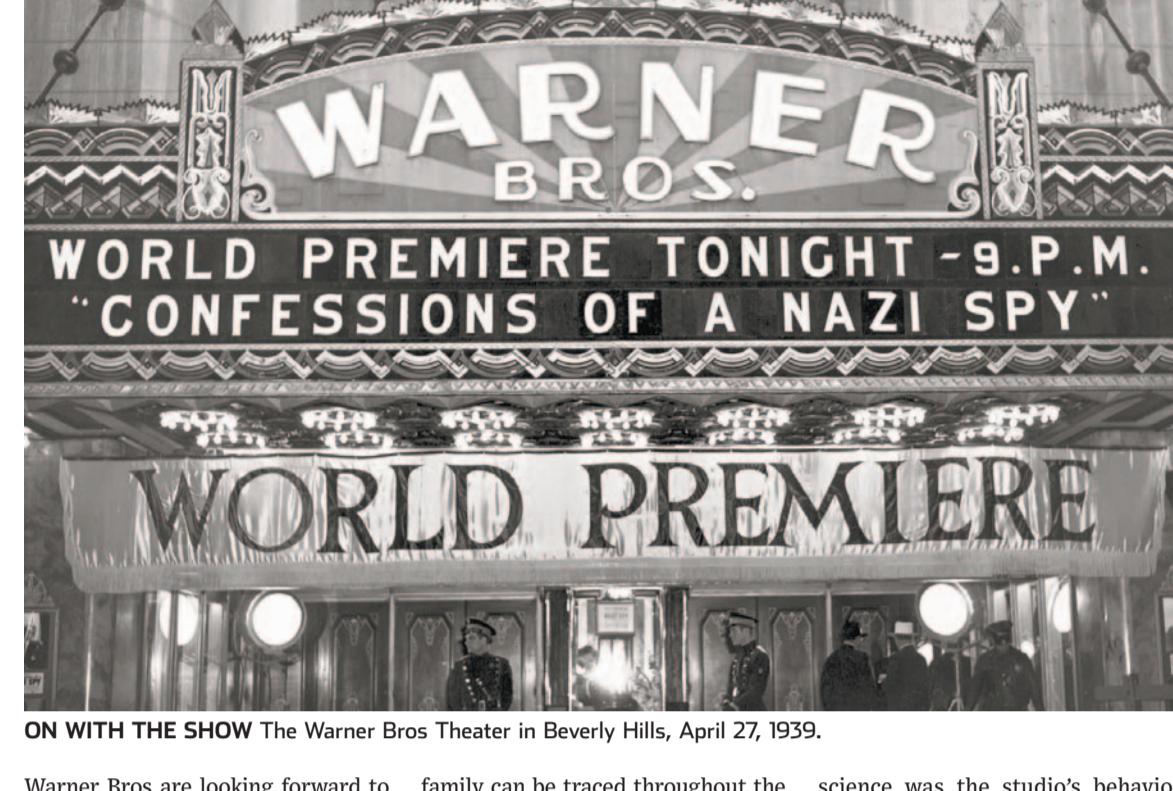
Mr. Thomson is at some pains to point out that he is not Jewish, but that he came to realize at a very early age that the Holocaust would be "the most important cultural event" in his life.

That is credential enough for me. Indeed, he is quite sensitive in his portrayal of the ways this immigrant family became an example—"crazy, yearning yet hardly planned"—of how "early-twentieth-century Jews [strove] to be American." The whole industry wished to be—often against their own instincts—wholesome, respectable, Republican.

It lay low during World War II, lest it seem that a Jewish industry was making propaganda for Jews. From Pearl Harbor to V-J Day the words "Jew" or "Jewish" occurred in only one film dealing with American life; that was "Mr. Skeffington." (All right, it was written and produced by my father and uncle: that is *my* credential.)

These new moguls couldn't change their habits or their faces, but they could change names. Jack told Julie Garfinkle that "people are gonna find out you're a Jew sooner or later, but better later." Julie became John Garfield.

I can't resist adding that Jack approached Phil and Julie Epstein with the same advice. After turning him down they snuck into his office and stole a piece of stationery. To the newly arrived Don Taylor, a fellow Nittany Lion, they wrote, "All of us at



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ON WITH THE SHOW The Warner Bros Theater in Beverly Hills, April 27, 1939.

Warner Bros are looking forward to your great career as an actor and to a long and fruitful relationship with you under your new name of Hyman Rabowitz. Sincerely, Jack L. Warner."

It is the not quite hidden theme of this book that as much as the newly arrived immigrant Jews attempted to make themselves and their industry American, their ultimate accomplishment was to make America Jewish. I don't mean merely that Mr. Thomson recognizes that the new medium taught those trapped in the dark how to dress, think, behave, and what was good and what was not. Nor does he restrict his critique to saying that under the guise of accepted morality, the available technology was in fact "dynamic and disruptive... cater[ing] to loneliness, instability, and escape."

No, he quite consciously intends to demonstrate that it was the immigrants themselves, and specifically the Warners, and most specifically Jack, who were filled with "instability," ruthlessness and "dangerous energy." It was those attributes that would come to characterize not just their studio, founded in 1923, but also the country that watched their films.

The brothers Warner were fractious, rebellious and antagonistic to each other. Their internecine war reached its climax when, in 1956, Jack persuaded the family to liquidate the studio and take their profits, only to buy it back for himself—an act of treason that Harry Warner's widow called murder.

Mr. Thomson argues, always imaginatively and often enough persuasively, that the sibling rivalry of the

family can be traced throughout the work they produced, particularly in the Cain-and-Abel parable of "East of Eden" and the fraternal tensions in "The Searchers." Here, all the way through to what is almost a parody of sibling conflict in "What Ever Happened to Baby Jane?," Mr. Thomson invites us to discover "a persisting pattern of mythic emotional forces acting out family antagonisms."

Or take the gangster film, a genre in which Warner Bros gave us "dames, gunfire, jazzy music, wisecracks, and outrageous, unhindered ids... guys who'll go for broke because they know they're doomed." Jack, himself, was a "charming pirate" who ran a studio that "copyrighted attractive gangsters" and was "run like a prison." If you worked for the studio, you didn't, in those days, or ours, "follow the money... not if you wanted to keep some of it."

As Mr. Thomson remarks, it might have been Warner, not Cagney, who pushed a grapefruit in the face of respectable society, with its high morals, its censorship and its denial of the real world around it.

What Warner Bros provided, more than any other studio, was a clear-eyed view of not only the cruelty of much of American life during the Depression but also the growing threat of fascism in the wider world. The references here are the biopics of Pasteur and Zola, "The Sea Hawk" and above all the brave "Confessions of a Nazi Spy," a film that infuriated Goebbels and forced Jack Warner to dig up his lawn searching for bombs.

The flip side of Jack's (and more to the point, Harry's) social con-

science was the studio's behavior when its workers went on strike: The goons and their guns and fire hoses were brought in, which inspired the Epstein boys to replace the Warners' motto, "Combining Good Picture-Making with Good Citizenship," with "Combining Good Picture-Making with Good Marksmanship."

Warner Bros was the smartest, toughest studio and Jack Warner its smart, tough driving wheel.

Perhaps that's why Jack named my father and uncle before the House Un-American Activities Committee, though they were nothing more than Roosevelt Democrats—true, a radical position nowadays. When asked whether they ever belonged to a subversive organization, they replied "Yes: Warner Bros."

As this fine book progresses, Mr. Thomson turns his attention away from the brothers and their studio and onto individual actors and films. These form a remarkable series of critiques and vignettes—cranky, idiosyncratic, sometimes improbable, but always ingenious, and now and then inspiring.

He doesn't miss anyone or anything: Flynn, Bogart, Bacall and Davis; Muni, Jolson, Blondell, Robinson, Cagney, Stanwyck, Wayne—even Rin Tin and Bugs Bunny.

There are thoughtful and surprising analyses of, beside the pictures I have already mentioned, "The Great

Train Robbery," "The Jazz Singer," "The Public Enemy," "Black Legion," "To Have and Have Not" (his favorite, I think), "The Big Sleep" and plenty more. His discussion of "Gold Diggers of 1933" (ahem, co-written by my stepfather, Erwin Gelsey), particularly the six-minute sequence during which Joan Blondell sings "Remember My Forgotten Man," is remarkable. No one else could call it an "epic of political statement" and "a marker in our history" and convince us that he is absolutely right.

But that is typical of this author, who can daringly compare Busby Berkeley and Leni Riefenstahl, "The Great Train Robbery" and "The Wild Bunch," Stanwyck and Streisand and make us use our heads, not just scratch them.

He has the most to say about "Casablanca," much of it insightful and cogent. On the one hand, it's an "adroit masquerade," yet also part of what it was, and is, to be American: "Wry, fond of sentiment yet hard-boiled, as if to say we're Americans, we can take it and dish it out, we're the best, tough and soft at the same time." Thus did the qualities of this film, and others, pass "into the nervous system of the country," making it what it remains to this day.

I am in a position to point out one of the few outright mistakes, not of judgment but of facts, in this book. Mr. Thomson naively accepts screenwriter Casey Robinson's claim that he created the ending of "Casablanca." The truth is that the ending was thought up at a red light on the corner of Sunset and Beverly Glen, when Phil and Julie turned to each other, as identical twins will, and cried out, "Round up the usual suspects!" By the time they reached Doheny they knew Maj. Strasser had to be shot and by the time they reached Burbank they knew who was going to get on the plane with whom.

Jacob the Patriarch fought with his brother and stole his birthright. He had a vision of a ladder with exiled angels moving up and down, which according to Rashi were the generations of Jewish people expelled from their land. He had his share of wives. He wrestled with an angel, just as his namesake Jacob Wonskoloski did with his demons.

Jack is lucky to have a man who has brought a lifetime of sitting in theaters, shellacked by the beams of the projectionist's light, and who has thought so deeply and eccentrically and opinionatedly and ultimately so brilliantly about him. We, his readers, are lucky too.

Mr. Epstein is the author of 11 books of fiction. He teaches in the creative writing program at Boston University.

The View From Below

Ants Among Elephants
By Sujatha Gidla
Farrar, Straus & Giroux, 306 pages, \$28

BY TUNKU VARADARAJAN

BEFORE WE TURN to a remarkable family history, it may be worth highlighting a fact that the author chooses not to touch upon. Nowhere in "Ants Among Elephants," the story of an Untouchable family in India that spans most of the 20th century, does Sujatha Gidla explain that her first name means "woman of good caste" in Sanskrit. The omission is a tease, since she and her family are *mala*, among the lowest in the caste system of Andhra Pradesh, a southern Indian state.

One suspects that Ms. Gidla's parents—her irrepressible mother in particular—named their daughter in an act of defiance and subversion. How could it have been otherwise, given that the family's story is one of almost nonstop struggle against oppression by the "good castes"?

Ms. Gidla's family is Christian, her maternal great-grandfather having converted from Hinduism. Her maternal grandfather, we learn, was educated by Canadian Baptist missionaries. He joined the British Indian Army and was deployed in Mesopotamia during World War II, returning after the war to work as a schoolteacher in the family's native district—an impoverished, feudal and incorrigibly caste-ridden part of India. Ms. Gidla's distant ancestors, she tells us, had worked as bonded slaves for local landlords.

Only the castes that scavenge for carrion beef or collect people's excrement from dry latrines by hand are beneath the *mala* caste in this Hindu system—a hierarchy into which one is born and from which one can never quite escape, even after conversion to Christianity.

But Ms. Gidla did break free. Having reached, improbably, the Madras campus of the Indian Institutes of Technology (India's equivalent of MIT), she traveled to America for

The lowest members of the caste system are born into forms of misery and humiliation from which it is nearly impossible to escape.

graduate school at age 26. She is now 53 and is (perhaps dishearteningly) a conductor on the New York City subway system, having been laid off from a bank job in 2009.

By coming to America, Ms. Gidla says, she found her voice: "Only in talking to some friends I met here did I realize that my stories, my family's stories, are not stories of shame." Along with America's tolerance, she encountered its pickup lines. One time in a bar in Atlanta, she writes, "I told a guy I was *untouchable*, and he said, 'Oh, but you're so touchable.'

Ms. Gidla's story is "subaltern" history, as academic theorists would call it: The story of a country told

through the experience of its oppressed groups.

Two narratives run through her tale. One, the more arresting—and frequently so painful that a reader has to pause for breath—is the account of her own kin, in which her grandfather, maternal uncle and mother are the main characters.



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The other is Ms. Gidla's version of political and historical events. This part of her narrative, it must be said, is often colored by her family's ideology, which spans the communist gamut from Leninist and Stalinist to Maoist and Naxalite (the Indian strain of armed revolution).

Ms. Gidla's grandfather Prasanna Rao was the font of the family's emancipation. She writes that, had he not "wanted too much for [the family's] own good," neither his children nor theirs would have been educated. He sent his three children to college, a feat unheard of among the *mala* of his generation.

One of them, Ms. Gidla's mother, Manjula, became a university lecturer in political science. Another, Satyam, the author's uncle, eventually became a leader of the People's War Group, a Maoist-Naxalite terrorist outfit that wages an armed "liberation struggle" against the Indian state. He was regarded by many as

stomach a highly intelligent Untouchable woman, gave her the lowest possible passing grade out of sheer casteist spite. She and her siblings, as children, could not enter the homes of their upper-caste classmates through front doors but had to be ushered in through the back; and when their playmates' fathers returned from work, the *mala* children were hustled out before they could be seen by adult eyes.

Debt, starvation, disease and wretched housing were constant factors in the lives that Ms. Gidla describes. Even when her grandfather was the only schoolteacher in a village, upper-caste residents wouldn't let him live in their midst.

Students in high school and college, and even teachers, taunted both Satyam and Manjula for their origins. An upper-caste girl whom Satyam loved struck him along until, one day, she told him brusquely that they had no future together because of his caste. He did not sit in a car until he was a provincial party leader in his 30s. And even then "he felt too embarrassed to ride in the backseat. Instead he sat beside the driver... and pretended to be a repairman."

This is where Ms. Gidla's story is so precious—in its descriptions of how her family, and people like them, guarded their own humanity even as others denied it. The dignified Untouchable is a staple of progressive Indian literature, but in this book of nonfiction one reads of real people fighting real cruelty with real courage and grace.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

BOOKS

'A man . . . can understand only things that are true, for if the things be false, the apprehension of them is not understanding.' —Isaac Newton

Newton's God-Filled Universe

Priest of Nature

By Rob Iliffe

Oxford, 522 pages, \$34.95

BY DAVID DAVIS

THE POTTED HISTORY of Isaac Newton's life is well known. Following a puritanical upbringing, Newton went to Cambridge in 1661, already a mathematical prodigy. As a professor there, he became a champion of the new mechanical sciences and redefined man's understanding of the physical world with works like "Opticks" and "Philosophiae Naturalis Principia Mathematica." This is the Isaac Newton of whom Voltaire said: "Metaphysicians and theologians are much like those gladiators who were obliged to fight hoodwinked. But when Newton worked, with the bandage removed from his eyes . . . his sight pierced to the utmost limits of nature." This version of Newton's life is a narrative of scientific triumph, of intellectual light shining in the darkness. It is also gapingly incomplete. Rob Iliffe's "Priest of Nature" fills in the crucial missing piece: the fact that Newton's "Christian faith was the most important aspect of his life."

That Newton's religious devotion often has been underemphasized is not surprising. As Mr. Iliffe notes, modern audiences may struggle with the idea of Newton—"the founder of Enlightenment rationality"—being so completely absorbed by matters of God. Yet even in his own time, Newton had good reason to keep most of his theological writings unpublished. His views were heretical: They would have cost him his university appointment, his seat in Parliament and his scientific renown.

Recent studies of those unpublished manuscripts, however, reveal a more complicated life than the Enlightenment narrative would have allowed. And while other biographies acknowledge that Newton possessed a sincere, though heterodox, faith, Mr. Iliffe serves up the most complicated picture to date of the faith itself. He completely recasts the relationship of Newton's scientific inquiry to his religious beliefs, tying the two together to an unparalleled degree.

Mr. Iliffe, a professor of history at Oxford, documents the depth and breadth of Newton's religious inquiry, explaining how, in thousands of manuscript pages, Newton explored the mechanics of optics and motion alongside diligent theological research. His topics were varied, cover-



ALL WAS LIGHT 'Newton' (1795) by William Blake.

ing biblical prophecy, God's infinitude, the Incarnation, idolatry and the nature of the soul. Mr. Iliffe demonstrates how Newton pored over biblical scholarship, exhibiting a mastery of Greek as well as the chief sources on church history.

Interestingly, Newton's study of prophecy overlapped the period of his most groundbreaking scientific work—in part because the discipline with which he approached one intensified the rigor of the other. Newton's underlying assumption was that religious truth was itself rational, because it, like science, was an explanation of the divine order. While Newton did not use the Bible as a book of science, his science was grounded in Christian assumptions that "humans were made in the image of God" and that rational thought could provide insight into the Creator God. His interpretation of scripture developed a universal order, through which all prophecy could be understood—as-

sumptions that also provided a framework for the mathematic system of Newton's "Principia."

The false tradition that most consumed Newton was the doctrine of a triune God. Jesus Christ, he believed, was separate and unequal to God the Father. Trinitarianism not only was the genesis of ecclesiastical corruption, in Newton's schema, but also was "inevitably accompanied by the complete loss of true scientific knowledge" in Western Europe. He considered church fathers like Athanasius, who defended the Nicene Creed and its vision of the trinity, to be adversaries of both true religion and science. This singular conception of God was heresy not only to the Catholics but also to most Protestants, including the Church of England. In an era when politics and religion were overshadowed by the English Civil War and Glorious Revolution, such views were personally and professionally dangerous.

notes, he made an almost identical distinction between claims rooted in scripture and those added by "false traditions." Of the latter, Newton saw the Roman Catholic Church as the most egregious promoter; for this reason, Mr. Iliffe explains, he (like many 17th-century English Protestants) saw Catholicism as "the epitome of satanic anti-Christianism."

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Mr. Iliffe presents a syncretism in Newton's thinking that eludes simple classification. He should not be labeled a rationalistic Deist like John Toland, despite his devotion to mechanical science. Nor was he an

fested itself in his asceticism. He published little, neglected meetings of the Royal Society, and dodged public debate as much as possible. Where other intellectuals like Christopher Wren and Robert Boyle nurtured public personas, Newton was intentionally aloof.

Mr. Iliffe also attends carefully to neglected periods of Newton's life, including the teen years he spent laboring in an apothecary's workshop and his stints as a Member of Parliament. Attention to such detail, woven deftly into a finely constructed and well-written narrative, makes Mr. Iliffe's "Priest of Nature" a robust portrait with broad appeal. Both the academic and lay reader will appreciate how, in shattering the simplistic Enlightenment account of Newton, the book reveals the flexibility of the great man's capacious mind. This Anglican who condemned the Nicene Creed was the same man who charted a mathematically enclosed universe but allowed for the possibility of divine revelation. Mr. Iliffe's Newton remains unrivaled in his genius, but his sight sweeps across a much broader range of human experience than Voltaire would allow.

Mr. Davis is an assistant professor of history at Houston Baptist University.

All the Light We Cannot See

Zapped

By Bob Berman

Little, Brown, 261 pages, \$26

BY ALAN HIRSHFELD

I LIE FACEDOWN on the treatment table, a morgue-like slab that guides me into the maw of the great machine. A momentary silence, then a chorus of alien chitters and groans as the instrument's wishbone-shaped jaws swivel around me, seeking out the flock of offending cells that have

Radio waves link our phones; microwaves warm our food; we ourselves emit infrared light.

nested on my back. An electrical buzz signals that treatment has begun: A beam of X-rays launches its five-week campaign to eradicate the tumor. Invisible to the eye, the deadly light betrays its presence only afterward in an oblong, rosy blemish—the thumbprint of a high-tech phantom.

As I leave the treatment center, I picture the maelstrom of unseen rays that crisscross around us and through us. The human optical system is a biochemical paint-by-number, synthesizing a landscape or a lover's lips from the matrix of wavelengths and trajectories of light rays striking the retina. But the eye is sensitive to only a sliver of the electromagnetic spectrum. Radio waves and X-rays, for example, are forms of "light" as well, only with wavelengths too long or too short to trig-

ger our retinal cells. Our blinkered view leaves us oblivious to a host of emanations that are nonetheless critical to our understanding of the universe, the functioning of our tech-enabled society and the stealthy beam that saved my skin.

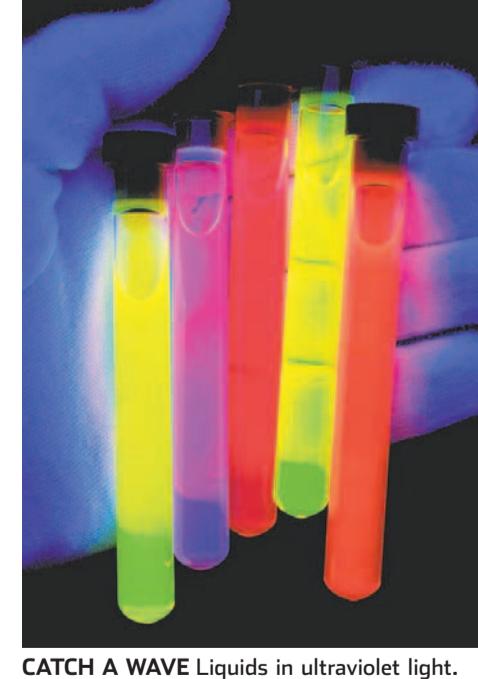
Radio waves link our cellphones to the world; microwaves warm our mac and cheese; infrared pulses turn on our televisions from across the room. Indeed, our body emits infrared photons sourced from the metabolic furnace within. These fleet emissaries of luminous power have several attributes in common: Their energy derives from oscillating or accelerating electric charges; they move at the speed of light; they propagate freely through the vacuum of space; they are characterized by their wavelength (although in some experiments, they act like particles).

There are two ways to detect the invisible: either indirectly, from environmental cues—Hollywood used a floating cigarette to help manifest "The Invisible Man"—or directly, with specialized sensors engineered to capture, quantify and image photons in a chosen electromagnetic band. That is what radio astronomers do when they study the cosmos.

When and how did scientists come to recognize the existence of invisible light? What are its properties and practical applications? Which types are harmful or beneficial to our health? Veteran astronomy author Bob Berman surveys the historical and scientific aspects of unseen radiation in "Zapped: From Infrared to X-rays, the Curious History of In-

visible Light," examining each of the non-visible forms of electromagnetic energy in turn, from radio waves at one end of the wavelength spectrum to gamma rays at the other.

Mr. Berman begins with a chronological digest of theories about light and seeing. "Until the eighteenth century," he writes, "no one had the



CATCH A WAVE Liquids in ultraviolet light.

faintest idea that there might be such a thing as light that cannot be detected by human vision." Detection of invisible light dates to 1800, when musician-turned-astronomer William Herschel, already famous for his discovery of the planet Uranus, placed a thermometer in the dark space beyond the red end of a spectrum that was produced by passing sunlight through a prism. The thermometer

reading remained elevated, indicating the presence of invisible "heat rays," or infrared light. Mr. Berman elaborates on the effects of infrared on the weather, describes next-generation space telescopes that will take infrared pictures of nascent galaxies, and explains the difference between heat (the vibration of atoms and molecules) and infrared (a form of electromagnetic energy emitted by these vibrating particles).

Barely a year after Herschel, a German scientist named Johann Ritter projected the solar spectrum onto a photo-reactive strip of paper. The paper darkened in the colorless void alongside the violet, proving the existence of ultraviolet light. Cellular changes wrought by UV rays are proven precursors of skin cancer; hence the ubiquitous warnings about spending too much time in the sun or on a tanning bed. Mr. Berman offers a primer on safeguarding oneself from UV overexposure but points out that UV is key to the body's production of vitamin D, an essential nutrient.

Radio waves, first generated in 1887 by the German physicist Heinrich Hertz, are visible light's longest-wavelength cousins, each undulation spanning meters or more. (Radio waves with centimeter lengths are categorized as microwaves.) Mr. Berman reviews the principles and history of AM and FM transmission, then segues into the operation of GPS, which uses a radio-wave link to a suite of positioning satellites.

Last, at the ultra-short-wavelength end of the electromagnetic spectrum, are X-rays and gamma rays. X-rays date back to 1895, when the German

experimentalist Wilhelm Röntgen noticed that a barium-infused plate in his lab glowed whenever he flipped on a high-voltage vacuum tube, even with an opaque barrier between the two. Inspired by the penetrating power of these invisible rays, Röntgen used them to photograph his wife's hand. (She was horrified by the skeletal portrait.) It wasn't long before Thomas Edison invited members of the public to inspect their bony innards under his "fluoroscope."

In the ensuing decades, "radiologists" hawked the allegedly restorative beam for a host of ailments, a cautionary tale that Mr. Berman infuses with woeful pathos.

"Zapped" includes digressions into atomic and nuclear physics, astrophysics, biology and medicine, and human behavior. Mr. Berman devotes a chapter to the purported hazards of cellphone radiation and casts a skeptical eye on ESP and mental telepathy. Although dense with technical information, the narrative is briskly conversational: We're on the porch, shooting the breeze with a knowledgeable neighbor.

Mr. Berman's avowed goal in writing this book, he says, was "to open a window onto the enormous universe of omnipresent energies." Once that window is thrown open, it is hard to look at the world the same way. We augment visual reality with nature's hidden brush strokes, limned in our own imagination. As to that old saw, "Seeing is believing," don't you believe it?

Mr. Hirshfeld is a professor of physics at UMass Dartmouth and the author of "Starlight Detectives: How Astronomers, Inventors, and Eccentrics Discovered the Modern Universe."

BOOKS

'I deeply respect American sentimentality, the way one respects a wounded hippo. You must keep an eye on it, for you know it is deadly.' —Teju Cole

The Do-Gooders' Playground

White Man's Game

By Stephanie Hanes
Metropolitan, 287 pages, \$28

BY JAMES ZUG

IT IS AN OLD, old story. A wealthy man comes to town, promising change and a brighter future. He's the expert. He knows best. Inevitably, it doesn't exactly work out that way.

Stephanie Hanes, an American correspondent for the Christian Science Monitor, spent three years watching one particular version of that fairy tale unfold in central Mozambique.

The wealthy man was Greg Carr. An Idahoan, Mr. Carr had made millions first by selling voice-mail systems and then by running Prodigy, an early internet service provider. At age 40, he turned to philanthropy and in 2004 went to Mozambique to see if he could help that southern African nation still recovering from centuries of under-development and a vicious civil war. He took over a former national park, called Gorongosa, pledging \$40 million to bring back the wildlife and tourists that would restore this so-called Lost Eden and support the neighboring communities.

In "White Man's Game," Ms. Hanes outlines, in a nonpolemical way, the long history of Western involvement in Africa's wilderness. Some of the episodes are perhaps familiar, like "Dr. Livingstone, I presume?" (the question that Henry Morton Stanley asked, in 1871, of the "lost" explorer David Livingstone); or Teddy Roosevelt's post-presidential hunting safari in East Africa; or Live Aid, the mid-1980s benefit concerts aimed at helping famine-struck Ethiopia.

Turning to the present day, Ms. Hanes takes World Wildlife Fund, Nature Conservancy and other Western groups—known as Big Green—to task for their conservation colonialism. She thinks they are too cozy with multinational companies interested in "green-washing" their own dirty industries, and she questions whether they are really effective in helping the environment and the people in it. She also points out that they are a bit cynical. "The conservation industry mirrors the humanitarian assistance industry," she writes, "with



GETTY IMAGES

TRUNK ROAD Warning signs in Chobe National Park, Botswana.

alarmist pledge drives, heart-stirring photos and admonitions to 'act now!'—all to be repeated for the next grant cycle."

Juxtaposed to Big Green are eco-barons. Ms. Hanes incisively profiles some of these "wealthy environmentalist do-gooders"—for example, a couple who created a tiger rehabilitation scheme in South Africa (tigers in Africa—don't ask) and a Louisiana tycoon who dreamt up a massive conservation-cum-golf courses project in southern Mozambique. Ms. Hanes believes that such unorthodox projects too often misfire, leaving disappointment in their wake.

Greg Carr is perhaps the most committed of the eco-barons and Gorongosa the most ambitious project. In 1995 I passed through the region on a backpacking expedition. About the size of Rhode Island, it was beautiful, with a mountain that reached more than 6,000 feet high. Stark reminders of the civil war that had ended just a few years earlier abounded, however, including rusting tanks and blown-up bridges. I saw a lot of people farming and hunting.

The people were still there a decade later, when Mr. Carr helicoptered in. He had great intentions but, according to Ms. Hanes, never effec-

tively partnered with the local communities. After explaining Mr. Carr's wide-ranging approach (importing elephants from South Africa's Kruger National Park, planting trees, building schools and clinics), she gamely searches out the locals, presumably accompanied by an interpreter. She talks to a poacher whose brother is a ranger, to Mozambican anthropologists, to resident chiefs.

It is clear from Ms. Hanes's account that a complex interplay of social, political and economic matters affected Gorongosa, not just one man's ambition. The imported elephants inevitably roamed outside the park and into nearby towns, damaging crops and perhaps killing a villager. Mr. Carr's tree planting, a laudable goal on the surface, was seen negatively by the people there because, culturally, tree planting was a way of marking one's territory. When visiting a prominent local leader, Mr. Carr arrived in a red helicopter, oblivious to the fact that, in Gorongosi culture, red is the color of violence. For locals, Mr. Carr was the latest in a long line of outsiders invading their land. He destabilized rather than restored.

In the West, Mr. Carr's work catalyzed praise: a glossy piece on Gorongosa in National Geographic by

the noted biologist E.O. Wilson, a profile in the New Yorker. But the reality on the ground was different. Few tourists came to Gorongosa, and a flare-up of civil-war tensions led to violence. Overall the 150,000 Mozambicans who lived in the district,

In Africa, environmental groups and eco-barons launch projects that often misfire and may do harm.

according to Ms. Hanes, saw little measurable improvement in their lives. Park staff even tortured suspected poachers.

In the most powerful scene in the book Ms. Hanes observes Mr. Carr and his associates staring at a map of Mozambique and contemplating expanding the park borders to incorporate a vast swath of land so that animals could migrate again. They wanted to rewild central Mozambique. It was just another example of the "generations of white man standing around maps," observes Ms. Hanes. They never mentioned the millions of people who lived in those lands.

The only drawback to Ms. Hanes's magnificent book is the fact that it is out of date. She reported from Gorongosa from 2006 to 2009. She evidently hasn't been back since. "White Man's Game" was delayed in coming out, and she hints at the reason in an afterword. Though not having actually seen the book, Mr. Carr and Mr. Wilson, along with two dozen academics and aid-agency leaders, sent Ms. Hanes and her publisher letters attacking the book, arguing that things are going quite well there now. She dissects the one-sided statistics that Mr. Carr et al. provide, but she isn't on the ground to tell the current story of Gorongosa and its people.

What is really happening there? What is the fate of the poacher, the ranger, the chiefs? Fewer than 1,000 tourists visited last year, so the promise that eco-tourism would transform the local economy hasn't come true—but I wished that she had gone back to tell us for sure. But maybe that is just another wistful Western idea, hoping against hope that this time the West got it right.

Mr. Zug is the author of "The Guardian: The History of South Africa's Extraordinary Anti-Apartheid Newspaper."

Holmes off the Page

From Holmes to Sherlock

By Mattias Boström
Mysterious Press, 597 pages, \$28

BY MICHAEL SALER

BEGINNING IN the 1890s, Sherlock Holmes became the first avowedly fictional character to be widely and persistently treated as if he were real. There had of course been vogues for other fictional characters before, but nothing equaled the continued, communal imagining by the public of Holmes and Watson as living presences that could be talked about as if they existed outside the page, while the actual author was deliberately sidelined as Watson's literary agent. Holmes and Watson set the template for later obsessions with fictional worlds and characters as autonomous entities, from "The Lord of the Rings" to Harry Potter and beyond.

While the deducing duo first appeared in two novels in 1887 and 1890, they didn't become wildly popular until Arthur Conan Doyle wrote short stories about them for the Strand Magazine beginning in 1891. At that point, Sherlock Holmes launched modern fandom.

There have been many works recounting his fictional life during the past century, but Mattias Boström has provided a timely overview of the great detective's actual genesis and multiple transformations as a mass cultural icon. As translated from the Swedish by Michael Gallagher, it is a riveting tale involving brilliant artists, cunning criminals, eccentric characters and illuminating moments of tragedy and triumph. Following Holmes's avidity for "Data! Data! Data! . . . I can't make bricks without clay," Mr. Boström has expertly unearthed entertaining instances of the sleuth's diverse appearances in all media, throughout the world—starting from his sketchy

debut in Conan Doyle's notebook as "Sherrinford" to Benedict Cumberbatch's recent turn as that charismatic misanthrope, "Sherlock." Like Dr. Watson, Mr. Boström is a genial raconteur who mines human interest from the exotic lore he's quarried. Thus, we learn of the tragedy of Frederic Dorr Steele, a seminal illustrator of the tales, who was tasked with drawing Holmes gazing over the Reichenbach Falls for the cover of Collier's Weekly, not long after his own 3-year-old son had drowned. As Mr. Boström quietly observes, "there was no sign of water anywhere in the image."

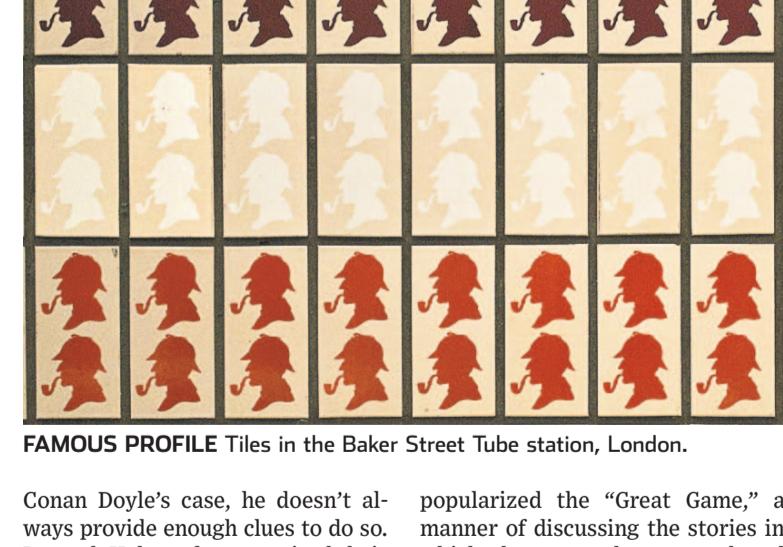
Some of Holmes's iconic features—curved pipe, deerstalker hat—were not invented by Conan Doyle.

In a history more narrative than analytic, Mr. Boström doesn't directly address the mystery of why Holmes and Watson became the first virtual reality characters in Western literature. But he provides enough clues for readers to solve it for themselves. Conan Doyle's inspired creations are obviously a major factor. Mr. Boström insists that the author's "stroke of genius was not in fact the creation of the detective . . . but rather that of his faithful companion, Dr. Watson," to whom ordinary readers could relate as he reminisced about his exceptional companion. This is an important factor, but not the key one: Edgar Allan Poe's detective C. Auguste Dupin had his anonymous narrator but did not ignite an immediate fan following.

Mr. Boström also suggests the short stories distilled Holmes's eccentricities and followed a familiar pattern, encouraging the immediate production of parodies and pastiches

that in turn made the character omnipresent. In addition, the sleuth's complex personality—logical and aesthetic, languid and athletic, arrogant and amiable—provided ample scope for multiple remixes of his character by subsequent hands. Finally, readers were inspired to emulate Holmes's attractive combination of imagination and reason.

The point of a detective story is often for the reader to "play along" and match wits with the sleuth. In



FAMOUS PROFILE Tiles in the Baker Street Tube station, London.

Conan Doyle's case, he doesn't always provide enough clues to do so. Instead, Holmes fans practiced their own forensic skills to resolve mysteries related to the endlessly fascinating detective himself—to say nothing of the ambiguities the author did not mean to introduce, such as whether John H. Watson was shot in the shoulder or leg. (And what did the "H" stand for?)

Holmes and Watson also appeared at a critical juncture in mass culture, in which advertising, the culture of celebrity and inexpensive new media (magazines, film, radio) combined to make fictional characters more

prominent than their authors. Fans could now obsess about invented icons through articles and advertisements in magazines, journals and newspapers. This was the route taken by the journalist Christopher Morley on the road to founding the Baker Street Irregulars (B.S.I.) in the United States in 1934.

Mr. Boström recounts the origins and fortunes of this and other important associations, including contemporary ones on the internet. They

own image. Several of the detective's most identifiable features were not original to Conan Doyle. Sidney Paget, an illustrator for the Strand, crowned the sleuth with his iconic deerstalker hat; the American actor William Gillette gave him his curved pipe and the catchy refrain, "Elementary, my dear Watson." Mr. Boström surveys many other actors who left indelible impressions, including Basil Rathbone and Nigel Bruce, Peter Cushing, Jeremy Brett, Robert Downey Jr., Mr. Cumberbatch, Jonny Lee Miller and Lucy Liu ("Dr. Joan Watson"), as well as Vasily Livanov, who played an extraordinarily faithful version of Holmes in a Russian television series during the 1980s.

Running like a tangled skein through this wonderfully entertaining history are the attempts by Conan Doyle and his heirs to control Holmes's dissemination through copyright law. The author's wastrel sons, Denis and Adrian, depended on income from the detective to finance addictions to fast cars and big-game hunting, which at times threatened to bankrupt the Estate. They and their sister, Dame Jean Conan Doyle, also deployed legal sanctions to protect their father's public image. Nevertheless, Conan Doyle himself has become a fictional character, in novels by Mark Frost and Julian Barnes, and in the TV series "Murder Rooms." As Mr. Boström demonstrates, the proliferation of real Sherlocks and fictional Conan Doyles rarely has fooled any adult who bothered to consider the evidence and draw some elementary conclusions. Sherlock Holmes always represented both an alternative fact and its solution, a neat trick of the mind worth cultivating today.

Mr. Saler is a professor at the University of California, Davis, and the author of "As If: Modern Enchantment and the Literary Prehistory of Virtual Reality."

OPINION

REVIEW & OUTLOOK

An Aussie Terror Warning

The international media paid little attention when Australian police rolled up a terrorist plot in the Sydney suburbs last month, the 13th time in three years the country has dodged a mass-casualty attack. But it has since become clear that Islamic State nearly brought down a large plane without authorities having a clue. That should ring alarm bells across the world.

On July 15, brothers Khaled and Mahmoud Khayat placed a bomb inside a meat grinder and gave it to a third, unwitting brother to carry in his luggage on an Etihad Airways flight to Abu Dhabi. At the last moment the bag wasn't checked in, apparently because it was too heavy. An Australian antiterrorism task force began to watch the Khayat family only after a tipoff 11 days later from British intelligence. They arrested the brothers on July 29 and found evidence that the bomb could have brought down the plane.

Tests with a dummy version suggest that it would have been caught by the luggage-screening system at Sydney's airport. But the fact that the plot progressed to such an advanced stage is proof of a major intelligence failure. Luck was on the side of the authorities this time, but it easily could have favored the terrorists.

Everyday Terror in France

Time was when an alleged terror attack such as that in a Paris suburb on Wednesday would have been major news. A car plowed into six soldiers in what an official described as a "deliberate act." Yet this type of attack is now common in France, and fortunately at least this time no one was killed.

Police haven't released many details about the alleged attacker, who they say they arrested in a highway shootout after he fled the scene. But this incident bears all the hallmarks of other recent Islamist attacks in France. The police and military have become preferred targets, and vehicles are common weapons. Media reports suggest the suspect may be a North African immigrant.

These attacks aren't as severe as the November 2015 shooting rampages at cafes and a nightclub that killed 130, or last year's truck attack at a Bastille Day fireworks display in Nice. But cumulatively, the smaller-scale violence is shocking.

One police officer killed on the Champs-Elysees in April; one policeman injured by a man with a hammer and knives in front of Notre Dame cathedral in June; soldiers targeted by an attacker at Paris's Orly airport in March; one soldier injured by a machete-wielding man at the Louvre museum in February; a police officer and his wife murdered in his home in June last year. And that doesn't include attacks on civilians such as the July 2016 murder of a priest after Mass in Normandy.

This challenge is as difficult for President Emmanuel Macron as his economic revival agenda. France's policing response to terrorism has been among the most aggressive anywhere, with an extended state of emergency giving authorities wide powers. Officials say they've broken up at least seven plots this year.

But France will never be able to stop terrorism solely through better policing. It can't

Islamic State came close to taking down a passenger plane.

The would-be attackers gave little indication that they had been radicalized. Khaled Khayat, a 49-year-old butcher of Lebanese descent, briefly appeared on the intelligence radar because a fourth brother is an Islamic State commander in Syria. But he and Mahmoud appeared to be well-integrated members of the community.

Aussie authorities say that, unlike typical distant recruits, the brothers received direction from an Islamic State controller in the Middle East. Components for making the bomb, including a military-grade explosive, were shipped to them on a cargo flight from Turkey. Since 2001 no terrorist plot on Western soil has used such sophisticated material.

Western authorities will be hard pressed to stop attacks if Islamic State can put high-powered bombs in the hands of Islamic radicals not on a watchlist. Terrorism expert Paul Cruickshank has dubbed this the IKEA model of terror for its ability to replicate cheaply.

The terrorists will be encouraged by their near success to try again. The West must examine how the Khayats slipped through the net and the role that Turkey is playing as a global Grand Central station for terrorists.

Smaller attacks persist while Paris struggles with deradicalization.

cope with the more than 17,000 already on lists of potential radicals and faces a constant threat of attacks from internet-radicalized terrorists not previously on the police radar screen.

Paris is more than a decade behind neighbors such as Britain, Denmark and Germany in developing programs to intervene before people fall prey to Islamist proselytizing or to deradicalize those already in thrall to extremism. Officials have struggled even to name the threat they face, with Mr. Macron's predecessor, François Hollande, often referring to "obscurantism" instead of "radical Islam."

The government has boosted spending on deradicalization efforts since 2013, but much of the tens of millions of euros it has expended have been wasted. Much of the money has been distributed scattershot with little thought for reaching the most vulnerable neighborhoods or Islamist recruiting hot spots such as prisons.

The highest-profile project is a toll-free phone line people can use to report suspected radicals. An attempt to create voluntary deradicalization centers collapsed last month after too few eligible youths—only nine—signed up to attend the first center to open and those were insufficiently vetted. It cost €2.4 million (\$2.8 million).

No one has found a silver bullet for reducing radicalization, but France needs to avoid falling further behind in the hunt for a solution. Mr. Macron was on the right track when, in a speech last month, he shifted more responsibility for spotting and stopping radicalization to France's large Muslim community—although his more *dirigiste* ideas, such as inserting the state into the training of imams, seem destined for failure.

A start would be to name the threat consistently as the radical Islamic terrorism it is. The everyday terror attacks keep happening, and the French deserve to hear an honest explanation of the causes and solutions.

New York's Liberal Subway War

New York Governor Andrew Cuomo and New York City Mayor Bill de Blasio famously hate each other, but they seem to agree that the victims of their feud should be the people of New York. Witness their brawl over who deserves the blame for the rapid decline of New York's subways.

The city's train service has deteriorated as years of misspent resources have led to only 61.7% of trains now reaching the station on time. Straphangers often cram onto filthy or overheated cars. And the commute is so unreliable for the 5.6 million weekday passengers that almost a third of those riders surveyed by the Comptroller's office said they've been reprimanded or lost wages because of tardy trains, and 2% were fired. To drown commuters' sorrows, Long Island's Blue Point Brewery is even releasing a beer it calls "Delayed Pilsner."

Gov. Cuomo is chiefly responsible for the Metropolitan Transportation Authority (MTA) that runs the subway, as he appoints the chairman plus five of the 14 voting members of the 23-person board. (Mr. de Blasio appoints four voting members.) But Mr. Cuomo needs a political foil as he contemplates a run for the White House, and so he's tried to throw Mr. de Blasio on the tracks by demanding that the mayor match state funding for urgent subway repairs.

The mayor's default response: Raise taxes. Though the mayor calls his proposal a "millionaire's tax," it would hit individuals who earn more than \$500,000. These 32,000 tax filers would see their income-tax rate rise to 4.4% from 3.9%, bringing their combined city and state rate to 13.2%. Only California penalizes income more with a 13.3% top tax rate.

"It's \$7 a day—that's a half hour of parking in a typical Midtown Manhattan garage," Mr. de Blasio said of his plan Monday. "People who pay

for expensive meals and parking aren't going to miss \$7 a day."

In 2014, the last year on record, the top 1% of wage earners accounted for 49.3% of New York City's income tax revenue. That's a dangerously narrow tax base to fund an \$85 billion budget. That same year, New York state led the nation in outmigration of those making \$200,000 or more a year. Those who remain are watching congressional calls to end the federal state-and-local tax deduction, which would hit New Yorkers hard.

Mr. de Blasio's tax is supposed to pay for repairs, but the mayor plans to earmark \$250 million annually—from a tax that would raise \$700 million to \$800 million—to pay for half-priced train fare for 800,000 low-income New Yorkers.

That's no surprise, since the MTA has long operated as a patronage shop for liberal politicians. To organized labor's delight, payroll for the subway has ballooned 26% under Mr. Cuomo's tenure. Money for pension and health benefits has taken priority over money for repairs and technology upgrades.

The political backdrop is that Mr. de Blasio is running for re-election this year and has his own eye on a White House run. Albany will have to sign off on his tax increase, but Mr. Cuomo is up for re-election in 2018 and the subway woes have pulled down his approval ratings. Mr. Cuomo may face a primary challenge from, among others, actress Cynthia Nixon, a de Blasio ally whose wife works for his Education Department.

Though Mr. Cuomo campaigned in 2010 against a tax increase enacted by his predecessor, he has repeatedly extended it. If he needs to raise taxes to fight off the left in a primary, rest assured his principles are pliable. There's nothing like a progressive blood feud for entertainment, but the people who pay the price are the subway riders and taxpayers of New York.

For Liberalism in America, It's the Summer of '17



WONDER LAND
By Daniel Henninger

Liberals whine and wail about being governed by Donald Trump. But what about the millions who wake up every day to be governed by liberals?

This is the summer of '17 for people who live in politically Democratic northern cities, but few would call it the best days of their lives.

New Yorkers are living through the "Summer of Hell," the phrase that defines a city whose ancient transportation infrastructure has finally hit the wall. It's hard to say who got the worst of it—the commuters trapped for 45 minutes without air or lights on a southbound F train or the riders in Harlem who were evacuated after the trains caught fire.

Naturally, Mayor Bill de Blasio says the solution is a \$700 million tax increase on "the wealthiest in our city."

In Chicago, more than 100 people were shot over July Fourth weekend, with 14 ending up dead. So naturally Mayor Rahm Emanuel has filed a sanctuary-cities lawsuit against the federal government to protect the city's immigrants.

Hartford, Conn., on the brink of insolvency, last month hired a law firm specializing in bankruptcy. The owners of dozens of destroyed businesses sued the city of Baltimore in June for mishandling the mayhem, two years after the riots ended.

For decades, urban liberalism has sold itself as a compact between government and taxpayers. The people paid, and with that revenue liberal politicians would deliver infrastructure, services, economic opportunity and civil order. But liberal governance, instead of keeping its side of the bargain, is at a dead end.

Writing in City Journal last year on the widespread fiscal distress of northern cities, Stephen Eide noted a study which found that "among the 1,100 census tracts in major metropolitan areas with poverty rates of 30 percent or more in 1970, only about 100 had seen their poverty rates drop below the national average by 2010."

Defenders of the liberal model argue that cities such as Los Angeles, New York and San Francisco are changing into sophisticated, cosmopolitan hubs that attract a new class of young professionals who will restore urban America. Instead, many of these urban revivals are producing a phenomenon economists now call "racially concentrated areas of affluence," or RCAs.

An area gets RCA when the residents who pack themselves into it are mostly white people whose median incomes are unprecedentedly greater than the city's poverty level. Some of the most RCAs are liberal dunderheads like Baltimore, Boston, Chicago and Philadelphia.

Economists for Citigroup have called cities such as New York and San Francisco "plutonomies"—urban econ-

omies propped up by a plutocratic minority, which is to say, young professionals inured to both taxes and nearby poverty. But they vote their "consciences."

Progressives are acutely aware of this embarrassing reality in cities under their control. A writer for In These Times identified the problem as "a lack of revenue caused by the refusal of Wall Street banks, big corporations and millionaires to pay their fair share in taxes." Put forth solutions, he said, "to make them pay."

"Make them pay" might work if the U.S. were East Germany, so that the wealthy could be captured and jailed as they tried to escape across the border.

We're not living yet under a President Sanders or Warren, so the steady, documented outflow of residents will continue from California, Connecticut, Illinois, Maryland, New Jersey and New York.

Progressives whine about being governed by Trump. Pity those governed by them.

Many of those now climbing over the Democrats' blue walls were willing to live under the original liberal governance model that existed before 1960 because it recognized the legitimacy of private economic life. The wealthy agreed then to pay their "fair share."

Today, private economic life, especially that of the urban middle class, is no longer a partner in the liberal model. It's merely a "revenue source" for a system whose patronage is opened welfare and largely uncapped public-employee pensions. I'd describe the liberal-progressive governing strategy as ruin and rule.

Not widely noticed is that liberalism's claimed beneficiaries—black Americans—are also fleeing its failures. Demographers have documented significant black out-migration from California, Illinois, Michigan and New York into Florida, Georgia, North Carolina and Texas. North to south.

Now comes the summer-of-hell infrastructure crisis. Residents of the northeastern slab from New Jersey to Boston have been living off infrastructure created by their grandparents and great-grandparents during the golden age of American capitalism.

They are now asking the federal government, meaning taxpayers who live in parts of the U.S. not hostile to capitalism, to give them nearly \$15 billion to replace the 100-year-old train tunnel beneath the Hudson River. Why should they? Why send money to a moribund, dysfunctional urban liberal politics that will never—as in, not ever—clean up its act or reform?

Maybe we need a new default solution to the urban crisis: Let internal migration redistribute the U.S. population away from liberalism's smug but falling-apart plutonomies.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

Reagan's Economic Policies Then vs. Today

Phil Gramm and Michael Solon's argument for tax cuts for the U.S. economy are less than persuasive. America's economy involves hundreds of components and to select just two for cause and effect is very misleading ("Reagan Cut Taxes, and Revenue in America Boomed," op-ed, Aug. 7)

Citing the tax burden as the cause of the 1980-82 recession ignores the two oil-price increases and Paul Volcker's massive interest-rate increases to eliminate inflation. Attributing the economic growth in the late 1980s to Reagan's tax reductions ignores Reagan's \$2 billion stimulus (deficit financing) that tripled the national debt. He also subsequently raised taxes. Certainly deregulation had some positive effects on the economy, but they also led to the S&L crisis.

Around 47% of Americans don't pay federal income taxes. Therefore, any rate cuts will primarily benefit higher-income earners, who don't spend a high percentage of their income to the benefit of the economy.

Due to a multiplicity of factors, economic growth has varied up and down following tax cuts.

JOHN ROPER
Los Gatos, Calif.

Reagan cut taxes, therefore revenue boomed. The rooster crows and therefore the sun rises. The real reason the economy boomed was because millions of baby boomers were coming of age.

DANIEL S. SMITH
Northville, Mich.

Messrs. Gramm and Solon ignore the substantial differences between the economy that Reagan inherited and the one that faces us today. Today the unemployment rate is 4.3%, which by most definitions is close to full employment. Yes, labor-force participation rates are too low, and compensation hasn't advanced for most workers

as much as it should have, but this is far from a recession. As a result, the economy doesn't have the room to grow the way it did in the 1980s, when much of the growth that took place was simply a matter of recovery from a double-dip recession. The Fed is certainly in no position to do any dramatic rate cuts. The effective fed-funds rate is now 1.16%. The Fed is raising rates, not cutting them.

Cutting taxes in the manner suggested by Messrs. Gramm and Solon is highly unlikely to bring back 1980s growth rates, and given the likely effects on the size of the federal deficits and debt, it would probably do more harm than good.

JOSEPH R. ALEXANDER
Estero, Fla.

Each generation must understand that what it wants must be paid for, and not simply passed on to the next generation in the form of an increased national debt. The Reagan tax cuts continued long-term deficit financing as a political expedient to provide what the nation couldn't afford. It's time for Congress to take charge and put the nation on a responsible path to financial stability.

KEN TOMCICH, E.A.
Arlington, Va.

Phil Gramm and Michael Solon could have written an article headlined "Clinton Raised Taxes—Revenue and Business Boomed."

BRUCE DELAHORNE
Evanston, Ill.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

How Trump Won, in Two Dimensions

By F.H. Buckley

Before the arrival of Donald Trump, the Republican establishment tended to define politics along a one-dimensional economic axis. Their Democratic opponents were socialists while they were the growth and opportunity party. Mitt Romney's candidacy embodied this view. His campaign's 59-point plan of sensible free-market ideas was a manifesto for Republican insiders. No one but them ever read it. The Republican one-dimensional man was left in 2012's dustbin.

A study shows the 2016 electorate was far more socially than economically conservative.

The Voter Study Group's Lee Drutman recently looked beyond the simple left-right paradigm in a questionnaire asking 2016 voters to identify both how they voted and how they felt about various economic and social issues. Mr. Drutman then mapped the results in a diagram, with economic preferences on the horizontal axis and social preferences on the vertical. The diagram revealed some surprising insights about American politics.

Most Hillary Clinton voters were deeply liberal on both axes. The surprise was the Trump voters, who were very conservative on social issues but moderate on economic ones. By Mr. Drutman's count, 73% of all voters were left of center on economics. Most of the remaining Trump

supporters were quite moderate on economic questions.

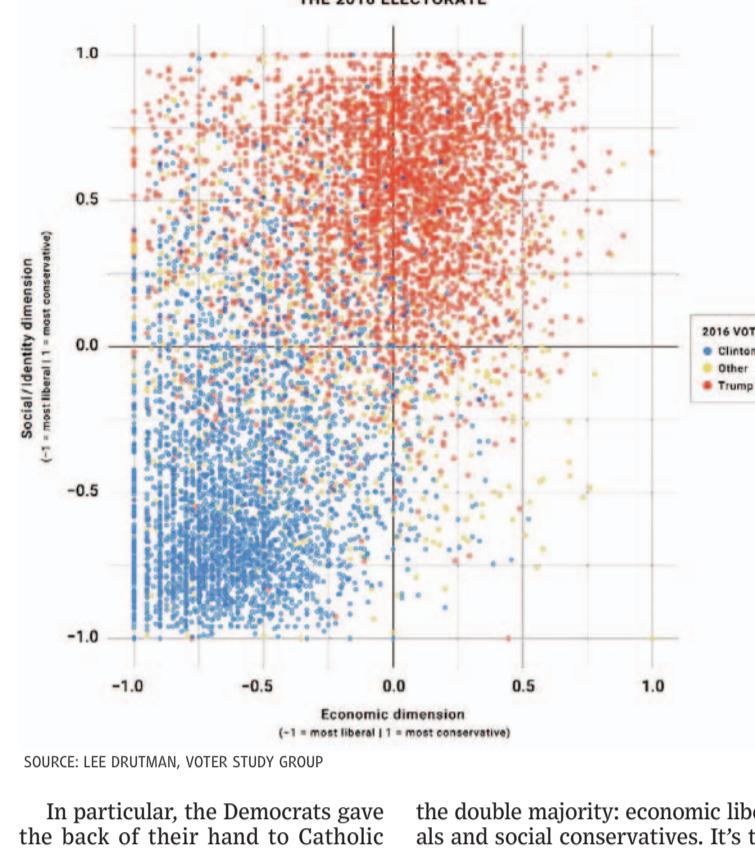
After the election, the so-called NeverTrumpers claimed that each of their favored candidates would also have beaten Mrs. Clinton. Mr. Drutman's figures show what a pipe dream that is.

A presidential candidate like Ted Cruz, who defines himself primarily through right-wing economic policies, begins with nearly three-quarters of the electorate in the other camp. Such a candidate isn't likely to go very far.

While the great majority of voters were liberal on economic issues, a small majority (52%) were social conservatives at the top of the diagram, enough to swing the election to Mr. Trump. Only 3.8% of voters were libertarians in the lower-right quadrant, socially liberal and economically conservative. They split their votes evenly between Mr. Trump and Mrs. Clinton.

The crucial differences between the two parties came down to social concerns, including pride in America, immigration, and especially moral issues such as abortion and gay marriage. The social-conservative awakening that helped elect Mr. Trump came when voters recognized that the liberal agenda amounted to something more than a shield to protect sexual minorities. It was also a sword to be used against social conservatives.

The Trump voters might have grumbled about the Supreme Court's 2015 *Obergefell v. Hodges* decision, but same-sex marriage didn't pick anyone's pockets and no great political protest followed. That changed, however, when homosexual activists employed their newly won rights to start putting religious believers out of business.



SOURCE: LEE DRUTMAN, VOTER STUDY GROUP

In particular, the Democrats gave the back of their hand to Catholic voters, the principal bloc of swing voters in America. Democrats of the past would have been horrified to learn that their party makes faithful Catholics feel unwanted: That's what they thought Republicans did. But Mr. Trump courted white Catholics, and they provided him with the winning margins in Michigan, Ohio and Pennsylvania. Those three states determined the outcome of the election.

The sweet spot in American politics is thus the upper-left quadrant of

What of the future? The Democrats know they're in a bind. They want to learn how to connect with the forgotten voter in the heartland, but the "Better Deal" they trotted out last month is simply more left-wing economics.

The problem for Democrats is they've already nailed the pocket-book issue. It's on the social side where they're weak. It's hard to see how they can moderate their maximalist positions on abortion, Black Lives Matter and transgender issues. The entire current leadership of the Democratic Party would need to be replaced.

That's not likely to happen. Instead, the Democrats will bet on the triumph of their socially liberal ideas, force-fed to students at America's universities and preached by most media outlets. They assume that the arc of history, to which President Obama so frequently appealed, bends only their way and that all history moves in their direction. Everything that has gone before was merely a prologue for history's apotheosis in the persons of Mr. Obama and Mrs. Clinton—it's Herbert Butterfield's Whig theory of history dressed up as a campaign strategy.

The Republicans won the 2016 presidential election, but it hasn't made governing any easier. Because of the separation of powers, there are now two—or maybe even more—different Republican parties. For presidential elections, however, the Republican Workers Party will be the future of American politics.

Mr. Buckley is a professor at Scalia Law School at George Mason University and the author of "The Way Back: Restoring the Promise of America."

ISIS Airmail: The Bomb Shipped From Turkey to Australia

By Ahmet S. Yayla

Islamic State's plan to blow up a commercial jet out of Sydney last month was "one of the most sophisticated plots that has ever been attempted on Australian soil," police said last week. For reasons that aren't yet clear, the terrorists aborted the attack, and police are confident the bomb wouldn't have made it through airport security. Still, terrorists managed to acquire plastic explosives and the components needed to set it off—all shipped by airmail from Turkey. The Australian authorities discovered the plan only when, nearly two weeks later, they received a tip from a foreign intelligence service.

Make no mistake: Islamic State jihadists will continue trying to carry out spectacular terrorist attacks in the West. Islamic State has lost control of Mosul, Iraq, where an estimated 30,000 of its fighters were killed. Now it is being pushed out of its putative capital, Raqqa, in Syria. As it begins to look less like a traditional state and

more like an insurgency, Islamic State fighters will try to mobilize sympathizers around the world.

Last month, for instance, Islamic State affiliates in Turkey released the "Lone Wolf's Handbook," a manual of 60-some pages, with dozens of illustrations, that explains the most efficient way to make a bomb or drive a truck into pedestrians. Such attacks are meant to prove that Islamic State still exists and reinforce its bragging rights as the meanest, most fearsome warriors for Islamism. They're also meant to dominate the news, particularly in the West, to help recruit future jihadists.

At the same time, Islamic State is getting smarter about circumventing Western security, as the failed attack in Australia shows. An Islamic State commander, probably in Raqqa, coordinated the plot and guided the terrorists for more than three months. He had the bomb assembled with high-end, military-grade explosives. The device was shipped from Turkey to Australia by air cargo,

probably in a passenger jet, evading security along the way. The plotters in Sydney received the package without any problems and set up the bomb. They put it in their luggage and went to the airport but then abandoned the plan before going

In the end, the plot failed. But it leaves plenty of questions—and shows where to tighten security.

through security. Instead they began working on a chemical-dispersion device to release hydrogen sulfide, a highly toxic gas.

Such sophisticated supply chain raises obvious questions: Where else may the Islamic State cell in Turkey have sent bomb components? How did it obtain the plastic explosives found in Sydney, and how much more does it have?

Western governments considering the Australia plot ought to respond in three ways: First, they should review the shipping and handling of air cargo and fortify security procedures. The successful delivery of plastic explosives constitutes a major world-wide threat. Plastic explosives are hard to detect, but newer X-ray machines usually have the capacity to find them.

Second, the other countries of the North Atlantic Treaty Organization should lean on Turkish authorities to crack down on jihadist networks. Almost all of the materials to produce the bomb in Australia were sent from Turkey.

Last month Brett McGurk, the U.S. special envoy for the coalition against Islamic State, said that al Qaeda fighters had established a "safe haven" in Syria just across the Turkish border. "How are they getting there? They're not paratroopers," Mr. McGurk said. "The approach by some of our partners to send in tens of thousands of tons of weapons, and looking the other way as these foreign fighters

come into Syria, may not have been the best approach."

Third, counterterrorism agencies should be more vigilant than ever about monitoring connections between their citizens and Islamic State fighters. Terrorists always try to recruit the people they trust. A foreign fighter's close circle in his homeland is perhaps the easiest recruitment target when Islamic State goes looking for future jihadis to carry out attacks.

The Australian suspects are instructive. The men arrested and charged, Khaled Khayat and Mahmoud Khayat, are brothers. They were reportedly recruited by another brother, Tarek Khayat, who is an Islamic State commander in Syria. Looking for these kinds of needles in the haystack is tiring work, but that is the essential job of intelligence agencies.

Mr. Yayla, an adjunct professor at George Mason University, formerly led the counterterrorism and operations department of the Turkish National Police in Sanliurfa (2010-13).

How U.S. Congress Violates the Constitution

By Theodore B. Olson

The framers of the U.S. Constitution regarded the carefully wrought system of separated powers as essential to securing liberty, freedom and stability. In Federalist No. 48, James Madison warned that the legislature would try to be the most powerful branch, "everywhere extending the sphere of its activity, and drawing all power into its impetuous vortex." Congress, Madison foresaw, would "mask, under complicated and indirect measures, the encroachments which it makes on the coordinate departments."

One of the most important responsibilities the Constitution assigns the president is the power to nominate the people who execute America's laws. This subject was debated extensively at the 1787 Constitutional Convention. One group, led by Benjamin Franklin, sought to vest the appointment power in the Sen-

ate, fearing that lodging that power in the executive would lead to monarchy. The other faction, led by Madison and Alexander Hamilton, believed the executive was better suited to the task, because "collective appointments were usually marked by intrigues, deals, and machinations."

The Constitution's Appointments Clause was a compromise. The president has the power of appointment, constrained by the Senate's power to advise and consent.

But true to Madison's prediction, lawmakers have repeatedly enacted measures that encroach on the president's constitutional prerogatives, including the appointment process. Just last year, they did it again in a statute known as Promesa—the Puerto Rico Oversight, Management and Economic Stability Act.

Promesa establishes the seven-member Financial Oversight and Management Board for Puerto Rico to address the commonwealth's fis-

cal challenges. The act gives the president authority to choose only one of the board's members. It directs him to select the remaining six members from lists supplied separately by the House speaker, the Senate majority leader and both chambers' minority leaders. Those lists have never been made public.

The statute provides that if the president picks his nominees from the lists, no Senate confirmation is required. The president theoretically could select others, but they would be subject to Senate confirmation, which had to be obtained within two months of the statute's enactment—during which time the Senate was in session for only eight days.

President Obama acquiesced in this legislative squeeze-play and selected six of the board's members from the congressional leaders' lists. None of the members were confirmed by the Senate or publicly vetted in any way.

The constitutional problems with this method of choosing the Oversight Board's members were no secret to Congress. Sen. Maria Cantwell of Washington warned during the debate that the bill violated the Appointments Clause. Congress attempted to paper over

the problem by inserting a definitional provision stating that the board is part of the territorial government of Puerto Rico, not the federal government.

But what matters under the Appointments Clause is the source of an entity's authority, not the label

The 2016 law creating an oversight board for Puerto Rico blatantly contravenes the Appointments Clause.

Congress puts on it. The board is federal in every relevant respect. It was created by federal law, and its members are appointed by federal officials to carry out federal law. The board functions as a federal super-governor for Puerto Rico: It alone has the power to initiate, and then manage on behalf of Puerto Rico in a federal court, what is likely to be the largest bankruptcy proceeding in American history.

People who exercise important congressionally granted authority are unquestionably principal officers of the United States. Thus, un-

der the Constitution, they had to be appointed by the president with the consent of the Senate. In fact, since the Constitution was ratified, every federally appointed territorial governor—including in Puerto Rico, which began electing governors only in 1948—has been nominated by the president and confirmed by the Senate.

None of the board's members were appointed that way. Instead, it consists of one person chosen by the president and six secretly hand-picked by individual members of Congress, and the Senate abdicated its duty to confirm all seven of them—in blatant violation of the Constitution. The board's members wield massive federal authority and are accountable to no one—a recipe for corruption. If Congress can get away with this latest circumvention, you may be sure that it will do it again, "drawing all power into its impetuous vortex."

It will be up to the courts to stop it.

Mr. Olson, a lawyer with Gibson, Dunn & Crutcher, represents fund entities managed by Aurelius Capital Management LP in a challenge to the constitutionality of the Puerto Rico Oversight Board.

Notable & Quotable: The 'Diversity' Paradox

Evolutionary psychologist Geoffrey Miller in "The Google Memo: Four Scientists Respond," Quillette.com, Aug. 7:

For what it's worth, I think that almost all of the Google memo's empirical claims are scientifically accurate. Moreover, they are stated quite carefully and dispassionately. Its key claims about sex differences are especially well-supported by large volumes of research across species, cultures, and history....

Here, I just want to take a step back from the memo controversy, to highlight a paradox at the heart of the 'equality and diversity' dogma that dominates American corporate life. The memo didn't address this paradox directly, but I think it's implicit in the author's critique of Google's diversity programs. This dogma relies on two core assumptions:

• The human sexes and races have exactly the same minds, with precisely identical distributions of traits, aptitudes, interests, and motivations;

The obvious problem is that these two core assumptions are diametrically opposed.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, August 11 - 13, 2017 | B1

Yen vs. Dollar 109.2750 ▼ 0.72%

Hang Seng 27444.00 ▼ 1.13%

Gold 1284.00 ▲ 0.86%

WTI crude 49.30 ▼ 0.52%

10-Year JGB yield 0.059%

10-Year Treasury yield 2.227%

U.S. Home-Rental Giants Plan to Merge

By RYAN DEZEMBER

Two of the largest rental-home owners in the U.S. have agreed to merge in a deal that would create a giant landlord with roughly 82,000 homes in 17 metro areas.

Blackstone Group LP's Invitation Homes Inc. and Starwood Waypoint Homes plan to combine in a bid to gain scale and operating efficiencies in markets that include Atlanta, Miami and Southern California.

The deal between the publicly traded real-estate investment trusts is the biggest yet in the rapidly consolidating in-

situtionsal rental-home business, which sprouted from the foreclosure crisis when big investors raced to buy homes at steep discounts.

The combined company, which will keep the Invitation Homes name and be led by Starwood Chief Executive Fred Tuomi, would be the country's largest private owner of single-family homes by a wide margin.

American Homes 4 Rent, which was founded by self-storage magnate B. Wayne Hughes, owns about 49,000 houses in 22 states.

Under the terms of the agreement, Invitation Homes

shareholders will own 59% of the combined company's shares while Starwood's investors will hold the remainder. The companies have a combined stock-market value of about \$10.7 billion, and about \$9.5 billion in debt between them.

Blackstone took Invitation Homes public in January and owns about 71% of its stock, according to securities filings. The firm will own about 41% of the combined company's shares.

The company's C-suite will consist of a mix of executives from both firms and its board will be split with six directors,

including Blackstone's real-estate chief Jonathan Gray, coming from Invitation Homes, and five from Starwood, in-

82,000
Number of homes the merged company would own

cluding its chairman, Barry Sternlicht.

"This turned out to be a business," said Mr. Sternlicht. "When we started out I think

there were a lot of people who didn't think it was a business. They thought it was a trade."

Mr. Sternlicht merged his rental-home portfolio last year with that of fellow real-estate mogul Thomas J. Barrack Jr. to create Colony Starwood Homes. The company changed its name last month to Starwood Waypoint after Mr. Barrack sold his stake in the firm.

Since the 2016 merger, the company's shares have taken off. The stock is up 17% this year and has been trading near records this summer. Shares of Invitation Homes are up about 5% since its IPO.

Messrs. Sternlicht and Bar-

rack had similar strategies to Blackstone following the mortgage meltdown a decade ago: They bought foreclosed homes by the thousand from the courthouse steps, often sight unseen, in markets predominantly in the Sunbelt and along the West Coast.

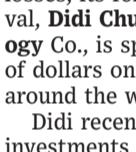
The investors targeted neighborhoods around rapidly growing cities, with low crime rates and good schools, and bought homes that could accommodate families and were fairly new and thus easier and cheaper to maintain. After fixing them up, sometimes at significant expense, they rented

Please see HOMES page B2

CHINA CIRCUIT

By Li Yuan

Can Didi Justify Its \$50 Billion Valuation?



While Uber Technologies Inc. is trying to dig out from scandals and curtail losses, its former China rival, Didi Chuxing Technology Co., is spending billions of dollars on other startups around the world.

Didi recently announced investments in three ride-sharing apps in as many weeks: Careem in the Middle East and North Africa, Taxify in Europe and Africa and Grab in Southeast Asia. Early this year, Didi invested in 99, a ride-sharing company in Brazil. It is also putting money into Lyft Inc. in the U.S. and Ola in India. Didi has reached beyond car services, investing in Ofo Inc., one of China's top bike-sharing apps, and in Ele.me, a major app-based food-delivery service.

To some venture capitalists, Didi seems to be doing what it usually does—raising money from investors and betting on startups seen as having growth potential. To others, Didi is following the playbook of internet giants Alibaba Group Holding Ltd. and Tencent Holdings Ltd., both of which have invested in a wide range of domestic and foreign startups, including Didi.

In either case, analysts and members of the investment community say Didi isn't behaving like a startup—even if it is the second most valuable startup in the world, with a \$50 billion valuation—just behind Uber.

"It's not normal for an unprofitable company to do this," says Wang Cong, a fi-

Please see YUAN page B4



Bin Wang of China delivers a blow during taping of WWE's NXT show in Florida last year. The Chinese fan base for matches is large.

Apple Faces Criticism In China On Apps

By ALYSSA ABKOWITZ

BEIJING—A group of 28 Chinese app developers filed a complaint against Apple Inc., alleging antitrust violations over the company's App Store.

The complaint accuses Apple of engaging in monopolistic behavior by removing apps from the App Store without detailed explanation and charging excessive fees for in-app purchases. The complaint also alleges Apple doesn't give details on why apps are removed and puts local developers at a disadvantage by not responding to queries in Chinese.

Lin Wei, an attorney at the Beijing-based Dare & Sure law firm, said he filed the complaint on behalf of the developers Tuesday with the National Development and Reform Commission, which handles anti-trust issues in China, and the State Administration for Industry & Commerce.

"There is a lack of transparency in the App Store operation," Mr. Lin said. "At this stage, we think complaining to the Chinese regulators to get them involved is most ideal."

The government agencies didn't respond to requests to confirm the filing of the complaint or to say whether they would review the allegations.

In a statement, Apple said that "most submissions in China are reviewed and approved to be on the store within 48 hours, or less." It added that its App Store guidelines apply equally to all developers in every country and that if an app is rejected or removed, developers may request a review to restore the app in a timely manner.

Apple's challenges are multiplying in China as the government ramps up its scrutiny of online content and services. Last month, Apple removed virtual private network apps, or VPNs, from its Chinese App Store that allowed users to circumvent internet filters.

The company said it did so to comply with new government rules. Some users criticized Apple for abetting censorship.

INSIDE



FILINGS OFFER INSIGHT ON SOFTBANK RISK

FINANCE & MARKETS, B5

By LIZ HOFFMAN

Goldman Sachs Group Inc. owns hundreds of billions of dollars of stocks, bonds and commodities. Add to its portfolio: a 217-foot luxury yacht called "Natita."

The story behind the boat begins with a 2014 loan to a prized Goldman client, billionaire Texas oilman William Kallop. It ends with Goldman suing its own client and the U.S. Marshals last month swooping down on a West Palm Beach marina to impound the yacht—which boasts a movie theater, Jacuzzi and helipad.

Goldman's nautical trophy is a strange but inevitable outcome of Wall Street's latest gold rush: lending to wealthy clients, the loans backed by everything from Warhol's to Warhol's.

These loans, which are growing quickly at firms such as Goldman, Morgan Stanley

and UBS Group AG, are an exotic spin on the most basic thing banks do: lending money to people. They have the added benefit of building loyalty among prized, ultra-wealthy clientele.

Like any loans, though, they can go bad and leave banks holding assets that aren't easy to value or sell. Goldman will likely auction "Natita," which already has been on the market for almost two years with no takers.

A Goldman spokesman declined to comment on the case. Mr. Kallop didn't respond to requests for comment. A lawyer for Mr. Kallop declined to comment.

"If you do it right, it's a great business and clients will absolutely love you for it," said Bruce Holley, a partner at the Boston Consulting Group who advises private banks on wealth-management strategy.

"But there are a lot of ways to

mess up."

Banks pushed wealth lending in recent years against a backdrop of increasing deposits and tepid demand for traditional loans. Goldman's private bank has quadrupled its overall lending balances since 2012 to \$29 billion. Morgan Stanley

wealth-loan balances are up 420% since 2012 to \$74 billion.

The largest chunk of wealth loans are mortgages and loans backed by stock portfolios. A smaller but growing segment is secured by valuables such as classic cars, hedge-fund stakes, and even rare violins.



The yacht 'Natita,' seized by Goldman, is listed for \$39.9 million.

DUTCHMEGAVACHTS

Wealth loans are especially profitable for banks because the revenue they generate is shared less generously with brokers than trading commissions and other fees.

Banks say these loans are safe because they already know the borrowers, their assets, and their ability to repay. And unlike, say, credit cards, these loans have collateral and often a personal guarantee as well. Goldman said in a February filing that the value of collateral in its wealth loans "generally exceed[s]" the loan amount.

Morgan Stanley and Deutsche Bank AG have lent against the art collection of hedge-fund billionaire Steven A. Cohen, who owns works by Andy Warhol and Pablo Picasso, according to Connecticut state filings. Top **Blackstone Group** LP executives including founder Stephen

Please see YACHT page B2

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Didi Chuxing Technology.....B1
B	Alibaba Group Holding.....B1
C	Alphabet.....A6
D	Amazon.com.....B3
E	American Homes 4 Rent.....B1
F	American Paper Optics.....B3
G	AmerisourceBergen.....B8
H	Apple.....B1
I	Aristotle International.....A3
J	Best Buy.....B3
K	BHP Billiton.....B8
L	Blackstone Group.....B1
M	Cardinal Health.....B8
N	Catalyst Capital Group.....B5
O	Celestron.....B3
P	Concho Resources.....B7
R	Deutsche Bank.....B1
S	Facebook.....A1,B4
T	General Electric.....B3
U	Glencore.....B2,B8
V	Goldman Sachs Group.....B1
W	Hangzhou HIK Vision Digital Technology.....A2
X	Invitation Homes.....B1
Y	Kroger.....B3
Z	Lego.....A1
A	Lyft.....B1
B	Mazda Motor.....B3
C	Morgan Stanley.....B1
D	Mylan.....B8
E	Parsley Energy.....B1

INDEX TO PEOPLE

C	Hsieh, Tony.....B4
D	Cohen, Steven A.....B1
E	Dove, Tim.....B7
F	Duke, Elizabeth.....B5
G - H	Etienne, Jack.....B3
I	Fienberg, Rick.....B3
J	Flannery, John.....B3
K	Glasenberg, Ivan.....B2
L	Glassman, Newton "Newt".....B5
M	Gray, Jonathan.....B1
N	Groton, John.....B7
O	Hanold, Scott.....B7
P	Hughes, B. Wayne.....B1
Q	Jerit, John.....B3
R	Kalman, Steven.....B2
S	Kroenke, Josh.....B3
T	Kroenke, Stan.....B3
U	Li, Jay.....B2
V	Lin, Wei.....B1
W	Lucero, Lance.....B3
X	Phillips, John Aristotle.....A3
Y	Roberts, Scott.....B3
Z	Zuckerberg, Mark.....B4



Copper sheets at a Zambian mine where Glencore operates.

Commodities Boom Eases Glencore's Woes

BY SCOTT PATTERSON

Swiss mining and trading giant **Glencore** PLC reported strong first-half results on Thursday, benefiting from rising commodity prices as it continues to recover from a downturn that sparked widespread worries about its financial health and caused an investor revolt.

Glencore, one of the world's largest coal, copper and zinc producers, reported a \$2.5 billion net gain for the first six months through June, compared with a \$369 million net loss in the same period a year earlier. It posted a net gain of \$1.4 billion for all of 2016.

"Rising commodity prices have naturally had a very strong favorable effect on our performance," Chief Executive Ivan Glasenberg said Thursday.

Glencore shares fell 2.5% in London.

The earnings update closely follows other strong reports from global diversified miners. Rio Tinto PLC reported a net profit of \$3.3 billion in the first half, up from \$1.7 billion a year earlier, fueled by a 25% gain in revenue. Anglo American PLC reported first-half net income of \$1.4 billion, compared with a net loss of \$813 million last year.

Glencore expects commodity markets to remain strong in the second half of the year, estimating that its trading di-

sion will report earnings before interest and taxes for 2017 in the range of \$2.4 billion to \$2.7 billion, a \$100 million increase from its previous guidance.

"The second half has started well," said Chief Financial Officer Steven Kalmin.

Mr. Glasenberg highlighted the rise of electric vehicles as a growing trend that is driving demand for several of the firm's most important commodities.

"The potential large-scale rollout of electric vehicles and energy storage systems looks set to unlock material new sources of demand for enabling commodities, including copper, cobalt, zinc and nickel," he said.

The company is the world's biggest producer of cobalt, a key commodity in the lithium-ion batteries that power electric vehicles and mobile phones.

Cobalt prices were up 109%

in the first half from the same period last year, it said.

Glencore's first-half revenue rose 44% to \$100 billion compared with the same period a year ago, helped by rising and resilient copper, coal and zinc prices. The firm's trading division posted earnings before interest and taxes of \$1.4 billion in the first half of the year, a 13% gain from a year ago. Net debt was \$13.9 billion, down from \$15.5 billion at the end of 2016.

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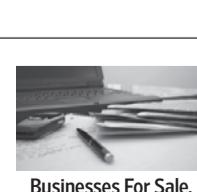
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THE WALL STREET JOURNAL

BUSINESS & FINANCE

Foxconn Deal Is Defended

Wisconsin's governor addresses criticism of the \$3 billion tax-incentive package

BY SHAYNDI RAICE

Wisconsin Gov. Scott Walker defended a \$3 billion tax-incentive package to lure Taiwan's **Foxconn Technology Group** to the state, amid a growing chorus of concerns about the hefty bill to taxpayers.

"We believe this is transformational," Mr. Walker said Wednesday in an interview with The Wall Street Journal. "We think in terms of attracting talent across the country and around the world."

In a White House ceremony last month, President Donald Trump announced that Foxconn would be investing \$10 billion to build a 20 million-square-foot campus in southeastern Wisconsin that could employ up to 13,000 workers over a period of up to six years. The facility, which would build liquid-crystal display technology, or LCD, screens used for **Apple** Inc.'s iPhone, would be the first of its kind in North America.

The deal, which must be approved by the state legislature, will come at a high cost to taxpayers. The state is offering one of the largest incentive packages to a foreign company, according to tax experts. Foxconn, formally known as **Hon Hai Precision Industry Co.**, would receive \$2.85 billion in state income tax credit over 15 years and up to \$150 million in tax exemptions for building materials and supplies used to construct its Wisconsin campus.

Foxconn in 2014 explored opening a U.S. display factory, aimed at reducing the costs of shipping large-screen TVs from Asia. That potential \$40 million investment in manufacturing and research facilities in Pennsylvania didn't advance because U.S. local governments didn't offer terms that were favorable



MIKE DEJET/ASSOCIATED PRESS

enough, the Journal previously reported.

Mr. Walker said the benefits of the deal went beyond the number of jobs that would be created from the facility itself. Instead, he said, the deal should be viewed as a way to make Wisconsin a hub for technology jobs and venture capital investment. He said as a "cutting-edge technology" firm, Foxconn would help the state attract young talent and retain its college graduates. He also thinks its most crucial benefit would be changing the popular image of Wisconsin and the benefits of living there.

"We think that will change people's perceptions, particularly young people," he said.

HOMES

Continued from the prior page

them out. These days, they are buying houses at a slower pace, usually on the open market.

While many investors that followed similar strategies have sold out now that home prices in some markets have surpassed their 2006 peaks, Blackstone and Starwood's founders have been among the few that decided to stick around in a bid to institutionalize single-family rental homes, as they did office towers, shopping centers and apartments before.

Their near-term wager is that home-building will continue to trail demand and that bad credit, a lack of savings and tight lending will keep

many renting. In the long term, they are wagering that homeownership will no longer be an essential component of the American dream.

By some measures, U.S. homes are the biggest asset class in the world. Their collective value of nearly \$25 trillion is greater than that of all the shares on the U.S. stock market and about double the worth of marketable Treasurys, according to Amherst Capital Management. And they are among the most diverse owned. The rental-home business, which has existed for decades, is nearly as fragmented as homeownership itself, having long been dominated by mom-and-pop operations and local investors, most of whom own just a property or two.

Analysts estimate that institutional investors own about 200,000 houses throughout the

U.S. That is less than 2% of the estimated total of rental homes, yet the merger will create in some markets a mega landlord, the likes of which hasn't been seen. In Atlanta, the firm will own more than 12,000 houses. Around Miami it will own more than 9,000, and 8,000 in Southern California suburbs and near Tampa Bay.

Market density is key to the business plan. The more homes owned in proximity to one another, the more efficiently leasing agents, maintenance crews and contractors can work. The firms' combined holdings should also make for cheaper financing. And a larger company could mean inclusion in big stock indexes.

The companies believe they can achieve tens of millions in so-called synergies by combining. They overlap in 10 of their combined 17 markets. About

70% of the merged company's revenue comes from the West Coast and Florida, though Seattle, Chicago, Phoenix and Texas also are big markets.

Mr. Sternlicht said he proposed the merger after the two companies bid against each other for a batch of homes, with many in California suburbs and near Tampa Bay.

"We realized this is silly," he said. "Combining is better than competing with each other forever."

Deutsche Bank and **J.P. Morgan** are acting as financial advisers and **Simpson Thacher & Bartlett LLP** is acting as legal adviser to Invitation Homes. **Morgan Stanley** and Evercore are serving as financial advisers and **Sidley Austin LLP** is serving as legal adviser to Starwood Waypoint Homes. **Kirkland & Ellis LLP** advised Blackstone Group on the deal.

YACHT

Continued from the prior page

Schwartzman have borrowed from UBS against their stakes in the private-equity firms' funds, New York filings show.

Goldman lent to natural-gas wildcatter Aubrey McClendon against his wine collection, according to an Oklahoma filing.

Executives joked the collateral was "particularly liquid." After Mr. McClendon's death in 2015, the collection—heavy on rare Bordeaux—was auctioned for \$8.4 million. Goldman made its money back.

Although not as well-known as those borrowers, Mr. Kallop was the kind of client who private banks court.

In the 1970s, he joined a family-owned marine-services company called McAllister Towing & Transportation. A legal dispute in 1993 resulted in a split of the company. The tugboat and ferry operations stayed with the family. Mr. Kallop took the offshore oil business, which he built over the next two decades into a portfolio of drilling rigs, rig operators and construction arms.

He sold the business for nearly \$1 billion in 2009 to a consortium of Colombian and Korean investors. Mr. Kallop then dabbled in investing, tak-

ing a 7% stake in energy company **Quicksilver Resources** and buying a 300-year-old liquor distillery in Peru.

He spent lavishly, acquiring three Gulfstream jets and at least eight residences, including a Peruvian mansion, two homes in the Dominican Republic and a working cattle ranch in Texas, according to property record, lawsuits and people who have worked for him.

And he bought yachts—at least seven of them over the past eight years.

In addition to "Natita," which he bought in 2010 and named for his mother-in-law, Mr. Kallop's fleet includes "Bad Girl," moored in the Dominican Republic, and "Honey Fitz," a 93-footer used by President John F. Kennedy that he bought at Sotheby's Camelot auction in 1998 and restored.

Another yacht, "La Diva," which was once owned by Ivana Trump, was destroyed in a fire.

A few years ago, Goldman came calling. The Wall Street firm's private bank manages some \$450 billion in assets for 11,500 ultrarich clients, and was developed in the 1980s to help business owners like Mr. Kallop manage their windfall after a sale.

Mr. Kallop became a client. In 2014, he borrowed \$21.2

million from the bank to buy a 12,000-square foot Tahitian-inspired oceanfront mansion just down the beach from Mar-a-Lago, President Donald Trump's private club in Palm Beach, Fla., county records show.

In 2014, Mr. Kallop borrowed \$32 million from Goldman against the "Natita" and "Bad Girl," court records show. The loan, the maritime equivalent of a home-equity loan, carried an interest rate of three percentage points above the London interbank offered rate.

But then Mr. Kallop hit money troubles, according to former employees and acquaintances. He put off upgrades to the boats, which were showing signs of wear—bad enough for a March 2016 charter group to walk off "Natita" in Nassau, a former crew member said.

Goldman ordered periodic valuations of the yacht after making the loan, according to the crew member.

Mr. Kallop laid off crew

WWE

Continued from the prior page

from advertising, the country's biggest internet companies have all launched paid subscription services because that offers much higher margins—making them willing to pay top dollar to license overseas content.

Chinese internet giant **Tencent Holdings Ltd.**, for example, paid the National Basketball Association at least \$500 million for the right to stream live games. The partners have also agreed to share the sub-

scription revenue.

WWE executives wouldn't disclose the financial terms or viewership numbers for WWE content already on PPTV. However, short-form WWE content had more than one billion views in the past year on Chinese social-media platforms, they said.

"We're seeing the NBA have a fair amount of success with their subscription model with Tencent, and we also know that some of the European football leagues are also looking at subscription models going forward," said Jay Li, head of WWE's operations in China. "We feel that the

timing is right and that the Chinese consumer is increasingly willing to pay for content."

BUSINESS NEWS

Eclipse Sparks Counterfeit Sales

Demand for special glasses fires up plenty of fake products, prompting warnings

BY MICHELLE MA
AND DANIELA HERNANDEZ

Booming demand for special glasses to view the coming solar eclipse is pushing manufacturers to their limits and prompting warnings of fake products that could threaten viewers' eyesight—as well as legitimate makers' sales.

On Aug. 21, the daytime sky will darken across 14 states, an event many stargazers have nicknamed the "Great American Eclipse." It is the first time since 1918 that an eclipse will spread from coast to coast in the U.S. As many as 500 million people, primarily in the U.S., Canada and Mexico, will be able to view the spectacle, which requires special glasses to safely stare at the sun.

Dozens of models are sold via Wal-Mart Stores Inc., Toys "R" Us Inc., Amazon.com Inc. and other retailers, plus museums and science groups. The most popular are versions selling for as little as \$1 to \$4 a pair that use thin filter film set in foldable paper frames.

Brands such as Celestron LLC, Explore Scientific LLC and American Paper Optics LLC said they have sold tens of millions in recent months. But cranking out the glasses—which must meet strict safety standards—as well as a raft of other eclipse-themed novelties like T-shirts and jewelry poses logistical challenges, and some makers are struggling to meet demand.

Lance Lucero, product manager for astronomy at Torrance, Calif.-based Celestron, an optical-products manufacturer and distributor, said he wished his company had planned to make more glasses early on.

"We are kind of kicking



American Paper Optics LLC is one of the main manufacturers of eclipse glasses, which are in high demand for the Aug. 21 event.

ourselves because we're in a position where we're actually selling out of most of our shelves," said Mr. Lucero, whose Celestron glasses were picked up by Best Buy Co. among others. Celestron won't be able to produce more glasses in time for the Aug. 21 event, he said, estimating the company may have missed out on selling millions more.

A large part of production time is devoted to making the filter material itself, which must meet safety standards published by the Geneva-based International Organization for Standardization. These specify how much light and solar radiation eclipse glasses must block out, plus the types of testing manufacturers must do.

"Dealing with trying to make so much of something in such a short time is a lot," said Scott Roberts, president and

founder of telescope manufacturer Explore Scientific, based in Springdale, Ark., which also sells paper viewers. "There was a nervousness," Mr. Roberts said, about how many rolls of the filter film to buy, and how much to invest up front for the event.

Explore Scientific has sold 4½ million pairs of glasses over the past six months direct to consumers as well as to companies such as Toys "R" Us and Kroger Co. "It's the first time in my company where we've had such a huge bump like that," said Mr. Roberts, who believes he will have enough supply.

American Paper Optics, based in Bartlett, Tenn., has doubled its head count to 70, with most of the new temporary workers printing, cutting, gluing and packaging glasses. Chief Executive John Jerit estimated 7,000 to

8,000 dealers are buying custom-printed glasses, on top of direct-to-consumer sales. As of July 25, the company had sold about 40 million eclipse glasses and expects to sell one million more.

E-commerce, especially via Amazon.com, has streamlined logistics, allowing sellers without sophisticated distribution channels to reach consumers, Mr. Jerit said. That trend also has given rise to more counterfeit and substandard products, according to manufacturers and the National Aeronautics and Space Administration, which warned on its website of "unsafe paper solar glasses being distributed."

The agency issued the warning after "members of the American Astronomical Society and NASA bought random pairs from places like Amazon" and found that they let in too much light when worn

outside, according to Alex Young of NASA's Goddard Space Flight Center.

Mr. Jerit said some dealers on Amazon have created copycat versions of his company's Soluna brand of eclipse glasses, sold by GSM Sales LLC. He said the knockoff Solunas are replicas down to the logo, design and product information printed on the frames, and often are sold at much lower prices. A pack of 10 legitimate Soluna eclipse viewers cost \$39.95 on Amazon as of Aug. 4.

"We remove suspected counterfeit items as soon as we become aware of them, suspend or block bad actors suspected of engaging in illegal behavior and/or withhold remittances and payments," Amazon said in an emailed statement. The company didn't confirm whether it has seen counterfeit glasses on its site.

Toshiba Revives Talks for Chip Unit

BY TAKASHI MOCHIZUKI

TOKYO—Toshiba Corp. said it has reopened talks with Foxconn Technology Group and Western Digital Corp. over selling its memory-chip unit, erasing a Japanese-led group's status as the preferred buyer in a deal potentially valued at \$20 billion.

The disclosure suggested the troubled industrial conglomerate was struggling to close the deal despite urgent time pressure to find a buyer and get regulatory approval. Toshiba has said it needs to sell the unit to bring its shareholder equity back into positive territory by the end of its fiscal year in March 2018. Otherwise, its shares would be delisted under Tokyo Stock Exchange rules.

In June, Toshiba said it had selected a consortium led by Innovation Network Corp. of Japan, a fund backed by the government, as the preferred bidder. On Thursday, Toshiba Chief Executive Satoshi Tsunakawa revised that description, saying: "In addition to the consortium, we are also in talks with Western Digital and Hon Hai Precision Industry Co., the formal name of Taiwan-based Foxconn.

As of June 30, Toshiba's shareholder equity—its assets minus liabilities—stood at minus ¥504 billion (\$4.6 billion), mainly stemming from losses on U.S. nuclear power plant projects handled by a now-bankrupt Toshiba subsidiary, Westinghouse Electric Co.

In a rare piece of good news, Toshiba said Thursday that its auditor had given qualified approval to its financial statements after disputes over accounting for the Westinghouse losses.

Toshiba has said it needs to sell its chip unit to avoid its stock being delisted.

Analysts and people involved in the chip-unit deal say it could raise ¥2 trillion (\$18 billion) or significantly more because of the popularity of the unit's NAND flash-memory chips for computers, smartphones and game devices. One major obstacle is a legal challenge by Western Digital, a U.S. company with which Toshiba jointly operates Japan-based factories making the NAND chips.

Western Digital says it has veto rights over a chip-unit sale. Toshiba says that isn't true, and the two sides are headed for international arbitration.

Inside Toshiba, some have argued that it should bury the hatchet with Western Digital and sell the chip unit to the U.S. company, while others say Foxconn is the best choice because it is offering more money, according to people familiar with the deliberations.

Meanwhile, talks with the consortium that used to be the preferred bidder have stalled, in part over issues of control. The consortium includes Bain Capital of the U.S. and SK Hynix Inc. of South Korea. The Wall Street Journal reported in July that SK Hynix, which initially said it would only lend money to back the deal, actually had plans to acquire an equity stake in the chip unit. That would give the South Korean company a good look at Toshiba's technology, contradicting hopes of some in the Japanese government that the technology wouldn't leak overseas.

Even if Toshiba made a deal today, it could still take six months or more to receive clearance from antitrust authorities in major countries.

Some analysts have suggested that Toshiba should call off the sale and consider using the chip unit's profits and the sale of other assets to bring shareholder equity back into the black.

However, Mr. Tsunakawa repeatedly told reporters that selling the chip unit was the only path he could think of for Toshiba to survive.

Wanda Unit to Focus on Hotels and Parks

Dalian Wanda Group, the Chinese entertainment and property giant controlled by billionaire Wang Jianlin, is

transforming its publicly listed unit in Hong Kong into a business that manages hotels and theme parks in a deal valued at more than \$1 billion.

Separately, Wanda Hotel Development said it would sell control of its real-estate development projects in China,

the U.K., the U.S. and Australia to its parent company for an undisclosed amount subject to an independent assessment, the filing said. Shares of Wanda Hotel Development closed up almost 20% in Hong Kong on Thursday.

The move comes as Dalian Wanda shifts to a so-called asset-light model that would allow it to earn income from building, selling and managing projects instead of outright

owning them.

Last month, Wanda said it would sell most of its hotels to Chinese property developer Guangzhou R&F Properties Co. for 19.91 billion yuan and its fledgling chain of theme parks to another property developer, Sunac China Holdings Ltd., for 89.24 billion yuan, which includes debt. Wanda said it would continue to manage the properties.

Mr. Wang entered the theme-park business in 2014 with bold plans, but the properties have suffered lower-than-expected attendance, according to people familiar with the matter, and a park in Wuhan was closed after less than two years in operation. The company was operating four parks, and planned to build at least nine other theme-park and tourism projects before the sale to Sunac.

BUSINESS WATCH

TOYOTA MOTOR

Start of Production Is Delayed in Mexico

Toyota Motor Corp.'s is pushing back the start of production at its new plant in Mexico, as it retools the assembly line to make the Tacoma pickup truck, instead of the Corolla sedan.

The factory in Guanajuato will begin producing the midsize pickup in the first half of 2020, a spokesman for Toyota said in a written statement. Toyota said it will work to begin production ahead of that new deadline.

Once the Mexican plant opens, it will eventually nearly double Tacoma production to about 400,000 vehicles a year.

Corolla production originally intended for the Mexican plant is headed instead to a new factory in the U.S. that will be jointly operated by Toyota and Mazda Motor Corp. The plant's location has yet to be determined, but the factory is slated to begin production in 2021.

—Sean McLain

year. It planned to renovate two existing buildings and build a new office tower, all for completion in 2019. The company said this week that it will continue the renovations but delay the start of the new building, which now isn't expected to be completed until 2021.

News of the delay was earlier reported by the Boston Globe.

GE will get an incentive package from Boston and Massachusetts valued at as much as \$145 million for ultimately having about 800 jobs at the headquarters.

—Thomas Gryta

ACTIVISION BLIZZARD

Videogame League Deepens Pro Links

Activision Blizzard Inc. added more big names in professional sports for the video-game league it expects to launch by the end of the year.

Stan Kroenke, owner of the National Football League's Los Angeles Rams, and his son Josh Kroenke, president of the National Basketball Association's Denver Nuggets, bought the rights to one of two teams that will be based in Los Angeles.

Jack Etienne, owner of esports organization Cloud9, bought the rights to a team in London.

Activision Blizzard announced the new owners Thursday.

The videogame giant is building its esports league around "Overwatch," a team-based shooter videogame. The nine teams revealed to date were sold for \$20 million apiece, said people familiar with the matter.

—Sarah E. Needleman

GENERAL ELECTRIC

Headquarters Project Is Placed on Hold

General Electric Co. has delayed the completion of its new Boston headquarters in an effort to spread out the costs of the \$200 million project, as new Chief Executive John Flannery looks to cut spending.

GE is building a new headquarters on the Boston waterfront, uprooting itself from more than 40 years in Fairfield, Conn., where it sold its campus last

Blue Apron's Shares Sour As Expenses Increase 86%

BY HEATHER HADDON
AND CARA LOMBARDO

Shares of Blue Apron Holdings Inc. dropped as much as 15% as the meal-kit maker struggled to reassure investors that it can contain costs and fend off competition in the rapidly growing food delivery business.

In its first earnings update since going public in June, Blue Apron said its costs jumped 86% to \$65.7 million in the latest quarter as the New York-based company hired more employees and opened an additional fulfillment center in New Jersey. Blue Apron said last week that hundreds of employees could be laid off as it closes a separate New Jersey facility to retool its distribution network.

Delayed product launches also hurt Blue Apron's ability to attract and retain customers, executives said. They also acknowledged increasing competition from other food, grocery and meal-kit delivery services such as Amazon.com Inc.

"We're not a business that is just focused on market share," Chief Executive Matt Salzberg said in an interview. "We're a business that's focused on building a healthy, sustainable long-term brand for our customers."

Meal kits are gaining popularity as consumers gravitate toward the convenient format for making meals at home with pre-proportioned ingredients.

With roughly a million customers, Blue Apron is one of the most successful companies in the sector.

But competition has grown since Blue Apron made its debut in 2012. Kroger Co. and other large grocery chains are selling meal kits in their stores that don't require shoppers to commit to a subscription. Amazon's offerings are attracting customers, too.

Blue Apron executives said they are learning more about their customers and fine-tuning their menus to give customers more of what they want. The five-year-old company said revenue grew 18% to \$238.1 million in the quarter ended June 30, but it posted a loss of \$31.6 million. That was worse than the \$30.8 million loss analysts polled by Thomson Reuters expected. On a

per-share basis, Blue Apron reported a loss of 47 cents—17 cents worse than expected.

Blue Apron shares midday Wednesday were down 40% from their \$10 price when they began trading on June 29.

Blue Apron is now worth around \$1 billion, far less than the \$3 billion target its bankers used when approaching investors ahead of the initial public offering.

Its IPO lost the most value this year for a company raising at least \$100 million, according to Dealogic.

Mr. Salzberg acknowledged that the IPO didn't raise as much as executives had hoped. "Obviously we revised our expectations in the IPO, but we were very happy with the result in completing the transaction and raising the capital to make us stronger," he said.

Some analysts have suggested that Toshiba should call off the sale and consider using the chip unit's profits and the sale of other assets to bring shareholder equity back into the black.

However, Mr. Tsunakawa repeatedly told reporters that selling the chip unit was the only path he could think of for Toshiba to survive.



The meal-kit provider is facing increased competition.

TECHNOLOGY

WSJ.com/Tech

Scientists Say Hackers Can Deploy DNA

Researchers find it is possible to turn to biology as a means to infect computers

BY JAY GREENE

SEATTLE—University of Washington researchers figured out a way to use biology to infect computers with malicious code.

In their experiments, the researchers stored malware in synthetic DNA and demonstrated how that code can compromise a computer analyzing the DNA after it has been run through a gene-sequencing machine.

The danger of such an attack is still years away, the researchers said, adding they haven't seen evidence of hackers attempting this sort of breach. The experiments highlight a

new type of threat that could allow sophisticated coders to gain control of computer systems if precautions aren't taken.

"This is something [the genomics industry] and the U.S. government should be concerned about," said Tadayoshi Kohno, a computer-science professor at the university and a member of the research team.

The team will present the results of its experiments, conducted in late 2016 and 2017, at a security symposium in Vancouver, British Columbia, Canada, on Aug. 17.

The hack makes use of technology in which digital bits of data are converted into synthetic DNA. Researchers believe DNA data storage could prove far more durable than stashing information on hard disks and flash drives, which last just a few years and can

crash without warning. The nascent technology converts the 1s and 0s of computing's binary code into A, C, G and T, the letters that correspond to DNA base types: adenine, cytosine, guanine and thymine.

As the genomics industry has blossomed, the cost and speed of producing and sequencing those synthetic strands has dropped sharply. At some point, it is conceivable hackers could harness those tools to exploit vulnerabilities.

Once a data file, such as a book or video, is converted, it can be reproduced into physical strands of synthetic DNA. The data can be retrieved by running the strands through DNA sequencing machines.

The technology makes it possible for hackers to create malware in synthetic DNA as well. The Washington researchers did that, designing a



DENNIS WISE/UNIVERSITY OF WASHINGTON

A vial with strands of synthetically created DNA

DNA strand containing malicious code to take over a computer and running strand through a genetic-sequencing

machine. When that sequence is analyzed by personal-computer software, it triggers the malware, giving the team full control over the computer.

In theory, hackers could mix synthetic DNA strands containing malware into a solution and send it to a lab for sequencing. Once they gained control of computers, the hackers could launch other attacks, similar to efforts to gain control of PCs by tricking users into unknowingly running executable codes.

Companies that create synthetic DNA take steps to prevent human-made viruses, the Washington research team said. But they believe no systems are in place to prevent the creation of DNA strands containing human-made computer malware.

"They certainly aren't checking for things that are computer code," said Peter

Ney, a doctoral student in computer science on the Washington team.

For hackers lacking the researchers' technology and expertise, there still are many challenges to pulling this exploit off. The biggest is creating the code to be turned into DNA strands, which remains arduous. What's more, hackers need to find vulnerabilities to target in the software that sequencing companies use, the same way they would in trying to exploit a PC's operating system.

The researchers said that is why they published the findings now, believing their work might help the genomics industry understand the potential risk and take steps to mitigate it.

"If industry does its job well, it's a problem that will never manifest," Dr. Kohno said.

Amazon and Whole Foods: What's Next?

BY LAURA STEVENS

Amazon.com Inc.'s acquisition of Whole Foods Market Inc. could mean that consumers see Echo and Kindle devices for sale in the grocery aisle and 365 organic foods in Amazon's green delivery totes.

But beyond simple cross-selling opportunities, a big question in the \$13.7 billion deal is: How deeply will the online retail giant integrate its new brick-and-mortar subsidiary?

At a town hall meeting at Whole Foods headquarters in Austin, Texas, on June 16, the day Amazon announced its biggest-ever acquisition, executives implied a light touch.

"We have enormous admiration and respect" for the way Whole Foods has built its business, Jeff Wilke, Amazon's CEO of world-wide consumer, said at the time. "And the worst thing that we could do would be to ask you to change it in some discontinuous way."

Still, Whole Foods Chief Executive John Mackey added, "Things are gonna change. There's just no question about that."

Amazon's options with Whole Foods range from leaving the grocer essentially as a stand-alone to giving it an overhaul. While the transaction is expected to close this year, Amazon is typically deliberate when it comes to establishing an integration plan, and it could take several months for it to become clear, according to former Amazon employees and people familiar with its acquisition strategy.

So far, Amazon has shed little light on its plans. The deal materialized in approximately six weeks, leaving executives at both companies little time to craft a concrete integration plan, other than to keep Mr. Mackey at Whole Foods' helm. It is likely to try to streamline operations, reduce prices and introduce some Prime membership benefits, the former employees said.

Both Amazon and Whole Foods declined to comment.

The deal poses risks for Amazon.



Produce on sale at a Whole Foods Market 365 location in Santa Monica, Calif.

Change Whole Foods too little, and the company continues to struggle with inefficiencies. Too much change, and it bleeds loyal customers and staff, potentially prolonging a same-store sales decline.

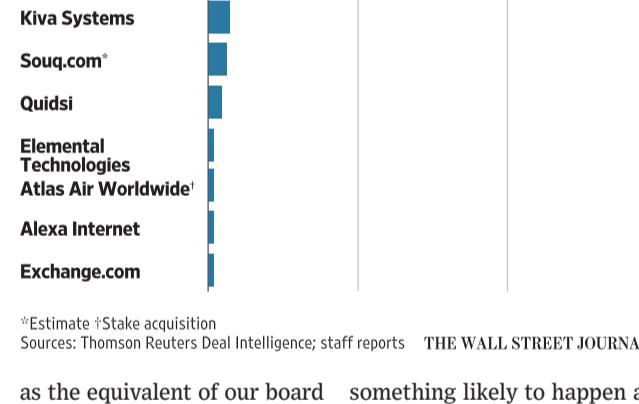
A look back at Amazon's record shows it is largely hands-off with its acquisitions, except in some cases where it has bought a company for scale or to remove a rival.

Their \$1.2 billion acquisition of Zappos in 2009 largely left the online shoe seller autonomous, in part to preserve Zappos' relationship with brands and customers. The two companies established operating guidelines and limited integration to "must-haves."

"We have our own separate culture and way of doing business," said CEO Tony Hsieh, who has been leading Zappos since before the acquisition. "We essentially treat Amazon

In the Cart

Amazon's biggest acquisitions



*Estimate †Stake acquisition
Sources: Thomson Reuters Deal Intelligence; staff reports THE WALL STREET JOURNAL.

as the equivalent of our board of directors."

Still, former Amazon executives say some adjustments were made on the back end to increase supply chain efficiency and to reduce costs—

something likely to happen at Whole Foods, too. San Francisco-based startup for \$970 million in 2014. While the video-streaming service still runs as a standalone, the two companies have joined forces to expand Amazon's Prime membership by creating Twitch Prime, a \$10.99 monthly membership that gives Twitch users the same benefits as Amazon Prime along with discounts on games and other perks.

Amazon's Mr. Wilke has touted the overlap in Amazon and Whole Foods customers, and analysts and former executives expect the company to try to fuel Prime growth.

Even so, there may be a culture clash. Whole Foods gives its stores autonomy and has long rewarded employee loyalty, something that may be a tough fit with Amazon's desire for solutions that can apply across the board and a culture that prizes performance over tenure, according to the former employees and people who have worked with both companies.

regulatory headache—are beefing up their own ride-hailing services and have lodged a complaint about the Didi-Uber China merger with the regulator.

A Commerce Ministry spokesman recently said its antitrust department summoned Didi for meetings and is investigating the merger.

Didi said it is in communication with authorities.

Looking to the future, Didi is investing in artificial intelligence technologies, especially driverless cars—a field that is nearly as crowded as ride sharing. Even so, investors are still likely to lavish funds on the company because its position as China's biggest taxi service and its sizable war chest make Didi a safer bet.

"The logic of China's venture-investing market is that it's not a problem if money can solve it, from talent, technology to market share," an investor in Didi told me.

"It's getting really boring."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

Facebook Hits Play On Its New Video Tab

BY DEEPA SEETHARAMAN

Facebook Inc. is taking a serious shot at YouTube.

The tech behemoth, which isn't shy about replicating rivals' features, is redesigning its video tab to bring Facebook's original programming front-and-center. The revamped video tab, now dubbed Watch, includes sections that showcase videos a user's friends are watching or those that spark a lot of debate on the platform, Facebook said Wednesday.

The new tab will roll out over the next several weeks.

Fidji Simo, who leads Facebook's video efforts, said that unlike YouTube, Facebook wants its shows to generate conversation, preferably on Facebook itself. Early on, new shows will have to apply, but eventually Facebook wants to make it possible for any creator to simply upload a show on Facebook, as they do on YouTube.

"The thing that we're doing that's similar is really creating a platform where everybody can come in, but the thing that's very different is all the content that we want to create is really around bringing communities together," Ms. Simo said. "The angle that we're taking is really finding shows that are about bringing fans together."

The initiative is part of Facebook's broader push to invest more in video, which Chief Executive Mark Zuckerberg predicts will be the largest driver of Facebook's business over the next two to three years. Video ads will also help offset what Facebook expects will be slowing growth in news feed advertising, its primary source of revenue.

Last year, Facebook paid publishers to produce live videos to jump-start production of live streams among its users. Today, one in five videos posted on Facebook is a live video.

Ms. Simo said a small portion of Facebook's new original shows are paid for by the company while the rest will receive a portion of ad revenue. Facebook's goal is to create an ecosystem of video creators who are entirely sustained by revenue from ads shown in the middle of their videos, also known as ad breaks or mid-roll ads, she added.

This strategy echoes that of YouTube, a division of Alphabet Inc., which in 2011 spent as much as \$100 million buying content as part of the service's attempt to compete with cable television. While YouTube's shows weren't particularly popular, they helped build a broader infrastructure to support creators, many of whom rely mainly on YouTube for revenue. Earlier this year, YouTube reached a milestone when it reported that its viewers worldwide were watching more than one billion hours of videos a day.

Facebook declined to say how much they are spending on original content.

YUAN

Continued from page B1
nance professor at China Europe International Business School. "Unprofitable startups should use the capital they raise on operations."

In the year since it vanquished Uber after a depleting, subsidy-fueled battle for the China market, Didi is still unprofitable and has become more of an investor in other startups than a cutting-edge disrupter.

It now represents a new kind of startup, a fast-growing phenom that rises to the status of an industry giant because of its scale and capital. Abetting this is a winner-takes-all trend in the internet industry. Investors pile their cash on a small field of megastartups, hoping to choose the one company that will dominate a particular sector (think Ali Baba for e-commerce).

In its five years of existence, Didi has raised more than \$15 billion in venture funding, private equity and debt financing, including

\$5.5 billion in April—the largest round for any tech startup to date. That is more than the \$12 billion Uber raised in total in seven years.

"Didi is a fundraising machine," a venture capitalist who isn't a Didi investor told me. "Its biggest competitive advantage is the huge amount of capital it raised, not its technology."

Bulked up with cash and seemingly dominant in its home market, Didi needs to justify its \$50 billion valuation.

Didi has invested in the Grab ride-sharing app, among others.

tion—even its defenders say so. Uber's recent corporate turmoil and the share-price fall for Snapchat parent Snap Inc. since its market debut show that the fortunes of widely admired startups can change quickly.

Didi says its investments are strategic and that the company benefits from its relationships with regional winners across the world by sharing technology, product development and operations. It says it offers 20 million rides a day in China.



"We are glad our investors support us in this strategy and see these choices bear good outcomes," a spokeswoman says.

Didi's victory over Uber last August left the Chinese company in a near-monopoly position in its home market. Didi acquired Uber's China operations, while Uber became Didi's largest investor with a stake of about 18%.

Still, it proved to be too early for victory laps. Some of China's largest cities enacted stringent regulations on ride sharing, decreasing the numbers of eligible drivers—and hence the number of rides. With Uber out, Didi cut back on subsidies and raised prices for some services, sparking user complaints and criticism from state media. The popularity of bike sharing has also cut into Didi's business, according to mobile-data monitoring site Trustdata.

While there is no sizable competitor for Didi, there are more than 130 ride-hailing platforms in the country, according to the transportation ministry. Some taxi companies—Didi's biggest

FINANCE & MARKETS

A Window Inside SoftBank

Filings offer insight into risk the firm is taking on with its gigantic Vision Fund

BY MAYUMI NEGISHI

TOKYO—Filings by **SoftBank Group Corp.** show it has taken on a hefty amount of risk in its new SoftBank Vision Fund, which has said it would have at least \$93 billion to put into big technology bets.

SoftBank's quarterly earnings report and balance sheet as of June 30, released Monday, offer clues into the workings of the fund, which is led by SoftBank Chief Executive Masayoshi Son. Investors include the government funds of Saudi Arabia and Abu Dhabi, as well as Apple Inc. and other tech companies.

The fund has already lined up multibillion-dollar investments in British chip architect ARM Holdings Inc., graphics-chip designer Nvidia Corp., and shared-office-space firm WeWork Cos.

This week, it announced a \$1.1 billion investment in pharmaceutical developer Roivant Sciences Ltd. and, on Thursday, an investment in India's e-commerce leader, Flipkart Ltd.

The Vision Fund hasn't outlined in detail how the investors will share the risks and rewards of its investments. But there is a hint in the earnings report because the assets and liabilities of the Vision



Robots stand at a SoftBank event for customers and suppliers in Tokyo in July.

Fund are included on SoftBank's books.

The earnings report says SoftBank recorded a ¥105 billion (\$954.5 million) gain in the value of assets that are set to be transferred to the Vision Fund from SoftBank. It says ¥44 billion of that gain, or 41%, belonged to third parties, not SoftBank itself.

The report doesn't say as of what date those calculations were made, but it suggests that at least at one point, SoftBank was in position to get 59% of any gains the Vision Fund achieved.

SoftBank representatives declined to say whether the

situation has changed or could be affected by new contributions from the partners.

The figures in the earnings report are in line with a Wall Street Journal article in May, which said SoftBank would take around half the equity in the Vision Fund. The article reported that \$39 billion of the \$93 billion in investment commitments would go into preferred instruments that earn yearly payouts and whose upside is limited.

The fund has said it hopes to line up an additional \$7 billion in commitments by the end of the year to bring the total war chest to \$100 billion

or more. SoftBank has said it is committing \$28 billion of that \$100 billion, but the earnings report is the first official sign that it could be taking on more risk and could see greater upside than that 28% portion might suggest.

The exposure to the Vision Fund had an impact on SoftBank's April-June quarterly earnings, the first to reflect the fund's establishment. Thanks to a rise in Nvidia's share price, SoftBank's quarterly operating profit rose 50% from the year-earlier level.

Mr. Son said Monday that the SoftBank stake in Nvidia,

Flipkart Is Newest Venture for Giant Technology Fund

TOKYO—The world's biggest technology fund, run by SoftBank Group Corp., will invest about \$2.5 billion in India's biggest e-commerce firm **Flipkart Group** to check an ascendant Amazon.com, a person familiar with the matter said.

The investment—the biggest private investment in an Indian tech firm, according to Flipkart—represents a shift in the Japanese firm's investment strategy in India, where it had backed smaller rival Snapdeal.com.

Snapdeal, in which SoftBank invested \$627 million in 2014, now faces a far more formidable and cash-rich Flipkart at the same time Amazon is investing \$5 billion to expand in India.

Armed with an initial closing total of \$93 billion in May, the SoftBank Vision Fund is placing big bets on established market leaders as well as startups in areas as diverse as

artificial intelligence, drug development and co-work office spaces.

Led by SoftBank's charismatic founder Masayoshi Son, the fund aims to speed up technological change by allowing smaller firms to focus on growth while securing solid returns from bigger companies for the fund's investors, which include sovereign-wealth funds of Saudi Arabia and Abu Dhabi and tech giants such as Apple Inc.

Together with a \$1.4 billion investment in Flipkart in April from Tencent Holdings Ltd., eBay Inc., and Microsoft Corp., the fund's investment would raise Flipkart's cash level on its balance sheet to more than \$4 billion, Flipkart said on Thursday.

For months, SoftBank had been pushing Snapdeal to merge with Flipkart, but Snapdeal called off the talks in July, saying it would go it alone.

"We want to support innovative companies that are clear winners in India because they are best positioned to leverage technology," Mr. Son said in a news release on Thursday.

—Mayumi Negishi

are we investing purely for profit," he said.

Because of the fund's size, it is already lifting valuations and encouraging startups to hold off from listing shares.

"SoftBank is investing in later-stage companies and telling them to grow faster with the money," said Macquarie Capital analyst David Gibson. "The big get bigger faster, and hence are potentially winners longer term."

Top Canadian Buyout Firm Is Scrutinized on Loans

BY ROB COPELAND
AND JACQUIE McNISH

TORONTO—At least four individuals have filed whistleblower complaints with Canadian securities regulators alleging fraud at a multibillion-dollar investment firm and its publicly traded lending arm, according to people familiar with the matter and documents reviewed by The Wall Street Journal.

Catalyst Capital Group Inc., one of Canada's largest private-equity firms, is accused in the complaints of artificially inflating the value of some of its assets and deceiving borrowers about the terms of loans it made. The complaints have prompted officials at the Ontario Securities Commission, the country's leading securities regulator, to make inquiries and question people familiar with Catalyst, according to the people and documents.

A unit of the Toronto Police Service that specializes in financial crimes has separately begun its own inquiries, a de-

partment spokeswoman said.

The inquiries don't necessarily lead to an investigation. Catalyst is led by Newton "Newt" Glassman, 53 years old, who has described his businesses as the "Goldman Sachs of Canada."

His private-equity firm, which oversees 6 billion Canadian dollars (\$4.8 billion) for international clients, is one of the country's more aggressive investors, industry executives say. Catalyst mostly invests in high-interest loans to financially distressed firms such as casino game makers or biopharmaceutical companies, and sometimes takes control of the businesses if the loans aren't paid.

Company officials declined to comment before publication for this article.

In a statement following digital publication, company officials said they know of no legitimate basis for any whistleblower complaint. The companies said they believe the whistleblowers are filing "deliberately misleading" reports

Fund Raise

Canadian private-equity firm Catalyst Capital has been one of the most frequent fundraisers globally over the past decade.

Fund	Year	Amount raised
Catalyst I	2002	\$186 million
Catalyst II	2008	\$635 million
Catalyst III	2011	\$1 billion
Catalyst IV	2013	\$1 billion
Catalyst V	2015	\$1.5 billion

Sources: filings, investor documents

THE WALL STREET JOURNAL

with the OSC.

"Callidus believes that it is the actions of those individuals that warrants investigation," the statement said. Callidus Capital Corp. is the lending arm of Catalyst.

Under a program begun last year, Ontario regulators accept whistleblower submissions from any individual with original information about an alleged violation of securities law. Regulators dismiss many complaints without any inquiries, according to people familiar with the process. Those reports that merit a review are sent to

the program's inquiries team, which conducts interviews and other research before deciding whether to open a formal investigation, the people said.

Some but not all of the filers of the Catalyst whistleblower complaints have worked at companies that borrowed money from Mr. Glassman's firms and later had their businesses seized, said people familiar with the matter. Some are involved in litigation with Catalyst, the people said. Some of the complaints involve a series of loans to a small technology

distributor, while others focus on other investments and the firm's accounting.

Each of the complainants may receive up to C\$5 million under the OSC whistleblower program if their allegations prove true.

Neither Mr. Glassman nor his companies have been accused by authorities of any wrongdoing.

Mr. Glassman is also chief executive of Callidus, the alternative lender listed on the Toronto Stock Exchange. Callidus's lending practices are also a subject of the whistleblower complaints, according to the people and documents.

Catalyst funds own a majority of Callidus's public shares and some senior executives work concurrently at both firms.

Callidus shares dropped 21% Wednesday after the Journal reported on the whistleblower inquiries, putting the stock down 35% this year.

Catalyst is ranked among the top fundraisers for investments in distressed debt over

the past decade, with more than \$4 billion of new money collected, according to researcher Prequin. Catalyst is considering raising another such fund as soon as this fall, said people familiar with the matter.

Existing investors include the endowments of Harvard University, McGill University and wealthy clients of Morgan Stanley, according to people familiar with the matter.

Mr. Glassman's companies sometimes file multiple lawsuits against borrowers believed to have violated the terms of their loans.

One of those borrowers is Jeff McFarlane. Mr. McFarlane is the former chief executive of computer distributor Xchange Technology Group, known as XTG.

Mr. McFarlane confirmed he filed one of the whistleblower complaints. His complaint, and one other, alleges that Catalyst funds overpaid Callidus to acquire Xchange and delayed and underreported potential losses.

Wells Fargo Board Shake-Up Could Oust Chairman Sanger

BY EMILY GLAZER

The board of **Wells Fargo & Co.**, grappling with fresh problems even as it tries to move past the bank's sales-practices scandal, is planning a shake-up that is likely to include Stephen Sanger stepping down as nonexecutive chairman, according to people familiar with the matter.

Directors are aiming to make final decisions on any changes by Labor Day, some of the people said. Mr. Sanger is expected to step down before the bank's shareholder meeting next spring, one of these people said. Vice Chair Elizabeth Duke, a former Federal Reserve governor, is then likely to take the top spot, some of these people said.

Discussions about board changes have been under way for a few months, spurred by dismal results at the bank's shareholder meeting. They also come against the backdrop of calls in Washington for even more dramatic action at the bank.

Neither Mr. Sanger or Ms. Duke was immediately available for comment.

Wells Fargo, the third-biggest U.S. bank by assets, has spent most of the past year trying to put last fall's sales-practices scandal behind it. The scandal showed employees



Wells Fargo's Stephen Sanger

had opened as many as 2.1 million accounts without customers' knowledge, sparking public and political outcries as well as numerous investigations.

More recently, the bank has said even more customer accounts may have been impacted. It also is facing a new scandal in its auto-lending unit over insurance policies involving many borrowers. The bank has said it would reimburse customers for around \$80 million.

Mr. Sanger became nonexecutive chairman last October when then Chairman and Chief Executive John Stumpf abruptly retired in the face of the sales-practices scandal. Mr.

Sanger was previously the lead director and had been on the board since 2003.

He previously had been CEO of packaged-food company General Mills Inc. until September 2007 and was its chairman until 2008. Mr. Sanger also is a director of Pfizer Inc.

Since his elevation, Mr. Sanger and other board members have contended with continued revelations about the depth of problems within Wells Fargo.

In addition, Sen. Elizabeth Warren (D., Mass.) in June mounted a public campaign to press the Federal Reserve to remove a dozen directors at the bank who served during the period when bad behavior occurred. That "revealed severe problems with the bank's risk management practices—problems that justify the Federal Reserve's removal of all responsible board members," according to a letter that Sen. Warren sent to Fed Chairwoman Janet Yellen.

Even before that, shareholders at the bank's annual meeting in April had given only tepid support to the board. Nine directors, including Mr. Sanger, received less than 75% approval for their re-election.

Mr. Sanger garnered only 56% of the vote—far below the 95% or more that most directors usually receive.

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FUND NAME GF AT LB DATE CR NAV YTD 2-MO 2-YR

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: www.cam.com.sg CAM-GF Limited OT MUS 08/09 USD 312008.09 3.3 5.5 3.0

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China A-Share Fund Cls A AUD H OT HKG 08/09 AUD 13.55 14.9 14.5 3.1

China A-Share Fund Cls A CAD H OT HKG 08/09 CAD 12.36 13.1 14.8 -0.6

China A-Share Fund Cls A EUR H OT HKG 08/09 CAD 12.47 14.2 13.2 1.8

China A-Share Fund Cls A EUR H OT HKG 08/09 EUR 13.07 13.8 12.3 1.5

China A-Share Fund Cls A GBP H OT HKG 08/09 GBP 13.07 13.5 12.3 3.0

China A-Share Fund Cls A HKD H OT HKG 08/09 HKD 13.29 13.9 13.0 5.0

China A-Share Fund Cls A NZD H OT HKG 08/09 NZD 13.29 12.9 17.7 2.6

China A-Share Fund Cls A SGD H OT HKG 08/09 SGD 13.25 15.1 15.0 2.3

China A-Share Fund Cls A USD H OT HKG 08/09 USD 11.72 17.7 15.7 -2.2

China A-Share Fund Cls A USD H OT HKG 08/09 USD 14.66 16.9 17.1 5.6

China A-Share Fund Cls A USD H OT HKG 08/09 USD 13.59 22.1 17.0 2.4

China A-Share Fund Cls A USD H OT HKG 08/09 USD 13.29 14.4 13.7 2.3

China Greenchip-A Units AS EQ CYM 08/09 HKD 64.26 25.3 23.1 4.4

China Greenchip-A Units AUD H AS EQ CYM 08/09 AUD 10.90 26.9 23.9 5.0

China Greenchip-A Units CAD H AS EQ CYM 08/09 CAD 10.61 26.9 23.2 4.2

China Greenchip-A Units NZD H AS EQ CYM 08/09 NZD 11.16 26.5 24.0 5.5

China Greenchip-A Units USD H AS EQ CYM 08/09 USD 10.64 25.9 22.7 4.2

China Greenchip-AQD1s Units AS EQ CYM 08/09 HKD 11.58 26.0 22.7 4.3

GC HI Yield Inc-Cls A MDLS GBP H OT CYM 08/09 GBP 9.

MARKETS DIGEST

Nikkei 225 Index

19729.74 ▼8.97, or 0.05%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

STOXX 600 Index

376.05 ▼3.79, or 1.00%

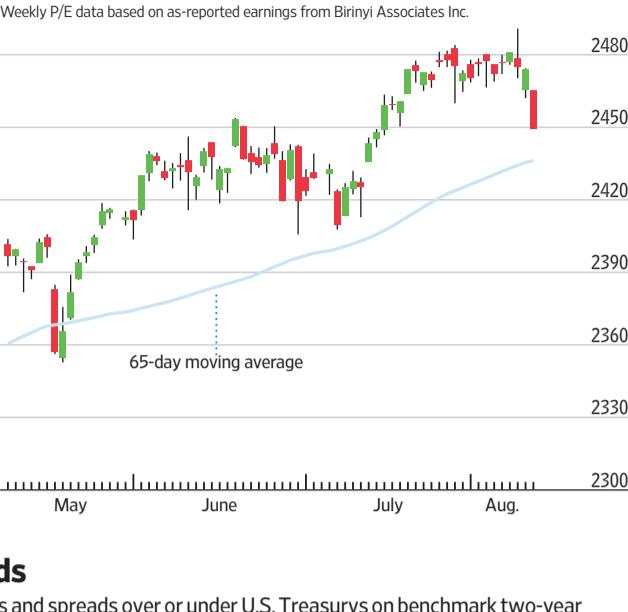
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2449.55 ▼24.47, or 0.99%

High, low, open and close for each trading day of the past three months.



Data as of 12 p.m. New York time

Last Year ago

Trailing P/E ratio 23.90 24.68

P/E estimate * 18.95 18.56

Dividend yield 1.97 2.10

All-time high: 2480.91, 08/07/17

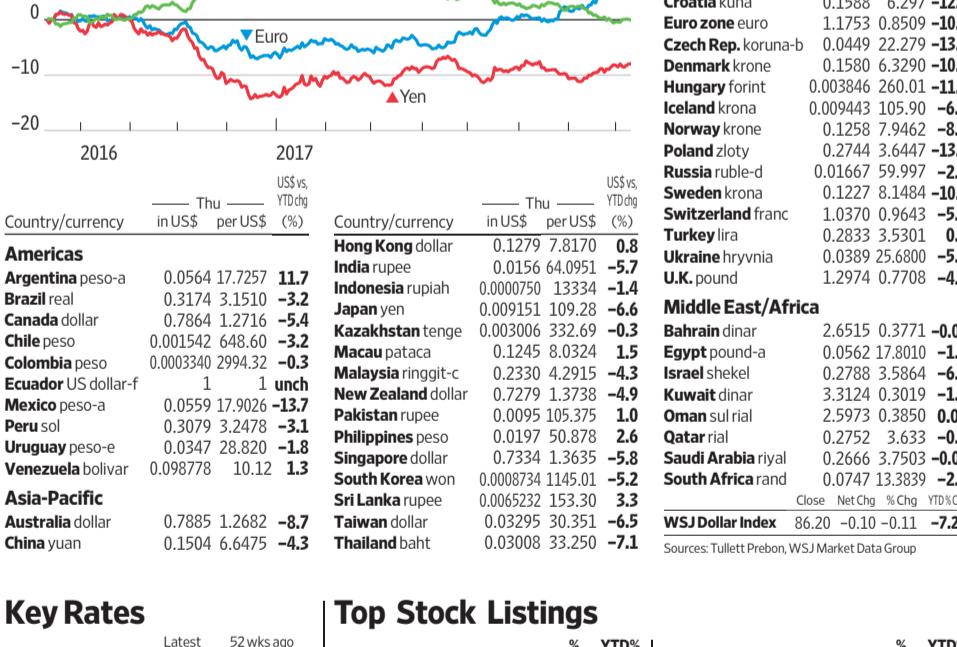
Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Region/Country	Index	Latest			52-Week Range			YTD % chg		
		Close	Net Chg	% chg	Low	Close	High	YTD % chg		
World	The Global Dow	2836.61	-22.14	-0.77	2386.93	2881.15	12.2			
	MSCI EAFE	1927.41	-10.53	-0.54	1614.17	1955.39	12.3			
	MSCI EM USD	1055.51	-13.41	-1.25	838.96	1078.53	32.9			
Americas	DJ Americas	588.50	-6.01	-1.01	503.44	599.20	8.9			
Brazil	Sao Paulo Bovespa	66944.16	-726.90	-1.07	56459.11	69487.58	11.2			
Canada	S&P/TSX Comp	15104.63	-112.70	-0.74	14319.11	15943.09	-1.2			
Mexico	IPC All-Share	50910.42	-327.08	-0.64	43998.98	51772.37	11.5			
Chile	Santiago IPSA	3856.58	-7.79	-0.20	3120.87	3908.55	19.7			
U.S.	DJIA	21919.10	-129.60	-0.59	17883.56	22179.11	10.9			
	Nasdaq Composite	6252.31	-100.02	-1.57	5034.41	6460.84	16.1			
	S&P 500	2449.55	-24.47	-0.99	2083.79	2490.87	9.4			
	CBOE Volatility	14.80	3.69	33.21	8.84	23.01	5.4			
EMEA	Stoxx Europe 600	376.05	-3.79	-1.00	328.80	396.45	4.0			
	Stoxx Europe 50	3064.20	-38.82	-1.25	2720.66	3279.71	1.8			
France	CAC 40	5115.23	-30.47	-0.59	4310.88	5442.10	5.2			
Germany	DAX	12014.30	-139.70	-1.15	10174.92	12951.54	4.6			
Greece	ATG	833.78	0.17	0.02	548.72	859.78	29.5			
Israel	Tel Aviv	1363.50	-13.37	-0.97	1346.71	1490.23	-7.3			
Italy	FTSE MIB	21681.61	-166.76	-0.76	15923.11	22065.42	12.7			
Netherlands	AEX	523.63	-4.58	-0.87	436.28	537.84	8.4			
Russia	RTS Index	1029.26	-5.72	-0.55	937.32	1196.99	-10.7			
Spain	IBEX 35	10450.00	-146.00	-1.38	8393.50	11184.40	11.7			
Switzerland	Swiss Market	8949.86	-77.29	-0.86	7585.56	9198.45	8.9			
South Africa	Johannesburg All Share	55700.64	-279.41	-0.50	48935.90	56396.24	10.0			
Turkey	BIST 100	107800.42	-914.16	-0.84	71792.96	110321.81	38.0			
U.K.	FTSE 100	7389.94	-108.12	-1.44	6654.48	7598.99	3.5			
Asia-Pacific	S&P/ASX 200	5760.90	-4.80	-0.08	5156.60	5956.50	1.7			
China	Shanghai Composite	3261.75	-13.82	-0.42	2980.43	3292.64	5.1			
Hong Kong	Hang Seng	27444.00	-313.09	-1.13	21574.76	27854.91	24.7			
India	S&P BSE Sensex	31531.33	-266.51	-0.84	25765.14	32575.17	18.4			
Indonesia	Jakarta Composite	5825.95	1.94	0.03	5027.70	5910.24	10.0			
Japan	Nikkei Stock Avg	19729.74	-8.97	-0.05	16251.54	20234.01	3.2			
Malaysia	Kuala Lumpur Composite	1777.77	-0.17	-0.01	1616.64	1792.35	8.3			
New Zealand	S&P/NZX 50	7789.71	-9.93	-0.13	6664.21	7799.64	13.2			
Philippines	PSEI	7966.25	-19.58	-0.25	6563.67	8071.47	16.5			
Singapore	Straits Times	3323.24	5.16	0.16	2787.27	3354.71	15.4			
South Korea	Kospi	2359.47	-8.92	-0.38	1958.38	2451.53	16.4			
Taiwan	Weighted	10329.74	-140.64	-1.34	8902.30	10579.38	11.6			
Thailand	SET	1571.64	0.13	0.01	1406.18	1591.00	1.9			

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on Aug. 10

Country/currency	US\$ vs. YTD chg (%)			Country/currency	US\$ vs. YTD chg (%)			Commodity	Exchange	Last price	Net	One-Day Change	Percentage	Year high	Year low
	Thu	in US\$	per US\$ (%)		Thu	in US\$	per US\$ (%)								
Argentina peso-a	0.0564	17.7257	11.7	Hong Kong dollar	0.1279	7.8170	0.8	Corn (cents/bu.)	CBOT	387.50	1.25	0.32%	417.25	374.00	
Brazil real	0.3174	3.1510	-3.2	India rupee	0.0156	64.0951	-5.7	Soybeans (cents/bu.)	CBOT	982.75	9.50	0.98	1,047.00	907.00	
Canada dollar	0.7864	1.2716	-5.4	Indonesia rupiah	0.000750	1333.49	-1.4	Wheat (cents/bu.)	CBOT	485.00	-1.75	-0.36%	592.25	454.75	
Chile peso	0.001542	648.60	-3.2	Japan yen	0.009151	109.28	-6.6	Live cattle (cents/lb.)	CME	107,650	-400	-0.37	122,850	99,125	
Colombia peso	0.0003340	2994.32	-0.3	Kazakhstan tenge	0.003006	332.69	-0.9	Cocoa (\$/ton)	ICE-US	1,963	-42	-2.09	2,301	1,7	

FINANCE & MARKETS

Can This Oil Field Keep Growing?

Investor confidence in Permian Basin's ability to keep expanding production falters

BY ALISON SIDER

Investors helped turn West Texas' Permian Basin into America's fastest-growing oil field, but their confidence is cracking over whether drillers can keep production rising.

Questions mounted last week after **Pioneer Natural Resources** Co. reported that its Permian wells are producing more gas and natural-gas liquids such as propane than expected. That worried investors, who care a lot more about oil.

Shares of Pioneer and other Permian producers tumbled as a result. Pioneer ended that week down 16%, while **Parsley Energy** Inc. and **Concho Resources** Inc. both declined more than 9% over that stretch.

The main issue for Wall Street is whether the Permian, where nearly half of the rigs drilling for oil in the U.S. are located, will continue apace or will fall short of the expectations of investors, who in recent years crowded into companies drilling there.

"The Permian is going to have some growing pains," Scott Hanold, an RBC Capital Markets analyst, said this week.

The concerns aren't universal, and some say they are overblown. "I don't think anything has changed in the Permian. It's the lowest cost, best basin to be in, with the best rock," said Bill Costello, portfolio manager at investment firm Westwood Holdings Group. "If people are going to give me the opportunity to buy more, I'm going to buy more all day long."

Some Permian stocks have partly recovered since last week's plunge. Cimarex Energy Co. was the S&P 500's biggest gainer Wednesday, rising

about 7.5% after it reported more oil production than expected.

But the selloff, and analyst notes that followed, reveal that some investors are questioning whether they were overly confident in the resilience of the Permian, and perhaps overpaid for it.

Most wells produce natural gas as a byproduct alongside oil, and that gas output tends to rise over time. That is because as a reservoir is depleted, its pressure drops and gas vapors separate from liquid—reaching the “bubble point” at which natural-gas production accelerates.

Pioneer last week indicated that some of its Permian wells are reaching this point sooner than it anticipated.

"Why everyone's so concerned is that it could mean at some point in the future, that oil declines are steeper than what company and the investment community thought they would be," said Ben Shattuck, research director at consultancy Wood Mackenzie. "It raised that big question mark."

John Groton, director of equity research at Thrivent Financial, which owns shares of Pioneer, said the issues were a hiccup, "not a harbinger of the end for the Permian."

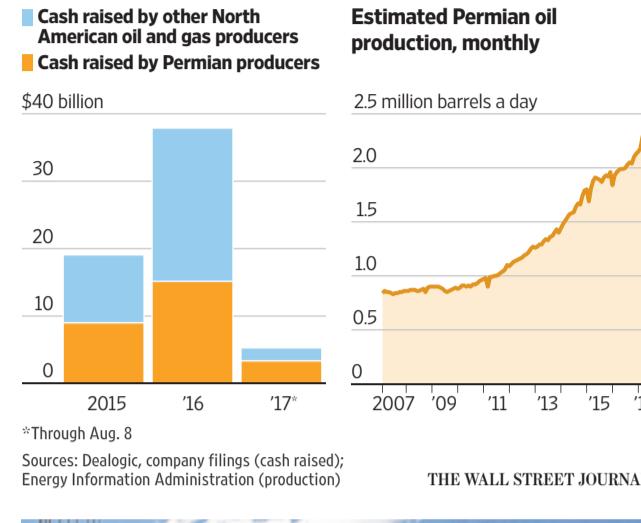
He added: "There were a lot more people who had priced Pioneer for perfection than I had realized."

Some skeptics have long suspected that the ultimate recoverability rates of oil from tightly packed U.S. shale rocks might be lower than many drillers were forecasting, and that the process to extract it would ultimately be too expensive a proposition.

U.S. shale producers use a process known as fracking—blasting water and sand through rock to unleash vast quantities of oil and natural gas. Because of the unusual geology in the Permian, which consists of stacked layers of oil-bearing rock that can be tapped simultaneously from a single site, Wall Street widely

Permania

North American oil and gas producers raised about \$62 billion since 2014 by selling new shares. Much of the proceeds went to companies operating in the Permian Basin.



*Through Aug. 8
Sources: Dealogic, company filings (cash raised); Energy Information Administration (production)



Shares of Permian Basin companies held up better than peers.

believed these companies could turn a profit even at lower oil prices. Shares of companies in the Permian held up better than their peers while oil prices plummeted starting in 2014.

Quarter after quarter, producers demonstrated that they could break even there at lower and lower oil prices as they learned to extract more oil from each well.

Their success meant they were able to tap investors for more cash when they needed it. Companies that weren't in the Permian wanted to be

there, and were willing to pay up for land.

Producers in the region have raised \$27.5 billion since the start of 2015 by selling new shares—44% of the cash raised that way by North American oil-and-gas companies since then.

The premium for shares of Permian producers compared with oil companies that focus on other regions shrank by 14% after Pioneer reported its results, Morgan Stanley analysts said Monday.

"Investors didn't receive the beat-and-raise quarter that

they saw in" the first quarter, Cowen analysts wrote in a note this week.

Even before second-quarter results, there were signs that investors' enthusiasm was ebbing. When QEP Resources Inc. last month announced a deal to spend \$732 million to buy drilling land in Martin County, Texas, its shares fell.

It is up for debate what Pioneer's announcement last week that its Permian wells were producing more gas means for future oil production.

Scott Rees, chief executive of Netherland, Sewell & Associates Inc., an independent engineering consulting firm that has Pioneer as a client, said that when production reaches this point, it doesn't mean that oil production is about to drop off.

So far, Pioneer said the oil output from its wells isn't dropping—it is on track with what its engineers predicted. Analysts and some investors say all that gas is basically a free byproduct that will make the wells more valuable.

Parsley Chief Executive Bryan Sheffield echoed that point when he said last week that the company's wells were still producing as much oil as expected. "Oil volumes are in line with expectations, so the extra gas is truly additive."

Pioneer Chief Executive Tim Dove told analysts that oil was "absolutely meeting our expectations on a per-well basis, and adding more gas and [natural gas liquids] to the mix is a positive in terms of revenues and reserves without even affecting oil."

"This is a good thing," he said.

The explanation didn't seem to help. "While it is only one day of trading, the underperformance of high-quality Permian stocks has left some [portfolio managers] asking about where to reallocate capital within the sector," Goldman Sachs analysts wrote last week as share prices tumbled.

—Ryan Dezember contributed to this article.

OPEC's Output Increases

By CHRISTOPHER ALESSI

LONDON—OPEC crude-oil production rose further in July, in the latest sign the cartel's efforts to reduce output and drain a global supply glut are falling short.

Organization of the Petroleum Exporting Countries output rose by roughly 0.5%, to 32.87 million barrels a day last month, up by 172,600 barrels from June. The uptick, which was smaller than the prior month's increase, was driven by higher production in Libya, Nigeria and Saudi Arabia, according to OPEC's monthly market report.

The report comes as Saudi Arabia—OPEC's largest member and the world's biggest crude exporter—has been pressuring other members of the cartel for better compliance with an agreement to curb production output.

OPEC and 10 producers outside the cartel including Russia first agreed late last year to cap their production at around 1.8 million barrels a day lower than peak October 2016 levels, with the aim of alleviating global oversupply and boosting depressed prices. But the deal has failed to have a significant impact on prices.

Libya and Nigeria were exempt from the deal because their industries had been crippled by civil unrest but output has soared in both countries over the past few months, OPEC has signaled it could revise the agreement to include them.

OPEC's Thursday report also highlighted non-OPEC oil supply, revising its growth forecast for 2017 down by 28,000 barrels a day, to an average supply growth of 780,000 barrels a day this year. The report cited a lower assessment of oil supply in developed countries in the Americas as the cause of the revision.

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MARKETS

Partyers Dream of Bitcoin Riches

A recent event gave cryptocurrency mavens a chance to connect over drinks

By PAUL VIGNA

Digital currency fans are partying like it's 1999.

Late last month, more than 300 people crowded onto a rooftop bar in Manhattan to celebrate Ethereum, the latest cryptocurrency to soar and capture speculators' imaginations.

The gathering, under a sunny late-afternoon sky, was about six times bigger than organizers expected, a miniature version of dot-com days when explosive new technology pulled in people with visions of changing the world and getting rich.

"If somebody gives you a chance to jump on a rocket ship that's taking off, you don't say no," said Tricia Lin, a 35-year-old from New Jersey who recently quit her job at Morgan Stanley to pursue a future in digital currencies. Bouncing around from one idealistic conversation to another, she added: "It's so different from the finance industry."

It has been a galvanizing year for Ethereum and the more established bitcoin, both of which have shattered records in 2017. A new method of fundraising, initial coin offerings, has pulled in more than \$1 billion collectively for startups in the first six months of 2017, boosting Ethereum in particular since it is the main currency used to fund the deals.

Some coin offerings have matched or surpassed what other startups have raised through venture-capital funds in traditional markets. The growth last month drew the notice of the Securities and Exchange Commission, which warned that some of the offerings, also known as ICOs,



MICHAEL BUCHER/THE WALL STREET JOURNAL

Virtual-currency investors and entrepreneurs gathered last month at a rooftop bar in New York.

could be deemed securities and subject to regulation.

The scrutiny hasn't slowed things down much. Last week, venture-backed startup Protocol Labs said it had raised \$52 million in a coin offering backed by investors including Y Combinator's Sam Altman. The offering, called the Filecoin Network, will focus on data storage.

At the Sunday gathering near the Empire State Building, attendees also focused on how to make money in the bitcoin economy. Some exchanged business cards under mini palm trees, while a New York University graduate student sat down with two people he just met, brainstorming about how to bring more of the bitcoin-related technology known as "blockchain" to his college. Others debated

whether bitcoin would keep surging despite a divisive debate over how large trades are handled in the currency.

Since the party, organized by an Ethereum Meetup group, bitcoin has advanced an additional 24% through Wednesday afternoon despite some traders splitting off to form a new

'If somebody gives you a chance to jump on a rocket ship ... you don't say no.'

currency called Bitcoin Cash. Ethereum, whose network went live about two years ago, is less widely known than its older relative, but a sharp in-

crease in value is starting to change that. Beginning the year at \$8, the price of Ethereum skyrocketed 50-fold in the first half of the year, trading as high as \$400 before settling down to \$302 Wednesday.

The attendees at last month's party were an eclectic group, ranging from crypto veterans in T-shirts and baseball caps to staffers from New York Gov. Andrew Cuomo's office and the Federal Deposit Insurance Corp. Bitcoin entrepreneurs held court, a former congressman dropped by and one attendee dropped to a knee to propose marriage in the middle of the event.

Nearby, Richard Brownstein networked in a red Hawaiian shirt and straw-brimmed hat. A 60-year-old financial adviser, Mr. Brownstein was in

the midst of selling his business, which he built over 27 years, to get involved in blockchain. Before becoming a money manager, he was an engineer in the music industry, and now wants to get back to his roots.

"This is internet 3.0," he said. "I missed internet 2.0. I don't want to miss this."

It is no coincidence that both speculators and entrepreneurs were drawn to the event. Ethereum, which is often quoted in "ether," was based upon the same concepts as bitcoin, but the focus is different. Bitcoin's network is designed to support a currency. Ethereum is designed to be a hosting service for apps, a sort of decentralized operating system.

The software behind Ethereum makes it easier for developers to create their own coins with just a few lines of code. That ease of creation has helped spur initial coin offerings. The various tokens have had a mixed performance record, but their proliferation has fueled Ethereum's rally.

Ms. Lin heard about virtual currencies while working at Morgan Stanley's brokerage unit. Entrepreneurs she was recruiting to be clients of the Wall Street firm told her about bitcoin and Ethereum, and she soon wanted to be a part of it.

About a month ago, Ms. Lin and her business partner, bitcoin veteran Brad Chun, incorporated GopherCard, which will give holders of the new currencies a way to spend their money on prepaid gift cards. For Ms. Lin, the party was a chance to talk to experts about how her startup should refine its business model and build a brand.

She found the response encouraging, a far cry from the attitudes about work she encountered in finance. "People were willing to share ideas and build stuff," she said, "rather than just drink and party."

Downbeat Earnings Weigh On Stocks

By JUSTIN YANG AND AKANE OTANI

Stocks slid for a third consecutive day, as disappointing earnings and an exchange of threats between North Korea and the U.S. pushed investors out of risky assets.

The rising **THURSDAY'S MARKETS** tensions have jolted what has often been a quiet period of summer trading. Stocks have retreated while assets perceived as havens, such as gold, the Japanese yen and U.S. government bonds, have strengthened.

The Dow Jones Industrial Average fell 165 points, or 0.8%, to 21884 by around midday Thursday. The S&P 500 shed 1.2%, and the Nasdaq Composite lost 1.9%.

The CBOE Volatility Index, which measures investors' expectations for swings in the S&P 500, jumped 35% around midday.

Retailers slid after department stores Macy's and Kohl's both reported that same-store sales continued to decline in the second quarter. Shares of Macy's lost 9% and Kohl's fell 6.8% around midday.

U.S. government bonds strengthened, with the yield on the 10-year U.S. Treasury note falling to 2.227% by midday, according to Tradeweb, from 2.246% on Wednesday.

Gold prices rose 0.9% to \$1,284.00 a troy ounce, while the Japanese yen gained 0.7% against the dollar.

The Stoxx Europe 600 fell 1%, while stocks in Asia mostly fell. Hong Kong's Hang Seng Index lost 1.1%, while the Shanghai Composite Index fell 0.4% and Japan's Nikkei Stock Average lost less than 0.1%.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Glencore Bets on Electric Cars

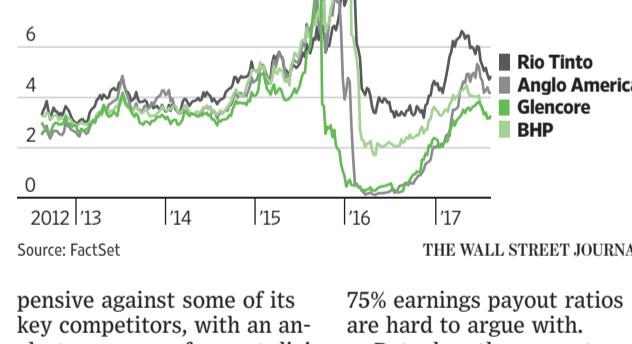
Miners and commodity traders have—mostly—survived the commodities bust of 2015 and 2016, but drawn surprisingly different lessons from the disaster.

Rio Tinto is doubling down on shoveling out iron ore—and cash to its shareholders. **BHP Billiton** is weighing a risky oil and potash diversification strategy. And Switzerland-based **Glencore**, which reported first-half results Thursday, is betting that an electric-car future will drive up demand for its key commodities zinc, cobalt, copper, nickel and coal.

Glencore's is a strategy that could pay off for shareholders, but it will require patience for long-term trends to play out. The company reported improved earnings of \$2.45 billion in the first half, compared with a loss of \$369 million in the first half of 2016. The firm still looks ex-

In a Hole

Next 12 months' dividend yield, analyst consensus



pensive against some of its key competitors, with an analyst consensus forecast dividend yield of just above 3%, versus 4% for Anglo American and close to 5% for Rio, according to FactSet.

In the short term, Rio Tinto investors are looking like the fat and happy ones:

75% earnings payout ratios are hard to argue with.

But when the current China construction boomlet—and iron-ore prices—eventually lose steam, Glencore's strategy of smaller payouts combined with opportunistic acquisitions may end up looking smarter. The

firm is still paying down net debt, which fell \$1.6 billion in the first half, into its targeted range below \$15 billion. And there could be upside on the payouts. Jefferies figures it could send around \$2.5 billion shareholders' way—a healthy 4% dividend yield in 2017 if current spot prices hold.

At the same time, the firm is adding to its positions in commodities such as copper, cobalt and coal. The former two will be big beneficiaries of the shift toward electric cars and battery storage for wind and solar. Coal will still be necessary for a while, particularly if the shift toward electric cars happens quicker than expected.

Investors who prefer cash in hand should go with Rio Tinto—but Glencore might electrify shareholders in the long run who elect to stick around.

—Nathaniel Taplin

Generic-Drug Firms Hurt by Falling Prices

As promised, the U.S. Food and Drug Administration is bringing in more competition to the drug business. That means more pain for generic-drug manufacturers.

The generics sector is in the midst of another earnings season to forget.

Through Wednesday, shares of **Teva Pharmaceutical Industries** were down 44% since it lowered its earnings guidance and slashed its dividend last week, in large part due to the falling price of generic drugs in the U.S.

Mylan was next in line. The company's shares were choppy on Wednesday after it said it expected generic prices to fall in the "high single digits" and delayed the launch of some drugs.

Falling prices have also hurt firms that profit from distributing and reselling drugs, like **Cardinal Health** and **AmerisourceBergen**.

The sector has struggled since last fall, but there is reason to believe the worst isn't yet over.

"To say that times are changing would be an understatement," Mylan CEO Heather Bresch said on the

conference call.

One reason for the falling prices is a faster pace of generic-drug approvals by the FDA. Scott Gottlieb, who took over as commissioner in May, vowed to quicken the pace in a bid to encourage competition.

Early results suggest Dr. Gottlieb will be able to back up his promises.

With two months left in the fiscal year, there were 633 approvals through July, including 233 since May, when Dr. Gottlieb took over as commissioner. That isn't far from last year's record of 651 approvals.

More than 2,400 applications were pending with the agency as of April, ensuring that its review team will be busy for a while.

The new applications will help lower prices as more competition arrives. Given that many manufacturers in the sector have leveraged balance sheets, the temptation to lower prices and win market share will be present. That can push prices even further down.

The phrase "lower for longer" doesn't apply to just interest rates anymore.

—Charley Grant

OVERHEARD

Satoshi, eat your heart out (if you exist). There are many cryptocurrencies, some more liquid than others. Not all seem quite kosher in the figurative sense of the word. Only one may be in the literal sense: BitCoen.

Tablet Magazine reports that a Russian entrepreneur is launching a cryptocurrency with "the values and customs of the ancient foundations in the framework of Jewish law." It would be overseen by a council

of six as yet unnamed people and will give part of its income to Jewish philanthropic causes.

Mixing religion and digital currency isn't unprecedented. The idea for a kosher currency was beaten to the punch by a halal one called OneGram that promoters announced this past spring. It was to be backed with physical gold. Borrowing or gambling were forbidden, and it was to be overseen by a group of Islamic law experts.

OPEC Has a Reason for Optimism

Is oil exporters' pain starting to result in a gain?

Measured by the price of a barrel of oil, arguably the benchmark that matters most, the evidence is scant. Crude futures are now almost at the same price as the day before exporters' December agreement to cut output. But there has been a lot of zigging and zagging in between, and U.S. benchmark prices have climbed more than 15% since their June low, in large part on bullish evidence from crude inventory data. If the Organization of the Petroleum Exporting Countries and its confederates can bring bulging global stockpiles back to normal, then it will be more than a symbolic victory.

The U.S., with its detailed

inventory data, is Exhibit A for this trend. Wednesday morning's report from the U.S. Energy Information Administration confirmed private-sector data in showing another surprisingly large draw on crude inventory outside the Strategic Petroleum Reserve. The 6.5 million-barrel drop brought stockpiles to a level 9% below what they were three months earlier.

Inventory can be misleading, though. Because of seasonality, summer inventory drawdowns are rarely an indicator of future oil demand. In fact, they also fell sharply before big price slumps in the summers of 2008 and 2014. In the autumn, when the number of miles driven drops and refineries go into maintenance, crude stock-

prices today, whereas they were substantially higher last summer. This reduces the financial incentive to buy a physical barrel, store it, and then immediately sell the same barrel on paper.

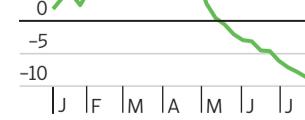
The biggest impact of the change in futures prices falls on OPEC's nemesis, the U.S. shale drillers, which regularly hedge by selling futures contracts. Lower futures prices relative to the current price means a few dollars less in realized revenue per barrel, which for the shale drillers could mean the difference between a profit and a loss.

It may not be a resounding victory for OPEC when one is looking at the price of a barrel of crude, but exporters' cuts are having an effect.

—Spencer Jakab

Barreling Lower

Three-month change in U.S. oil inventory



Note: Excludes Strategic Petroleum Reserve.

Source: Energy Information Administration

THE WALL STREET JOURNAL.

piles tend to recover.

The better piece of news, at least for OPEC, can be found in a far larger and more rapidly shifting arena: the crude futures market. The price of futures contracts expiring in six months is barely higher than spot

Jagger's edge:
Adopt his
rule-breaking
rugby look



W3

OFF DUTY



Does Honda's
Odyssey minivan
overshadow the
brand's crossover?
W6

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, August 11 - 13, 2017 | W1



F. MARTIN RAMIREZ/THE WALL STREET JOURNAL, GROOMING BY ELISA FLOWERS

Masked Men

Once, spa vacations were ladies-only. Now U.S. wellness retreats are trying to scrub away that perception, offering everything from manly hops-infused pedicures to all-guy boot camps. And male execs are buying it

BY MATTHEW KRONBERG

FOR ONE WEEK this summer, the crowd at Cal-a-Vie, a Provençal-style wellness resort spread over 600 acres of chaparral in Southern California, looked...different. "We had a corporate retreat here and it was 90% men," recalled Terri Havens, who owns Cal-a-Vie with her husband, John. "Twenty-five years ago, you couldn't get a guy to come in. We never dreamed we would see the day when we had more men than women here."

Circular reasoning was at work. "My image was of a bunch of ladies in robes getting their nails and their hair done," said Peter Shaper, a founding partner of a Houston private-equity firm. And that image—widespread as it was—kept men away: Guys didn't go because they thought guys didn't go. Mr. Shaper's wife, who frequented spas with her mother and sister, spent years trying to convince him to join

Please turn to page W2

OFF DUTY

SPA GETAWAYS FOR BROS

Continued from page W1
her on a trip, emphasizing the fitness and sport options, rather than the ylang-ylang-scented pampering. Eventually he went along to Arizona's Canyon Ranch, among the biggest names in American wellness retreats.

The verdict? "She was right," he said. He hiked, biked and did a boot camp class. "I didn't do any facials. I may have gotten a massage. At first I wasn't even that excited about that part." It was enough to entice him to try other spas with her, including Cal-a-Vie, which has long been trying to beckon guys like Mr. Shaper. Cal-a-Vie co-owner John Havens had "really rich leather boxing bags made for boxing class and he [added] rowing machines and TRX and then serious hikes. Macho stuff," said Ms. Havens. Even the spa offerings took on a testosterone tinge. "Instead of a mani-pedi," she added, "it's now a hand and foot sports conditioning."

Mr. Shaper's first visit to Cal-a-Vie was followed by another, with the business leadership group YPO, the Young Presidents' Organization. After that, he came back again, and then again. Friends—fellow CEOs and entrepreneurs—began to take notice. "I'd get some ribbing about it, but eventually I said 'Look, you guys will be shocked. You need to try it.'" Among those he converted: Chris Papouras, an oil industry executive, who had long written off the male spa experience as a "metrosexual boondoggle." Instead, he found it to be an "intense, physical experience," the only lowlight of which was "recognizing how out of shape I am." That recognition spurred a life-changing return to fitness, and a return visit.

While guys still constitute the minority of spa-goers, the industry's efforts to lure more men are paying off. At Primland, a resort in Northern Virginia where activities include hunting, recreational tree climbing (it's a thing) and motor sports, males have gone from just 10% of the spa's customer base when it opened seven years ago to 42% today. Golden Door, a hyperluxe Southern California wellness retreat styled like a Japanese ryokan, has seen a nearly 70% jump in male clientele since 2012, said general manager Kathy Van Ness. The spa resort now offers a Men's Camp Week—think sleep-away camp with herbal wraps and ultracompetitive water volleyball—six times a year, up from just twice in 2012. Looking ahead, she added, "I think we could get to 10."

Among the guests at the spa's next such retreat will



HIS WAY Clockwise from left: A Tree House guest room at Primland resort in the Blue Ridge Mountains; the pool at California's Cal-a-Vie; a Thai massage at Canyon Ranch in Arizona.



MANLY AND PEDI // SIX DESTINATION SPAS ACROSS THE COUNTRY THAT OFFER GUY-FRIENDLY TREATMENTS AND ACTIVITIES

Miraval Tucson, Ariz.

At this retreat in the Santa Catalina Mountains, outside of Tucson, activities range from rock climbing and mountain biking to making your own dreamcatcher.

Minimum Stay 1 night

Crowd Factor Medium, with 118 casita-style rooms and suites on 400 acres

Cost From \$549 per person per night

Which Includes

Meals, fitness classes, and activities like the 35-foot-high 'Desert Tightrope'

But Not Spa treatments, Pilates and some activities like the hands-on bee-keeping experience, 'All the Buzz'

Sample Treatment

Deep River Stone massage incorporat-

ing heated basalt stones and cool marble. miravalresorts.com

Cal-a-Vie Vista, Calif.

At this SoCal-meets-Mediterranean-styled retreat, guys might come eyeing the golf course, but wind up embracing clean eating and exercise programs like Hydrider, an in-pool spin class.

Minimum Stay Three nights

Crowd Factor Low, with 32 guest rooms on 500 acres

Cost From \$4,675 per person for three nights

Which Includes

Meals, fitness classes, and activities like the 35-foot-high 'Desert Tightrope'

But Not Spa treatments, Pilates and some activities like the hands-on bee-keeping experience, 'All the Buzz'

Sample Treatment

Vinotherapy Hydrotherapy—an efferves-

cent soak that includes grapeseed, skin and pulp extract from the on-site vineyard. cal-a-vie.com

Golden Door San Marcos, Calif.

The goal of a stay at Golden Door is to shed the trappings of the outside world; they even issue you clothes—shorts, T-shirts and sweats—for the duration of your stay. Call it penitentiary-lux.

Minimum Stay

Three nights

Crowd Factor

Low, with just 40 single rooms (couples bunk down separately) and two villas on 600 acres

Cost From \$4,800 per person for three nights

Which Includes

All classes, meals, and activities, as well as

daily in-room massages and skin care treatments

But Not Specialty one-on-one sessions ranging from Watsu water therapy to regression hypnosis

Sample Treatment

Hinoki Grounding Scrub, a woodsy scrub of hinoki, a type of cypress, and cedar, which claims to restore inner balance and clear mental fog. goldendoor.com

Canyon Ranch Lenox, Mass.

In the Berkshire Mountains, incorporating an 1897 mansion, Canyon Ranch's East Coast outpost also offers winter fitness programs like cross-country skiing and snowshoeing

Minimum Stay Two nights

Crowd Factor

Medium, with 126 rooms on 119 acres

Cost From \$2,400 per person for two nights

Which Includes

All meals and classes, and a credit toward spa and sport services

But Not Some activities, medical and spa treatments

Sample Treatment

Gentlemen's Facial—designed to address damage caused by sun and shaving. canyonranch.com/lenox

The Lodge at Woodloch Hawley, Penn.

Surrounded by pine and oak forests, 2½ hours from New York City, the resort features a "Renew and Brew" pedicure and body polish, as well as "Forest Bathing," a Japanese method of mindful hiking.

Minimum Stay Two days on weekends

Crowd Factor Medium, with 58 double rooms on 500 acres

Cost From \$349 per person per night

Which Includes

Most classes, all meals, use of bicycles, kayaks, stand-up paddleboards

But Not Alcohol, spa treatments, private and semiprivate training classes, like the Pilates Reformer

Sample Treatment

Deep Forest Ritual with a coffee and dandelion exfoliation and massage using warm birchwood sticks and evergreen and citrus oils. thelodgeatwoodloch.com

Primland Meadows of Dan, Va.

This Blue Ridge Mountain resort en-

courages you to keep your eyes skyward, whether it's watching for pheasants during a U.K.-style driven hunt, or looking into deep space from the resort observatory

Minimum Stay One night

Crowd Factor Low, with 26 rooms, 21 homes and cottages and 3 tree houses on 12,000 acres

Cost From \$408 per room per night

Which Includes

Your room

But Not Meals, activities, treatments

Sample Treatment

Blue Corn and Honey Wrap & Float, a body scrub with maize and a massage on a flotation table. primland.com

► For details on more destination spas, see wsj.com/travel

be chef Ludo Lefebvre, an owner of five Los Angeles restaurants. Mr. Lefebvre said he made his first visit to Golden Door, in 2015, after years of cooking, making TV shows, writing books and traveling the food festival circuit had taken a toll

on him. "I was at a breaking point," he recalled. Mr. Lefebvre spent his week there hiking, exercising, playing tennis and meditating. He had personal trainers and daily in-room massages. "I have the personality to be a bit extreme, so I did every-

thing the first time, which I don't recommend," he added. "My body hurt." Despite the price tag of just under \$9,000 for the seven-night stay, he'll be returning for his third Men's Camp Week this September.

At this point, you'd be

forgiven for deciding to forgo the spa vacation in favor of something more relaxing—like a triathlon. But not all male guests are drawn to the physically demanding aspects of the spa experience. Take Steven Kolb, the president and CEO of CFDA, the Council of Fashion Designers of America. "I don't do classes," he said, referring to his semi-frequent visits to the Lodge at Woodloch, in the Pocono Mountains, about 100 miles from New York City. He goes there "mostly after a busy work time like Fashion Week, or for a special occasion like a birthday," and when there, "I like a quiet room facing the lake and pine trees, the waterfall hot tub and lunch wearing a bathrobe." Add in a deep-muscle massage and a deep-pore facial and he's set.

Many Presidents made spa treatments part of their routine, even outside of the spa. In his memoirs, Henry Kissinger recalls that Richard Nixon, "lying naked on the rubbing table" during a stay at the Kremlin Grand Palace, "made one of the more courageous decisions of his Presidency," when he reasserted his hard-line stance in the SALT talks. Mr. Kissinger called it "a heroic position from a decidedly unheroic posture."

While a gimmicky golf ball massage might be a once-a-year indulgence, other spas offer services that resonate throughout the other 364 days. These include full medical consultations that physicians and nutritionists back home can follow up on. A spa visit can also help cultivate a habit of self-care that many men resist until they reach a crisis point. Bart Loring, founder and CEO of a Denver software company and a spa enthusiast who believes that a digital detox is key to reducing stress, gives his employees \$7,500 a year toward vacations where they are entirely disconnected. It can be Burning Man or Birmingham, as long as no work is done. Of course, he said, a wellness retreat is not a bad option. "My personal favorite is Miraval," a desert resort just north of Tucson, Ariz. "I also recently went to Deepak Chopra Center [in California]. When people are looking for something that's a little different, or their anxiety levels are high, I encourage them to go to one of these places. It might seem indulgent and expensive, but it's important to realize that [men] need some TLC too."

Franklin D. Roosevelt in Warm Springs, Ga., in 1924

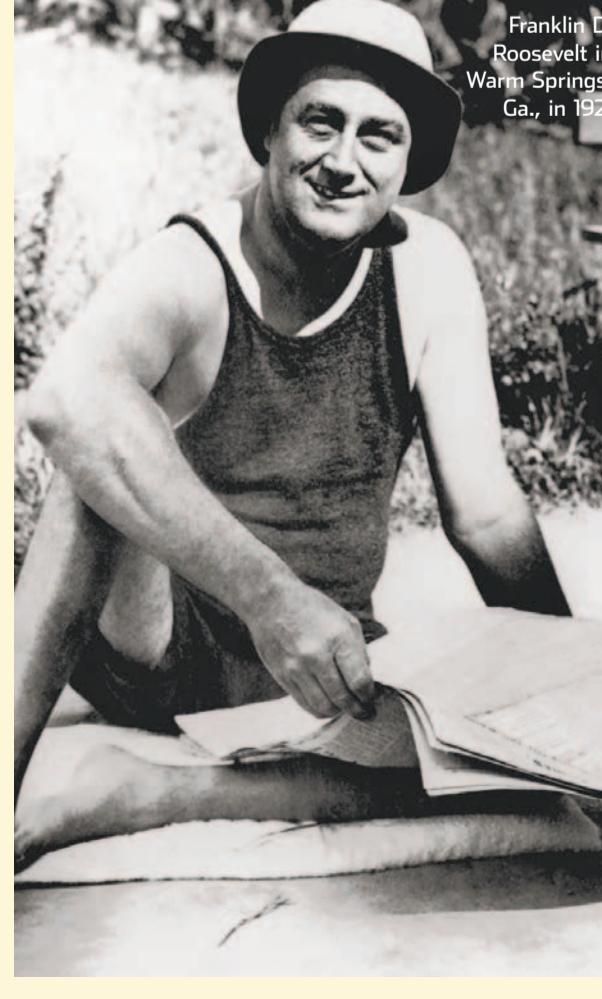
Few jobs are more stressful than being a U.S. president. Sometimes a soak and a rub is the only balm

LONG BEFORE spas became ground zero for "girlfriend getaways," mineral springs and baths drew weary power players of both sexes, including a number of American presidents. Near the Roman Baths at West Virginia's Berkeley Springs State Park, you'll find a small stone tub fed by a 74.3 degree spring, marked as George Washington's Bath Tub. Washington first visited the spot in 1748, when he was 16, and frequented it for much of his life. The oldest spa structure in the U.S., dating to 1761, is the Jefferson Pools (formerly known as Warm Springs), now part of the Omni Homestead Resort in Warm Springs, Va. Thomas Jefferson bathed there for three weeks in 1818 to treat his rheumatism, saying in a letter to his daughter that "the spring with the hot and warm are those of the first merit."

Virginia's Warm Springs should not be confused with Franklin Roosevelt's retreat of

the same name in Georgia, where he found relief from the effects of polio in 88 degree spring-fed pools. Reopening those pools—now part of Roosevelt's Little White House State Historic Site—for biannual public swims is the focus of a fundraising drive. Three years after Roosevelt's death, Harry Truman secretly spent election day 1948 at Elms Hotel & Spa in Excelsior Springs, Mo., where, the hotel website says, he "enjoyed the electric cabinet, salt rub, mineral water tubs and a massage."

Many Presidents made spa treatments part of their routine, even outside of the spa. In his memoirs, Henry Kissinger recalls that Richard Nixon, "lying naked on the rubbing table" during a stay at the Kremlin Grand Palace, "made one of the more courageous decisions of his Presidency," when he reasserted his hard-line stance in the SALT talks. Mr. Kissinger called it "a heroic position from a decidedly unheroic posture."



COPY CAT

Stripes Like Jagger

Back when rugby shirts were still reserved for the upper crust, the Rolling Stones' front man co-opted one stylishly. Steal his strategy

BY JACOB GALLAGHER

SOME STYLE ICONS are an easy read. Frank Sinatra defined the two-martini rake. Fred Astaire? A dandy. Woody Allen, while, is a begrudging (and deeply bedraggled) prep. Then there's Mick Jagger, a man whose look could never be described in such pat terms. "You had a sense that you pegged him visually or in a fashion sense," rock critic Anthony DeCurtis, wrote the introduction for the catalog of "Exhibitionism," a travel-gallery-show dedicated to the history of the Rolling Stones, which recently closed in Chicago.

Finally, rugby was a game played by people who were privately educated so the shirt signified a kind of status.

Indeed. At the 1969 Rolling Stones concert in London's Hyde Park, Mr. Jagger pulled off a white long-sleeved Elizabethan-style mini-top (worn over white trousers) by British designer Mr. Fish. Two years earlier, when he married Bianca de Jagger in Saint-Tropez, he suited up in a tan three-piece tux, which he finished off with slightly ratty socks. "He dressed exactly as he wanted to," said Mr. DeCurtis. "He wasn't following any trends."

This photo (right) of Mr. Jagger and chanteuse Françoise Hardy, in London, in 1965, reveals a lot about his convention-flouting style. He wears a classic gold and black striped rugby shirt tucked into dark-slim trousers, finished with a gold belt and, it would seem, a devil-may-care attitude. While sporting a look this way might seem stylish today, at the time it amounted to major subversion.

Rugby shirts were an indicator of who you were and your status in the world," said De Montfort University professor Tony Collins, the historical consultant for Britain's *The Oval World: A Global History of Rugby*. Originally, he explained, rugby was more exclusively a game

played by people who were privately educated so the rugby shirt signified prestige. As the son of a teacher and a hairdresser, Mr. Jagger hardly grew up steeped in high society; by co-opting the long-sleeve striped shirt, he was thumbing his nose at bona fide upper-class players.

The rugby has since been democratized, becoming a menswear staple, particularly at brands with preppy roots like Ralph Lauren, J.Crew and Land's End. The most significant recent upgrade is the weight of the fabric. The rugbies of yore had to be hardy enough to withstand a tackle from a 300-pound Irishman, which is less of a concern for a Seattle marketing exec wearing his rugger to a Saturday matinee of "Baby Driver."

"A rugby sometimes could be stiff and heavy," said Todd Parker, the men's sportswear merchant at L.L. Bean. "We've made it more lightweight so it broadens the appeal." The thinner rugby, said Mr. Parker, can function like a nonchalant layer during these transitional months.

For fall, some less expected labels are introducing their own spin on the shirt. To an otherwise classic iteration, Italian streetwear brand Palm Angels added its logo patch, making the look more head shop than "head and feed," to use a classic rugby term. Under Armour Sportswear cut its version in a techy fabric that feels like neoprene.

If you channel Mr. Jagger's mischievous styling approach, a rugger can look dashing 42 years later. Or even irreverent, said Andy Spade, the co-founder of Sleepy Jones, the New York label known for its pajamas, which began making rugby shirts two years ago. As a teen, he wore official-issue rugby shirts from sports outfitter Canterbury with Vans and old Levi's 501s, instead of pristine khakis and penny loafers. He still endorses that jaunty, skate-inspired look today.

It's certainly easier to achieve the Jagger effect with one of today's lighter-weight shirts that hang fluidly and tuck into pants more cooperatively. You can also swap the trousers for dark jeans or trade his dark blazer for a crisp denim jacket. The most essential accessory: a puckishly reckless attitude. Jagger "has this element of just grabbing what looks good," said rock historian Mr. DeCurtis. "He never seems to be trying too hard, but he always looks fresh."

A LEAGUE OF HIS OWN With his singular style, Mick Jagger, shown in 1965 with Françoise Hardy, subverted the then-status-laden rugby shirt.



Clockwise from above: Rugby Shirt, \$340, palmangels.com; Rugby Shirt, \$120, uasportswear.com; Rugby Shirt, \$118, sleepyjones.com; Rugby Shirt, \$125, Polo Ralph Lauren, 212-606-2100



IT REMAINS TO BE UNSEEN

In search of the best no-show socks

TOM BROWNE'S FAULT. The New York

menswear designer's drive to get guys into

slim-fit trousers led to the rise of the naked ankle

no-show sock, said Francis Wong, EVP and

global creative director of trend-forecasting firm

Tom Browne. And these days, said Randy Goldberg, co-founder of New York sock maker Bombas, "No

one sells year-round. They're not just for summer."

Success is all in the fit: The trick is finding

comfortable socks that stay hidden and in place. A

bit of visible sock is a no-show no-no.

To find the best, I took 10 pairs for a stroll on

New York streets, alternating brogues, loafers and

sliders for each. The worst slithered down to toe size; others were so thin, why bother? Also,

the heel patches don't compensate for a bad fit;

stretcher ones are like wearing tights (I imagine)—

FIVE NOTABLE NO-SHOWS // FOR WHEN YOU WANT TO SLIP INTO SOMETHING MORE INVISIBLE

Pantherella

'Invisible' Socks, \$25, pantherella.us

The rundown Pantherella has been making socks for 80 years, and the expertise shows up in the fine-gauge cotton pairs boasting a "breathable top" and a sleek cut that "sits invisibly below a shoe line."

Tread test Soft and nicely taut across the top, these no-slippage footlets neatly frame a finely tanned ankle in a loafer. The downside of fine gauge? Too silky for a sneaker, plus, no cushioning to offset issues with new or heavy shoes, ruling these socks out for stomping around in brogues.

Bombas

No Shows, \$12, bombas.com

The rundown Contoured seams and linked stitching on the heels and toes promise a tighter grip at the back of the foot and a smooth, snug feel in front, all pluses while striding along city streets.

Tread test The cotton socks had excellent staying power, due to the ribbing that created a reliably close fit around the ankle. With well-padded, cushy soles, these puppies were comfortable, even while I dad-danced. Too much coverage for loafers; fine for sneakers/brogues.

J. Crew

No Shows, \$10, jcrew.com

The rundown These simple socks in breathable cotton and stretchy nylon promise to keep feet dry and odor-free. Plus, a superthin gripping heel pad keeps them from bunching up.

Tread test A slightly thicker knit insures more cushioning and protection from your hot and heavy leather shoes. Whether it was the touted grip pad or the clingy ankle ribbing, they performed admirably, providing enough (but not too much) coverage for whatever shoes I wore.

Muji

Foot Covers, \$5, muji.us

The rundown Known for its well-designed utilitarian basics, Japan-based brand Muji offers its plain "shallow toe foot covers" in an organic cotton blend with a no-frills message: "good heel fit."

Tread test My regular choice to date: Proven to perform well in loafers, brogues, patent slippers and the occasional oxford, these absorbent socks stay in place, and hidden, thanks to a folded edge that hugs the top of the foot and protects skin from leather chaffing.

N/A

Sock/TwentyTwo, \$12, na-nyc.com

The rundown New York-based founder Nick Lai kitted out these no-shows with an anti-slip gel heel and super stretch belt and the welt (the rim sewn around the edge) to "that sucker on your foot."

Tread test Even with a rolled edge instead of a ribbed one (that hugs more snugly), these socks in a stretchy cotton/polyester blend still delivered a fit with cushioning for brogues and sneakers. The tiny peek of socks over the loafers was so small it didn't bother me.

Footlet

footlet.com

OFF DUTY



MEGA MEAL

The Pork Chop Artist

He wrote a Great American Novel or two. But he revealed his prodigious talent for living at the grill

BY JULIA REED

IFIRST MET the writer Jim Harrison in 1989 when I was an editor at Vogue with the book section in my purview and most of his work under my belt. When his publisher announced the reissue of all his fiction up to that point, it was the perfect occasion for a profile. Within days I arranged an interview and assigned a writer. Then, I came to my senses, lied to the writer and booked my own series of flights from New York to Michigan's Upper Peninsula, where Jim spent long stretches writing in the cabin he kept there.

I drove my rental sedan up the rutted driveway marked 'Trespassers Will Be Shot,' and there he was, preparing the grill.

Jim left us in 2016 with a whopping 40 books, including the much-loved "Legends of the Fall" and more than a half-dozen volumes of poetry, but he's almost as famous for his gregarious gourmandism. His last collection, "A Really Big Lunch," was published posthumously this past March; the title chapter describes an 11-hour, 37-course lunch held at a manor house in France. When we met, however, he'd written only a handful of food columns for his

friend and editor Terry McDonell, first at a magazine called Smart, then at Esquire (later to be collected in "The Raw and the Cooked"). I'd read—and loved—his poem "The Theory and Practice of Rivers," in which he makes menudo, the Mexican tripe soup, for New Year's revelers, and I knew something about his appetites. But I wasn't expecting a life-changing meal. I figured we'd dine at the Dune Saloon, site of the pay phone that had served as our only means of communication.

But then I drove my rental sedan up the cabin's rutted driveway, marked "Trespassers Will Be Shot," and there he was, preparing the grill for pork chops, a bunch of hardwood sticks in one hand and his beloved English setter Tess by his side. Our dinner consisted of a single course, but it remains among the most memorable of my life.

The thick chops were smoky and sweet from the wood, and there were chanterelles he'd foraged earlier in the day. When he combined them with asparagus and wild leeks in a sauté he dubbed Asparagus Julia, I'm sure I blushed.

There was plenty to drink, the result of one of Jim's messages to my assistant: "Make sure she brings wine." I didn't know if he needed fortification for the rest of his stay or a bottle or two for the night. Should it be red or white? French or Californian? In the end, my neighborhood liquor store man and I fixed up a mixed dozen, which I toted onto the pre-9/11 planes, a bag of six bottles straining each arm—including, I remember, at least two

ACTIVE TIME: 30 minutes TOTAL TIME: 3½ hours (includes brining and marinating) SERVES: 6

6 center-cut bone-in pork chops, about 1-inch thick

For the brine:

6 cups water

1 cup kosher salt

1 cup sugar

1 handful peppercorns

Jim Harrison's Grilled Pork Chops

8 bay leaves

For the marinade:

1 tablespoon kosher salt

2 teaspoons freshly ground black pepper

2 teaspoons fennel seeds, chopped roughly with a heavy knife

1 teaspoon minced rosemary leaves

1 teaspoon minced thyme leaves

3 garlic cloves, smashed and minced

½ cup olive oil

1 lemon, halved

1. Brine pork chops: In a saucepan, bring 2 cups water to a boil. Add salt and sugar and reduce heat to low, stirring until salt and sugar dissolve. Pour into a deep bowl or large pot and add peppercorns, bay leaves and 4 cups cold water. Add pork chops, making sure they are completely submerged. Cover with plastic wrap and refrigerate at least 2 hours or overnight.

2. Remove chops from brine and thoroughly pat dry with paper towels. Place on a cookie sheet or in a shallow pan.

3. Marinate pork chops: In a small bowl, mix salt, pepper and fennel with herbs and garlic. Rub chops with olive oil and juice of half a lemon. Massage in salt-herb

mixture and let sit at room temperature 1 hour.

4. Preheat a gas grill or prepare a charcoal grill. (You can also do this in an iron skillet on the stove, over medium-high heat.)

5. Place chops on hottest part of grill and leave for 3 minutes. With tongs, rotate chops to create some nice grill marks and cook for about 2 to 3 minutes more. Turn chops and cook 3 minutes more, or until a thermometer inserted in thickest part of meat registers 140-145 degrees.

6. Return chops to cookie sheet, squeeze remaining lemon half over them and let rest at least 5 minutes before serving.

of Kistler Chardonnay. (I had not yet read his opinion that "white wine is Apollonian, the wine of polite and dulcet discourse, frippish gossip, banal phone calls...").

Since we didn't remotely stop with the Kistler, my memory of our conversation is a tad blurry, but it was anything but banal. Sitting across the table on his screened porch, listening to him talk—about everything from the poems of Rilke and the emotional poverty of Hollywood to the obvious fact that dogs have souls—I found myself visualizing the loop-the-loops of his muscular brain like the arcs of the fireflies still visible in the fading light. From

that meal forward, the two of us were fast friends and we shared many a great dinner together, including a mini-epic at Le Bernardin for which I had to buy him a tie.

Still, that first simple repast remains by far the most special. And to this day, I don't grill pork chops without thinking of my late, great pal. I also wouldn't think of grilling them without first brining them. After soaking a few hours in a solution of sugar, salt and water along with a flavoring or three of your choice, you can do pretty much anything to the chops and they'll be amazingly tender and flavorful.

In honor of Jim's friendship with

Mario Batali, who wrote the introduction to "A Really Big Lunch," I've given these chops a slightly Italian edge with crushed fennel seeds and garlic. They'd be terrific, obviously, with Asparagus Julia, though at this time of year, you might want to substitute fresh white corn for the asparagus and a chopped shallot or two for the leeks. Throw everything together in a skillet with lots of butter and a little olive oil and maybe a sprinkling of thyme leaves.

I'm not as dismissive of white wine as Jim was, but one of his favorite reds, a Bandol from Domaine Tempier, would round out the meal nicely.

HALF FULL

SHORTCUT TO THE CARIBBEAN

Rum punch can get complicated. This one's as breezy as summer should be



A GOOD FRIEND picks you up at the airport; a great one helps you move. But in my book, the best friend is the one who stirs up a batch of her deadly rum punch and delivers it in an icy Mason jar when your kid's sandbox is the closest you can get to a beach.

I'm blessed with a friend like that, a seasoned Caribbean traveler whose punch recipe was pieced together from the advice of Jamaican fishermen, retired rockers, chambermaids and a faded 1987 issue of Gourmet magazine. Including gen-

erous glugs of rum, nutmeg, ginger, bay leaves and both grapefruit and lime juices, it's a potion with roots in the 17th century, when British sailors flushed with rum rations carried a thirst for punch along on exploits ranging from the Indian Ocean to the West Indies.

No matter your latitude, there are few surer routes to beach-bum zen than a pitcher of punch. After years of trial and error, my buddy's layered concoction approaches perfection—but I still find fiddling with bay leaves and cloves and two

kinds of rum antithetical to the spirit of the drink.

So, this summer, I set out to engineer a shortcut. Determined to edit the number of components but reluctant to sacrifice the nuance that makes the drink more than just boozy "bug juice," I stumbled on a solution, not in the spice rack, but in the tea caddy. Turns out steeping a couple bags of chai—brimming with cloves, cinnamon, ginger, nutmeg and vanilla—in a standard simple syrup yields a concentrate that delivers a balanced sweetness and the complex flavors of the Spice Islands. It even seems apt, as many of the earliest British and American punch recipes included tea as a key ingredient.

Fresh-squeezed juice is a treat, but don't beat yourself up if all you can find is grapefruit cocktail and a can of pineapple juice. This recipe holds up well with ingredients obtained at a shore-town mini mart or corner bodega. And the chai syrup makes two batches, should be you inclined to share. What are friends for? —Sarah Karnasiewicz

West Indian Rum Punch

ACTIVE TIME: 5 minutes TOTAL TIME: 1 hour (includes cooling time)

SERVES: 6

Make chai syrup: In a small bowl or jar, cover **½ cup granulated sugar** and **3 chai tea bags** (preferably Celestial Seasonings Bengal Spice) with **1 cup boiling water**. Stir to dissolve sugar. Let steep 15 minutes (mixture should be very dark), then discard tea bags. Cool to room temperature. (This makes enough for two batches.) // In a large ice-filled pitcher, combine **½ cup tea syrup**, **½ cups grapefruit juice** (preferably pink), **½ cups pineapple juice**, **1½ cups dark rum** and **½ cup real grenadine**. Stir well. // To serve, pour into ice-filled glasses. For a stronger drink, add a float of dark rum to each glass. Garnish with a **maraschino cherry** and a **splash of maraschino juice**.



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GEAR & GADGETS



VAST AUTHORITY The 2018 Honda Odyssey offers a generous 38.6 cubic feet of cargo space behind the third row.

HONDA

RUMBLE SEAT DAN NEIL



Honda Odyssey: The Gas-Powered Marital Aid

AS A GROUP, minivan buyers must skew heavily toward the nice and well-adjusted—parents who know no other way but to put their kids first, who bury their own needs in a grotesque hole of denial never to be seen again.

I spent my childhood in a Ford pickup with my father chain-smoking and the windows rolled up, so I know the difference. Dad actually removed the lap belts because they were “in his way.”

For parents of young children, nothing beats a minivan. No vehicular helpmate is ever quite as *there* for you. Irrespective of your clinging to a previous automotive identity—the Jeep Wrangler permanently parked in the driveway, *sad!*—now that you are a parent, the functional advantages of a minivan are dispositive, starting with the magic of sliding side doors. With floor-to-ceiling hatches that roll back out of the way, access to second- and third-row seating is much less of a fight for passengers (stop fighting, you two!).

Most important for new parents, the sliders and low cabin floor make it easier to belt/unbelt young children in their safety seats—more comfortable for them, too, as opposed to being crammed through the door hole of a Honda Pilot SUV.

Sliding doors also alleviate the fear of parking too close to other cars and having the kids bang them like you own a body shop.

Are you feeling more relaxed already? Of course you are, because the essence of minivan design, the leitmotif, is stress reduction, ease of use and versatility. It’s an empowering freedom that says, “Yes, at any time, day or night, I can drive 200 miles to pick up the swim team.”

And as I have long argued, minivans are marriage savers. The primary cause of intimacy issues among American couples is daily stress and aggravation, which scientists call “children.” Minivans reduce the strain on the harried, horned-up bill-payers in front, by making things quieter, smoother, easier, safer, more connected and less contentious in the back.

These are the apparent motivations of our test car, the Honda Odyssey minivan, freshly overhauled

for 2018 and wrapped in a tighter, more soundproofed body; generously provisioned with active safety technology, such as front-crash mitigation; and stuffed to the gunnels with electronics.

(In the age of Big Data, I wonder, is it possible to compare the divorce rate between minivan and crossover/SUV buyers? Could we drill down to make and model? I think the Ford Raptor pickup’s number has got to be, like, 100%.)

Honda claims the Odyssey is the first minivan to offer unlimited data and video streaming via a 4G LTE Wi-Fi hotspot, supporting up to seven devices (Touring and Elite trim, \$20 a month after a three-month complimentary subscription). Our Elite tester was a fairyland of infotainment distraction, where Apple and Android muses swam in abundant Bluetooth waters, where devices charged wirelessly, and where even the rear climate control can be managed by mobile app. Mounted overhead amidships is a fold-down 10.2-inch HD screen with Blu-ray, backed up by a 550-watt, 11-speaker audio system. Key detail: The audio system’s three-zone volume control allows for discreet, and discrete, programming for front-seat adults.

The essence of minivan design is stress reduction, ease of use and versatility.

Here, at last, we have technology meaningfully brought to bear on parental self-soothing. You kids put on your headphones and watch “Frozen.” Mom and I will be up front, feelin’ it with Rihanna.

Nobody’s saying it’s right to ignore your children. The Odyssey offers two systems that allow the bridge crew to maintain contact/surveillance. One is CabinWatch, a closed-circuit monitoring system pointed at the rear seats—a dubious improvement over an ordinary mirror, but there you are. Also, should you need to get the attention of your lotus eaters, there is an in-car inter-

com.

By Honda’s count, the Odyssey led minivan sales (U.S. individual buyers, not fleet sales) for the last seven years, so it’s not like the old one is obsolete. But in these cross-over-crazed times, the real competition sits across the showroom floor. The Honda Pilot three-row SUV employs the same Global Light Truck platform with the same V6 engine and the option of all-wheel drive. It looks tough, runs great.

However, in terms of people moving, it’s not even close. Sure, the Pilot might seat as many as eight, but it can’t carry all their overnight bags. And you can just imagine the moment when Dad discovers this fact, standing there with his hatch hanging open at passenger pickup, traffic-cop whistles in his ears, bags at his feet. Now he has to explain why he is leaving Mom’s rollerboard at the curb. Those are some relationship headwinds.

Old fool that I am, when I look at the Odyssey, I see a mixed-material monocoque with 44% higher torsional rigidity (minivans have big holes for doors, windows and skylights, which makes acoustics and body stiffness a special challenge) and lower weight. Although virtually the same size as the previous model, the fifth-generation Odyssey’s insides have been scraped out like a jack-o’-lantern. Specialists will note the trailing-arm independent rear suspension is even more compact than in years past, further reducing intrusion into the cabin and the deep-floored luggage space.

I also see a fair bit of legacy, and even resting-upon oars. There is still no all-wheel drive option for the Odyssey, nor is there a PHEV variant to compare against the very fine Chrysler Pacifica Hybrid. The 3.5-liter V6 (with VTEC and cylinder deactivation ECO mode) has been the standard-issue engine for more than a decade; but it has been squeezed for another 32 hp here (280 hp) and reworked to reduce noise-vibration-harshness (including dynamic engine mounts). The fancier trim levels (Touring and Elite) get a very quiet, clever 10-speed transmission, one better than the standard nine-speed automatic.

Despite the extra gear ratio and even aerodynamic grille shutters to reduce aero drag, the Odyssey Elite’s mileage remains virtually unchanged at 19/28/22 mpg, city/highway/combined. Such are the asymptotes when you are dealing with a 4,593-pound hunk of huge with a naturally aspirated V6.

It does get up and go: 0-60 mph goes by in about 7.5 seconds. In interstate-cruise mode, the 10-speed Odyssey purrs along in super overdrive, turning about 2,200 rpm. The tow rating for Touring and Elite is a useful 3,500 pounds.

Given the envelope, the Odyssey was never going to look svelte. Honda settled for putting racing stripes on this manatee—the bent, geometrically unrelated accent lines along the flanks. The Elite’s exterior blazes with polished finishes and narrow-eyed LED lamps, in keeping with Honda’s current face-forward style. But the biggest gain aesthetically was the clever concealment of the door tracks under the lower lip of the rear-quarter glass. It’s a detail that cleans up presentation nicely.

My biggest complaint with the Odyssey just leaves me amazed. This company was once the seat-meister, with some of the smartest accommodations in the class. However, with the fifth-generation redesign, we meet the Magic Slide seats, which traverse on lateral tracks. This arrangement makes it possible to remove the center portion and push the outside captain’s chairs toward the middle, as needed, for what Honda calls “walk-in access.”

But these outboard units can’t slide forward or fold very far, and even less if there’s a child car seat in place. So it still takes a bit of doing to get past them and into the rear-seat area.

The title “best-selling minivan in America” is more than a strapline. It confers sociocultural significance. Whatever the Honda Odyssey is selling, Americans are buying. And while others may lament a generation lost in their digital amusements, I take comfort knowing there are still a lot of good people out there, indulging the hell out of their children. Peace be upon them.



2018 HONDA ODYSSEY ELITE

Type Front-engine, FWD eight-passenger minivan

Price, as tested \$47,610

Powertrain Direct-injection, naturally aspirated 3.5-liter V6 with variable valve timing/lift, cylinder deactivation and idle-stop; 10-speed automatic transmission with manual-mode paddle shifters; front-wheel drive

Power/torque 280 hp at 6,000 rpm/262 pound-feet at 4,700 rpm

Length/height/width/wheelbase 203.2/69.6/78.5/118.1 inches

Curb weight 4,593 pounds

0-60 mph 7.5 seconds

Towing capacity 3,500 pounds

EPA-estimated fuel economy 19/28/22 mpg, city/highway/combined



BLOCK PARTY These photos of this year’s Feb. 26 annular eclipse were taken using a DSLR camera, but a smartphone can capture the moment, too.

TOTAL ECLIPSE OF THE ART

Want to photograph the upcoming eclipse with an iPhone? Consider a few expert tips

THE AUG. 21 solar eclipse promises to be this year’s most photographed non-Trump phenomenon. But don’t expect your iPhone to capably capture the astronomical splendor—unless you follow these simple steps:

Score some shades. As you may know, you need special glasses to safely view the event. Turns out your iPhone can use a pair, too. Although Apple says photographing the eclipse won’t damage the iPhone’s camera, you’ll get a better shot by holding a pair of eclipse glasses directly in front of the lens as you snap the shutter. (Inexpensive cardboard specs work well for this.) According to NASA, the filter will eliminate the “sun blooming” effect—which results in a dis-

pointing photo of a bright blob.

Steady does it. Mounting your phone on a tripod, like the tiny Joby GripTight ONE GorillaPod (\$35, joby.com), will not only reduce blur, it will let you to take a time-lapse video, which is arguably the coolest way to document the event with an iPhone. Another jitter-busting tip: Connect a pair of headphones to your phone and use its in-line volume buttons to snap the shutter instead of tapping the screen.

Ride the exposure. Light levels will change continuously as the eclipse progresses. Although your phone will automatically adjust for this, you should know how to manually tweak the exposure settings: Tap the screen and hold your finger

there for a second, then slide your finger up or down. Another benefit: This also locks the camera’s focus.

Zoom in. Your iPhone was designed to capture wide shots—not celestial bodies—so even a tiny telephoto lens will help. Moment’s Tele Lens (\$100, shopmoment.com) offers stellar image quality.

Or zoom way in. The best option? Saddling up to a telescope. A mount like the Orion SteadyPix Pro (\$60, telescope.com) will steadily hold your phone right next to the eyepiece, which is very hard to do by hand. And basic telescopes aren’t as expensive as you might think. The Meade Eclipseview (meade.com) includes a solar filter and costs \$100.

—Geoffrey A. Fowler

MANSION

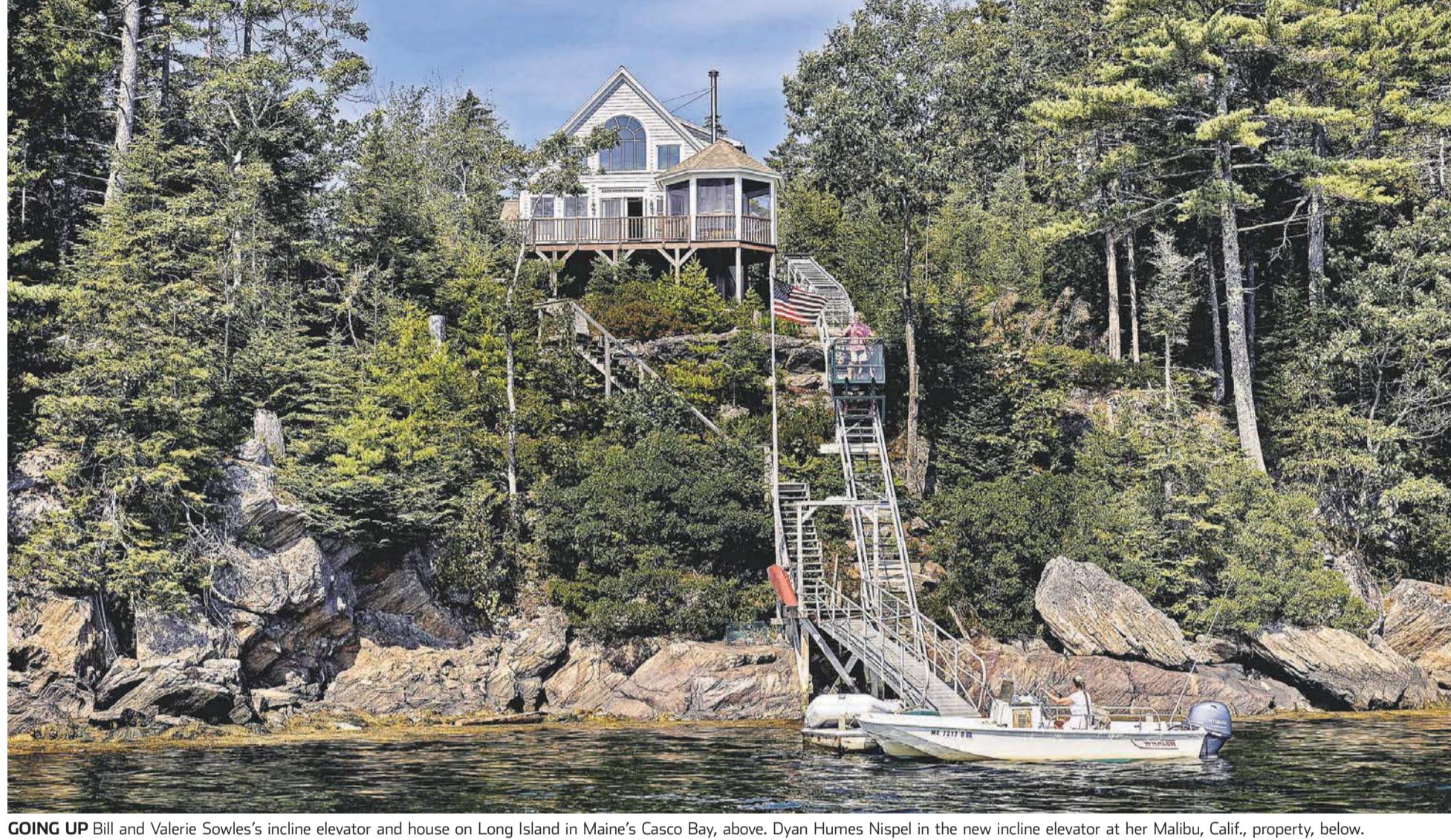
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THE WALL STREET JOURNAL.

Lifts only go up and down inside buildings. But now that it has taken us up into the sky, it has become an ELEVATOR' —Roald Dahl

Friday - Sunday, August 11 - 13, 2017 | W7



GOING UP Bill and Valerie Sowles's incline elevator and house on Long Island in Maine's Casco Bay, above. Dyan Humes Nispel in the new incline elevator at her Malibu, Calif., property, below.

FROM TOP: TONY LUONG FOR THE WALL STREET JOURNAL; MICHAEL CZERNYONKA FOR THE WALL STREET JOURNAL

A Lift to Your Front Door

Private incline elevators benefit from two real-estate trends: the popularity of waterfront homes and the aging of the luxury home-buying population.

BY KATY MC LAUGHLIN

ON THE SUMMER RENTAL MARKET for \$150,000 a month, a luxurious property offers a two-bedroom house on a Malibu beach, plus a main home on Encinal Bluffs, the ridge where model Cindy Crawford and former Disney chairman Michael Eisner own estates.

Still, it is what the property doesn't have that justifies the top-tier price, says co-listing agent Adara Salim, a senior associate at Berkshire Hathaway Beverly Hills. "There's absolutely no hike," she says. Instead of schlepping up from the beach via 120-feet worth of stairs, this property boasts an incline elevator that can zip four people up the hill in 90 seconds.

"It's a scenic route" through a terraced organic farm and tropical landscaping on the 1½-acre property, adds owner Marcus Nispel, a movie director whose credits include "Conan the Barbarian," "Friday the 13th" and "The



Texas Chainsaw Massacre."

The Otis "vertical railway," a precursor to the incline elevator, was invented in the late 19th century, according to Patrick Carr, an elevator historian who is reopening the Elevator Museum in Boston this fall. These systems were typically used to transport patrons up to mountain resorts. By the 1920s, smaller, modernized versions started appearing in private homes, Mr. Carr says.

Now, incline elevators, which have improved over the years, are benefiting from two real-estate trends: the surging values of waterfront homes and the aging of the home-owning population. Nationally, waterfront homes are worth more than double the value of U.S. homes overall, according to a 2014 analysis by real-estate website Zillow; 20 years ago the difference was less than 65%. And many homeowners are aging out of stair-climbing, or are starting to host a gaggle of grandchildren, making those steep

Please turn to page W8

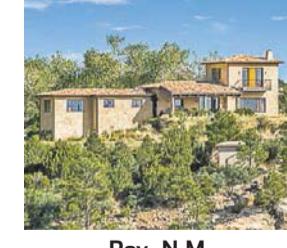
SUMMER, FROZEN IN TIME

On the rocky peninsula of Prouts Neck, Maine, tradition reigns and homes stay in the same families for generations; now, rising prices mean more public listings.

HOUSE OF THE DAY
wsj.com/houseoftheday



New York City
An Art Deco-inspired Manhattan abode



Roy, N.M.
A New Mexico ranch on a canyon's edge



Malibu, Calif.
'Baywatch' co-creator lists beach house



SHINGLE FILE On the market in June for \$3.5 million, this four-bedroom home is now under contract.

BY NANCY KEATES

'TRIBAL' IS A WORD residents of Prouts Neck, Maine, use, half joking, when they describe their tranquil, old-moneyed community.

Many of the families who summer in the 200 or so homes on this rocky peninsula have been going there for generations. Houses tend to get passed down. When they are sold, it's often done off-market to friends or the offspring of neighbors.

"We all grew up there, and our parents and grandparents grew up there," explains Lucy Foster Flight, a descendant of coal and oil magnate P.W. Sprague. She owns what was her mother's house in Prouts Neck.

That's why the recent public listing of a \$6.9 million compound is unusual. Ms. Flight, a realtor with Portland-based Town & Shore, is the agent for the sellers, who are her cousins and are among the community's most established families. The property has three homes: a 10-bedroom, five-

Please turn to page W12

MANSION

THE LIFT TO YOUR FRONT DOOR

Continued from page W7

hillside treks increasingly difficult. When they purchased a lot on Long Island in Maine's Casco Bay 15 years ago, Bill and Valerie Sowles weren't troubled about the fact that the island is accessible only by boat, or that accessing a house would require many stairs. "It didn't give us pause, because we didn't think it through," says Mr. Sowles, a car dealer who lives in Yarmouth, Maine.

As the years went on, however, Mr. Sowles, 65, grew worried that old age would rob the couple of their enjoyment of the peaceful three-bedroom cottage they built there for roughly \$200,000.

The solution cost about \$80,000—or around 40% the cost of the house. To prepare the hillside for construction, a local contractor hauled 487 80-pound bags of concrete mix on a barge out to the island. Then in October, three employees of Hill Hiker, a manufacturer and installer of incline elevators in Orono, Minn., flew out for installation.

The couple's incline elevator probably wouldn't pay for itself at resale, says Chris Lynch, president of Legacy Properties Sotheby's International Realty in Portland, Maine. Mr. Sowles agrees, though he doesn't care: "I'm going to pass this on to the second generation," he says.

Incline elevators are expensive, ranging from \$50,000 to \$250,000. Costs rise with longer, steeper climbs and fancier materials and design, such as stainless-steel chassis framing parts or Brazilian hardwood carriages. The cost is also influenced by local permit costs—permitting on a given project can go as high as \$20,000—and municipal regulations that can affect cost of materials.

Bill MacLachlan, president of Hill Hiker, says the company builds about 40 incline elevators a year in private homes; half of those are in California. Hill Hiker's residential sales have roughly doubled compared with five years ago, primarily thanks to baby boomers looking for ease of movement as they age, Mr. MacLachlan says.

When Mr. Nispel and his wife, Dyan Humes Nispel, bought their Malibu property nearly 20 years ago, it came with an old incline elevator, which they quickly replaced. Their addition, installed by a local company, contributed to several adventures over the years, Mr. Nispel says.

"It was dodgy," says Mr. Nispel, 54, who launches into stories he calls "funicular funnies" (funiculars are similar railway systems). One incident: His head got trapped in the door of the cab and he nearly got pulled down the hill, shortly after he completed filming the gory horror movie "The Texas Chainsaw Massacre." "I could just see the headlines if I got decapitated!" Mr. Nispel says.

Earlier this year, that incline elevator finally skidded down the hill and crashed. An analysis by the insurance company revealed that despite the many thousands of dollars the Nispels had spent on maintenance, some of its parts had rusted in the salt air, causing them to fail, says Ms. Nispel.

In April, the couple, who built a main home up on the bluff four years ago, hired Hill Hiker to build a stainless-steel system loaded with safety features. They spent \$150,000, says Mr. MacLachlan—or "as much as a Bentley," Ms. Nispel says. Co-listing agent



TONY LUONG FOR THE WALL STREET JOURNAL (3)

NEED A LIFT? Bill and Valerie Sowles and their incline elevator on Long Island in Maine's Casco Bay. It probably wouldn't pay for itself at resale, but Mr. Sowles says he doesn't care: "I'm going to pass this on to the second generation," he says. The home, below.



Markus Canter, luxury-property director at Berkshire Hathaway Beverly Hills, says that without the system the property would rent for roughly 10% to 15% less, meaning that if the property rents for asking price (the rent falls to \$90,000 a month after the summer season) it will pay for itself in about a year. The Nispels, whose two sons have left for college, moved to the Bahamas earlier this month.

Incline elevator makers say technology hasn't changed dramatically over the years, but that small improvements in engineering and materials have made them safer and easier to repair.

John Sund, head of field operations for Incline Solutions, a Columbiaville, Mich.-based incline elevator and tram installer, says he spent 5½ years engineering a new product called the Incline Chair that will cost clients about \$50,000, about half as much as an elevator on a comparable site. It features two seats, exposed roughly like a ski lift, with a safety bar.

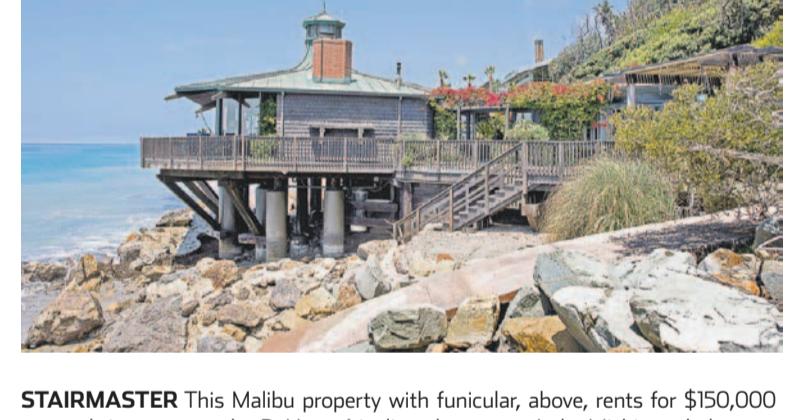
After two years of looking for a house close to the water on Lake Michigan, Douglas and Sherry DeHaan bought one in 2014 high up on a dune on which Incline Solu-

tions had already installed an incline elevator. In Holland, Mich., the 3,600-square-foot house, which they paid over \$1.5 million to buy and renovate, Mr. DeHaan says, sits 180 steps above the shoreline.

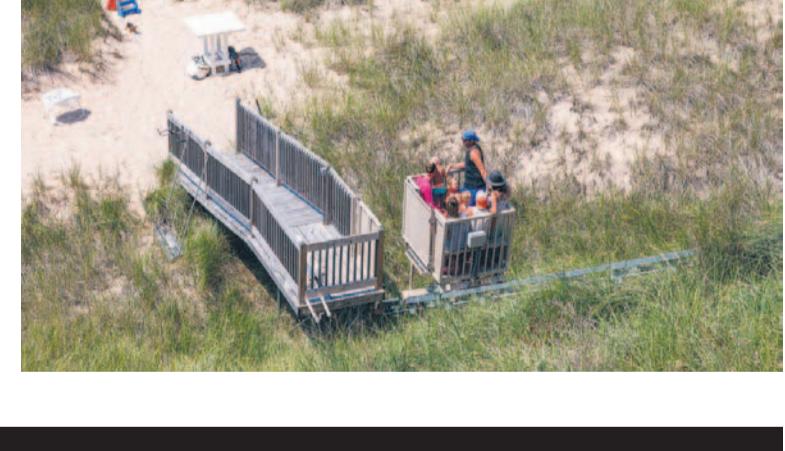
Mr. DeHaan, a 54-year-old custom-home builder, says he was turned off by incline elevators he had seen in the past. But he is impressed by the one he has now: At a cost of \$155,000 it boasts galvanized-steel rails, an aluminum carriage and a waterproofed deck. The system is quick, he says, turning the 160-foot climb into a roughly two-minute scenic ride.

Andrea Crossman, an agent who specializes in Lake Michigan with Coldwell Banker Schmidt, says it can be impossible to sell luxury properties with 300 or so steps if they don't have incline elevators, and that she is increasingly noticing that buyers eschew properties without them if there are just 100 steps.

Mr. DeHaan has since hired Incline Solutions to install incline elevators at three homes for clients, and is working on two more later this year. "It takes lots that previously weren't as desirable and makes them very desirable," he says.



STAIRMASTER This Malibu property with funicular, above, rents for \$150,000 a month in summer; the DeHaans' incline elevator on Lake Michigan, below.



MICHAEL CERWONKA FOR THE WALL STREET JOURNAL (2)

ADAM BIRD FOR THE WALL STREET JOURNAL (2)

PRIVATE PROPERTIES | CANDACE TAYLOR

Maroon 5 Rocker Buys L.A. Home for \$18 Million



Adam Levine, lead singer of the pop-rock band Maroon 5, has paid \$18 million for a Los Angeles mansion, according to people with knowledge of the transaction.

The musician bought a Holmby Hills property that first went on the market last year for \$27.5 million. It then experienced several price cuts, most recently seeking \$19.9 million.

Built in the 1960s, the Hollywood Regency-style house measures about 9,200 square feet and has five bedrooms. The gated estate sits on 1.2 acres, which includes a swimming pool, cabana with a bar, a three-

bedroom guesthouse, a four-car garage and a motor court, according to the listing. People familiar with the home said it needs renovation.

Mr. Levine and his wife, Behati Prinsloo, had a baby girl in September. Last summer they listed a smaller Beverly Hills home for \$17.5 million with Kurt Rappaport of Westside Estate Agency; the price was reduced to \$15.95 million before being taken off the market in March.

Mr. Levine declined to comment. Linda May of Hilton & Hyland represented the seller; Mr. Levine was represented by Mr. Rappaport in the purchase.

CHRISTIE'S INTERNATIONAL REAL ESTATE

EXTRAORDINARY ART EXCLUSIVE HOMES



NEWPORT, RHODE ISLAND

Arvor is an exceptional 9.1-acre estate off Ocean Drive inspired by the hunting lodge of La Lanterne (1787) at Versailles. 12M. Kate Leonard. Web ID: 1154381 kate.leonard@ladelman.com

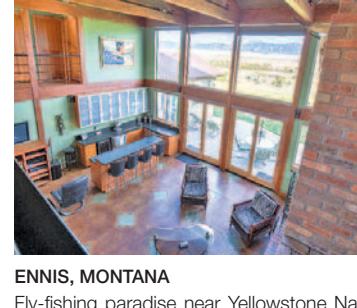
Ladelman Real Estate +1 401 848 2101



WEST CORK, IRELAND

Liss Ard Estate on 163 acres. 9,957 sq.ft. mansion. Large pleasure lake. 'Irish Sky Garden'. Boutique hotel or country retreat. €7.5M. Roseanne De Vere Hunt. +353 1 237 6402

Sherry Fitzgerald



ENNIS, MONTANA

Fly-fishing paradise near Yellowstone National Park. 3,640 sq. ft. home with views, lap pool, atrium, & chef's kitchen. Dawn Myrvik. Web ID: 219008 dawn@purewestproperties.com

PureWest Real Estate



CAÑAS, GUANACASTE, COSTA RICA

Hacienda La Pacifica, fully operational Ranch in Costa Rica. Boutique Hotel, Cattle, Rice, Tilapia, Timber. \$35M. Robert F. Davey. Web ID: C58349 18776612060

Plantacion Properties



COOPERSTOWN, NEW YORK

The Lake House - Beautifully situated estate with direct lake frontage and access. First class education options. Short walking distance to downtown. \$3.25M. Kathleen Coumou +1 212 468 7140

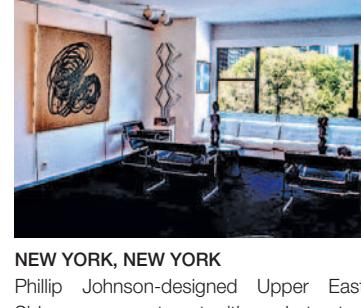
Christie's International Real Estate



QUEBEC, CANADA

Westmount Estate - Located on the exclusive Clarke Ave Circle, this grand chateau is ideal for a large family and entertaining. \$8,000,800.

Zackary K. Grant and Vivian Grant Profusion Realty Inc. +1 514 935 3337



NEW YORK, NEW YORK

Phillip Johnson-designed Upper East Side corner apartment with unobstructed views of Central Park and iconic buildings. \$9.9M. Kathleen Coumou. +1 212 468 7140

Christie's International Real Estate



MAHWAH, NEW JERSEY

46-acre equestrian estate 30 min. from NYC. The ultimate lifestyle offering for equestrians and sports enthusiasts. Indoor riding arena. Price upon request. Vicki Gaily +1 201 390 5880

Special Properties div. of Brook Hollow Group



LIGONIER, PENNSYLVANIA

Hidden Meadow Farm - Equestrian's dream. 17,500 sq. ft. manor on 133 acres. Conservatory, wine cellar/tasting room, saltwater pool, and more. \$5.75M. Kathleen Coumou +1 212 468 7140

Christie's International Real Estate



CAMBRIDGE, NEW YORK

Black Hole Hollow Farm - Saratoga equestrian estate. 94.8-acre summer retreat and place of inspiration for Ian Fleming, legendary British novelist. \$3.98M. Story Jenks. sjenks@landvest.com

LandVest +1 802 238 1332



DIAMOND BAR, CALIFORNIA

This exquisite French-style estate enjoys 12,000+ sq. ft. of living space with spectacular views from the gated enclave known as The Country. \$8M.

Zackary Wright +1 310 385 2690

Christie's International Real Estate



TUSCANY, ITALY

Magnificent Tuscan estate in Chianti Classico, 30-minute drive from Florence. Formal gardens; 3 pools, 2 private villas & apartments. €12.7M. Riccardo Romolini. riccardo@romolini.com

Agenzia Romolini Immobiliare +39 335 6960 513



YUCATAN, MEXICO

Combining comforts and luxury of the modern era with the charm and elegance of the golden age. Extraordinary property, dates back to the 19th century. \$12M.

Rick Moeser +1 561 805 7327

Christie's International Real Estate



LAKE FOREST, ILLINOIS

Built in 1916 by estate architect Harrie T Lindeberg, this Norman-style home, situated on 8.5 acres, is where dreams are made for generations. Rachael Mann. +1 312 401 9588

CONLON: A Real Estate Company



SAVANNAH, GEORGIA

Owned by celebrity chef Paula Deen, named "Riverbend" for panoramic views over Wilmington River. Sited on a high bluff with 300 ft. of water frontage. \$8.75M. Elaine Seabolt +1 912 233 6609

Seabolt Brokers



KAILUA-KONA, HAWAII

Big Island Estate - 90-acre estate on slopes of Hualalai with views of world-famous Kona coast. Two swimming pools, a driving range and spa. \$14.5M.

Carrie Nicholson. carrie@hawaiilife.com

Hawai'i Life Real Estate Brokers +1 808 896 9749



TANGIER, MOROCCO

Villa Putman - Villa overlooking the Mediterranean Sea from a cliff above the Strait of Gibraltar. Sea-view terraces from all 6 levels. €6M.

Marc Leon +212 524 422 229

Kensington Luxury Properties



SAINT-TROPEZ, FRANCE

Villa Salamanzar - A Provencal-style dream with chic Saint-Tropez flair, amid privacy and seclusion in the hills of Ramatuelle.

€17.5M. Eric Raphaël. eric@michaelzingraf.com

Michaël Zingraf Real Estate +33 (0)4 94 97 97 97

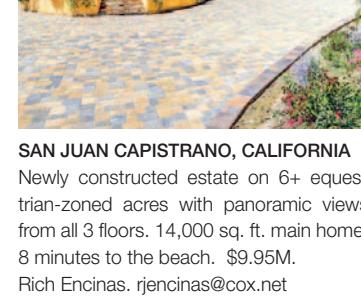


MAUI, HAWAII

Magnificent, 13,000+ sq. ft. estate on the beach with 9 beds, 10 baths, pool, sun-deck, on 0.53 acres. Ideal, exclusive.

\$28M. Zackary Wright. +1 310 385 2690

Christie's International Real Estate



SAN JUAN CAPISTRANO, CALIFORNIA

Newly constructed estate on 6+ equestrian-zoned acres with panoramic views from all 3 floors. 14,000 sq. ft. main home, 8 minutes to the beach. \$9.95M.

Rich Encinas. rjencinas@cox.net

First Team Estates +1 949 240 7979



FORTE WORTH, TEXAS

Prized Texas architectural treasure and landmark since 1978. Baldridge House possesses an artful balance of historic elegance and modern amenities. \$7.95M.

Zackary Walsh +1 817 312 9586

Jordan Wegman Walsh and Associates



RIO DE JANEIRO, BRAZIL

One-of-a-kind oceanfront penthouse situated in a notable building designed by Oscar Niemeyer with ocean view of Ipanema beach. Price upon request.

Frederico Judice Araujo

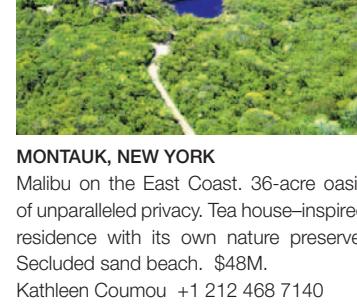
Judice & Araujo Imóveis +55 21 2540 9999



LIGONIER AREA, PENNSYLVANIA

Galaxie Farm, a magnificent 504-acre equestrian estate. Fully renovated equine facility with 15 stalls. \$7.25M. Kathleen Coumou +1 212 468 7140. kcoumou@christies.com

Christie's International Real Estate



MONTAUK, NEW YORK

Malibu on the East Coast. 36-acre oasis of unparalleled privacy. Tea house-inspired residence with its own nature preserve. Secluded sand beach. \$48M.

Kathleen Coumou +1 212 468 7140

Christie's International Real Estate



QUEBEC, CANADA

St. Lawrence Estate - Luxury Chalet w/ access to World-Class Skiing. Perched sky high on a 500 m. promontory w/ majestic views. C\$2.5M. Guillaume L'Ecuyer. glecuyer@profusionimmo.ca

Profusion Realty Inc. +1 418 998 3219



NEW YORK TRI-STATE AREA, USA

Discovery Stables - a world-class 160-acre horse farm and family compound. 32 stalls. Palatial 25,000 sq. ft. manor with 7 suite bedrooms. \$35M.

Kathleen Coumou +1 212 468 7140

Christie's International Real Estate



ALEXANDRIA, VIRGINIA

Water's Edge - Half-acre waterfront property with over 5,000 sq. ft. of living space. Floor-to-ceiling windows with panoramic views of Potomac River. \$3.495M.

Elizabeth Lucchesi +1 703 683 0400

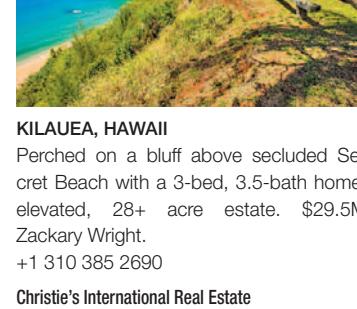
Long & Foster Real Estate, Inc.



PRINCETON, NEW JERSEY

Large Frank Lloyd Wright-inspired residence flooded with light. Set in a series of walled gardens. Short walk to Princeton University. \$5.995M. Alison E. Covello. acovello@glorianilson.com

Gloria Nilson & Co. Real Estate +1 609 240 8332



KILAUEA, HAWAII

Perched on a bluff above secluded Secret Beach with a 3-bed, 3.5-bath home, elevated, 28+ acre estate. \$29.5M.

Zackary Wright. +1 310 385 2690

Christie's International Real Estate



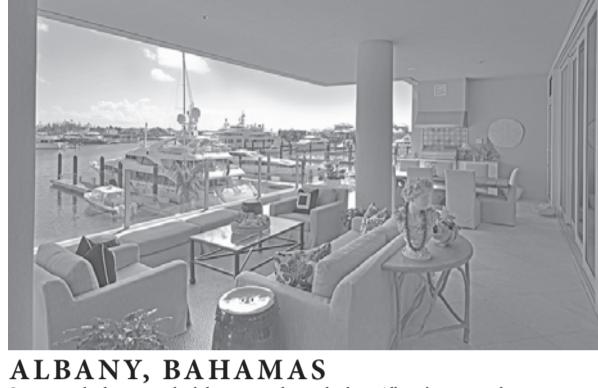
VICTORIA, CANADA

Architectural marvel. Waterfront w/ private beach access; 4,800+ sq. ft. infinity pool, giant master suite, chef's kitchen, dazzling views. C\$6.995M. Zackary Wright. zwright@christies.com

Christie's International Real Estate

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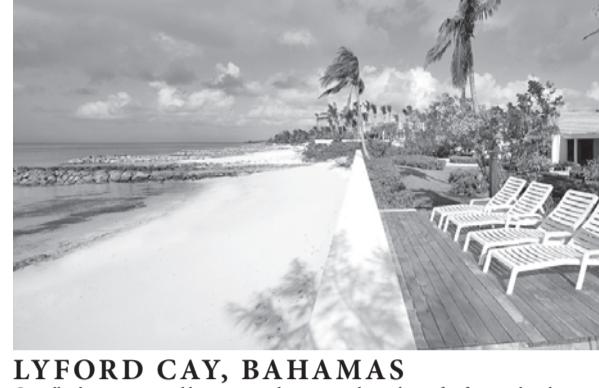
UNIQUE IMPRESSIONS WORLDWIDE SOTHEBYSREALTY.COM



ALBANY, BAHAMAS

Stunning 5 bedroom, 5.5 bath luxury condo overlooking Albany's mega-yacht marina. Spanning 6,299 sq. ft. with media room, Crestron Smart Home system, and designer furnishings. Resort amenities. WEB: 4ZV66Y. \$7,250,000 US. Lana.Rademaker@SIR.com

Damianos Sotheby's International Realty
+1 242.457.0406 | SIRbahamas.com



LYFORD CAY, BAHAMAS

Casually elegant courtyard house situated on a 1 acre lot with 180 ft. of private beach frontage. 5 bedrooms, 5.5 baths, pool and sundecks, within easy walking distance to the Lyford Cay Club. WEB: 3MLSY2. \$12,500,000 US. Nick.Damianos@SIR.com

Lyford Cay Sotheby's International Realty
+1 242.376.1841 | SIRbahamas.com



PARADISE ISLAND, BAHAMAS

Ocean Club Estates. Elegant 5 bedroom, 5.5 bathroom home with expansive golf course views and 7,100 sq. ft. of living space. Sold fully furnished and with a 45 ft. dock slip and boat lift at the Ocean Club Marina. WEB: NRQ7RQ. \$6,750,000 US. Nick.Damianos@SIR.com

Damianos Sotheby's International Realty
+1 242.376.1841 | SIRbahamas.com



ST. BARTH, CARIBBEAN

St. Barth's most spectacular estate. 9 bedrooms including a caretaker residence. Panoramic views including, the islands of Saba and Statia and year round sunsets. Private five bedroom main residence, two bedroom guest house, and two pools. \$46,000,000. tom@stbarth.com

St. Barth Properties Sotheby's International Realty
+1 508.570.4481 | sothebysrealty-stbarth.com



LA JOLLA, CALIFORNIA

16 exclusive residences. 4 limited edition penthouses. 1 unparalleled opportunity. A prestigious location, unrivaled panoramic views and truly exceptional design, Muse La Jolla is a trophy property that is incomparable. Prices upon request. Brett Dickinson and Deborah Greenspan.

Pacific Sotheby's International Realty
+1 858.204.6226 | pacificsothebysrealty.com



LARKSPUR, CALIFORNIA

Designed by renowned architect Ken Linstead, this shingled residence is located just two blocks from Downtown Larkspur. Built in 2005, the architectural masterpiece captures the best of easy living and luxury. \$3,895,000. C.J. Nakagawa and Susan Hewitt.

Golden Gate Sotheby's International Realty
+1 415.407.2151 | 11William.com



SAN DIEGO, CALIFORNIA

Newly constructed, private Mediterranean masterpiece on the bluffs of Del Mar. Extensive patios and spectacular outdoor living spaces take full advantage of the mesmerizing, panoramic views. \$25,900,000. Eric Lantorno, Clinton Selfridge and Lindsay Dunlap.

Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com



SAN DIEGO, CALIFORNIA

One of a kind, three building compound overlooking the San Diego Harbor offering one of the best views of the city's skyline. Enjoy a charming, resort like feel with elegant finishes and modern conveniences throughout. \$13,900,000. Clinton Selfridge and Eric Lantorno.

Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com



SAN DIEGO, CALIFORNIA

Gated craftsman estate designed by Alan Campbell to adapt to the contours of the 180 degree view parcel. Situated on nearly an acre, surrounded by lush mature landscaping. Designed for views of the ocean bay, Shelter Island, Coronado and downtown skyline. \$9,995,000. Eric Lantorno and Clinton Selfridge.

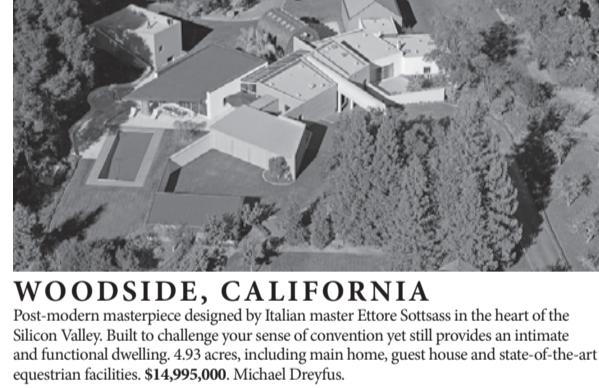
Pacific Sotheby's International Realty
+1 858.256.7005 | PacificSothebysRealty.com



TIBURON, CALIFORNIA

Extraordinary fusion of traditional Japanese architecture and 21st century luxury and technology surrounded by spectacular gardens, acres of forested open space and panoramic San Francisco Bay views. 5 bedrooms, 6.5 baths. \$6,500,000. Bill Bullock and Lydia Sarkissian.

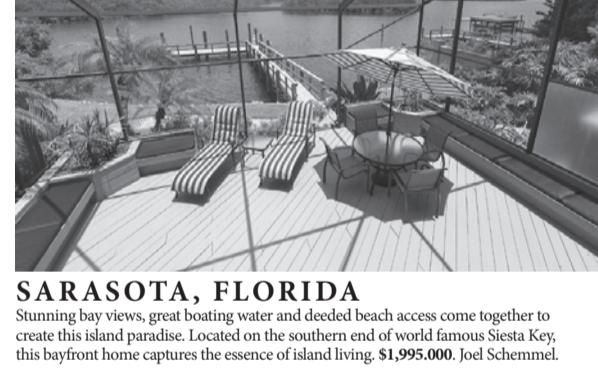
Golden Gate Sotheby's International Realty
+1 415.517.7720 | globalestates.com



WOODSIDE, CALIFORNIA

Post-modern masterpiece designed by Italian master Ettore Sottsass in the heart of the Silicon Valley. Built to challenge your sense of convention yet still provides an intimate and functional dwelling. 4.93 acres, including main home, guest house and state-of-the-art equestrian facilities. \$14,995,000. Michael Dreyfus.

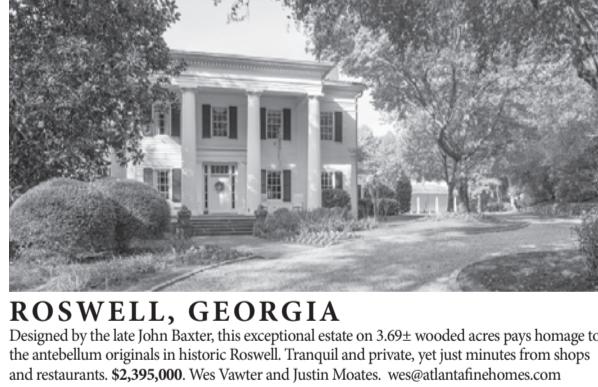
Golden Gate Sotheby's International Realty
+1 650.485.3476 | 1250canada.com



SARASOTA, FLORIDA

Stunning bay views, great boating water and deeded beach access come together to create this island paradise. Located on the southern end of world famous Siesta Key, this bayfront home captures the essence of island living. \$1,995,000. Joel Schemmel.

Premier Sotheby's International Realty
+1 941.587.4894 | premiersothebysrealty.com



ROSWELL, GEORGIA

Designed by the late John Baxter, this exceptional estate on 3.69± wooded acres pays homage to the antebellum originals in historic Roswell. Tranquil and private, yet just minutes from shops and restaurants. \$2,395,000. Wes Vawter and Justin Moates. wes@atlantafinehomes.com

Atlanta Fine Homes Sotheby's International Realty
+1 404.237.5000 | atlantafinehomes.com



CHICAGO, ILLINOIS

Impressive, southeast corner unit with views of the lake and skyline. Custom cabinetry and built-ins throughout. Top of the line kitchen and baths. Hardwood floors, expansive rooms and a large balcony to enjoy Chicago's summer evenings. Full amenity building. \$1,269,000. Debbie Maue.

Jameson Sotheby's International Realty
+1 773.406.1975 | jamesonsir.com



CHICAGO, ILLINOIS

The Penthouse at The Legacy: Situated on the 72nd floor with 360 degree views of Lake Michigan, Millennium Park, Chicago Yacht club and many of Chicago's landmarks. Secure elevator opens to this full floor home. Built with the finest finishes, no detail is left undone. Price upon request. Nancy Tassone.

Jameson Sotheby's International Realty
+1 312.929.1560 | jamesonsir.com



GIBSON ISLAND, MARYLAND

Private, gated, enchanting island in Chesapeake Bay with 200 homes (8 presently for sale), freshwater lake, one hour from Washington, 20 minutes from BWI/Amtrack, private country club (by invitation) with yachting, golf and more. Prices upon request. Sarah Kanne and Corey Burr.

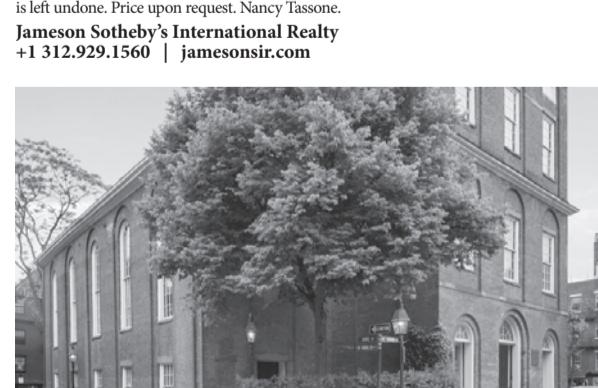
TTR Sotheby's International Realty
+1 410.255.1341 | ttsir.com



GIBSON ISLAND, MARYLAND

636 Stillwater Road. Stunning lake waterfront Tuscan Manor, spectacular grounds, top-of-the-line finishes, on private secured island in Chesapeake Bay with 200 homes, one hour from Washington, 20 minutes from BWI/Amtrack station. \$3,297,000. Sarah Kanne and Corey Burr.

TTR Sotheby's International Realty
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BOSTON, MASSACHUSETTS

Award-winning single family residence in Boston's prestigious Beacon Hill. Complete with an elevator, an au pair suite and a charming front garden entrance. Breathtaking views of Boston and the Charles River. \$3,750,000. Michael Carucci.

Gibson Sotheby's International Realty
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BOSTON, MASSACHUSETTS

Spacious 2 bedroom, 2 bath unit at the Four Seasons Residences. Expansive entertaining area and an oversized master bedroom with a custom walk-in closet and spa bath. 1 valet garage parking space and storage are included. **\$3,495,000.** Michael L. Carucci.

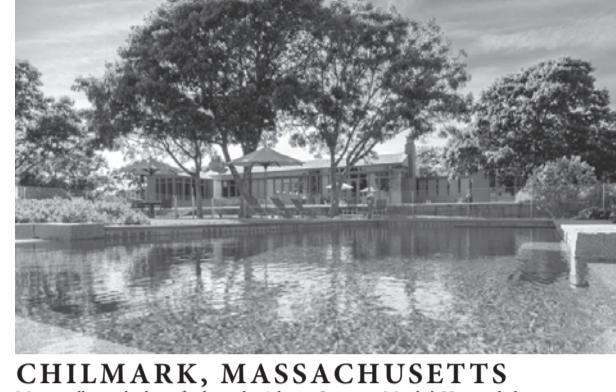
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CAPE COD, MASSACHUSETTS

Private, 2 acre lot with views of Cape Cod Bay. Rare opportunity to build your dream home. Located in area of fine homes with direct access to bike trail, abutting 21 acres of conservation land. Close to Nickerson State Park. Not in flood zone. **\$2,485,000.** Daneen Law.

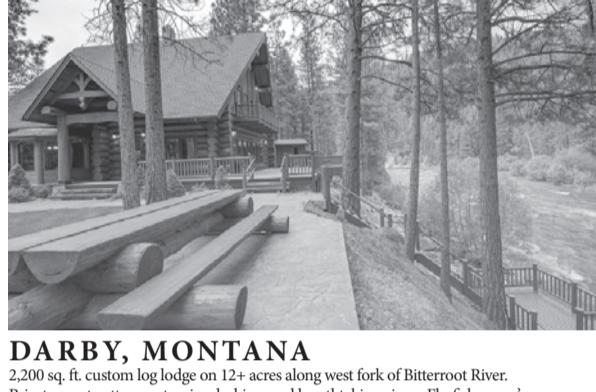
oldCape Sotheby's International Realty
+1 508.237.0977 | oldcape.com



CHILMARK, MASSACHUSETTS

Majestically perched 120 ft. above the Atlantic Ocean on Martha's Vineyard, the magnificent Chilmark House is an award-winning triumph of design and execution. A comfortable yet luxurious seaside retreat on 9.5 acres that celebrates panoramic ocean views of the South Shore. **\$17,750,000.** Thomas Wallace.

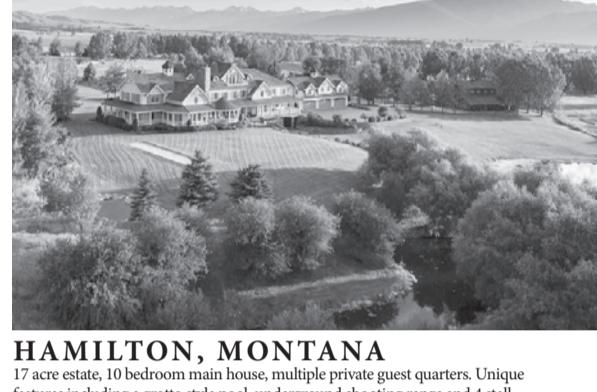
Wallace & Co. Sotheby's International Realty
+1 508.627.3313 | Wallacemv.com



DARBY, MONTANA

2,200 sq. ft. custom log lodge on 12+ acres along west fork of Bitterroot River. Private guest cottage, extensive decking, and breathtaking views. Fly-fisherman's paradise! **\$1,950,000.** Dawn Maddux.

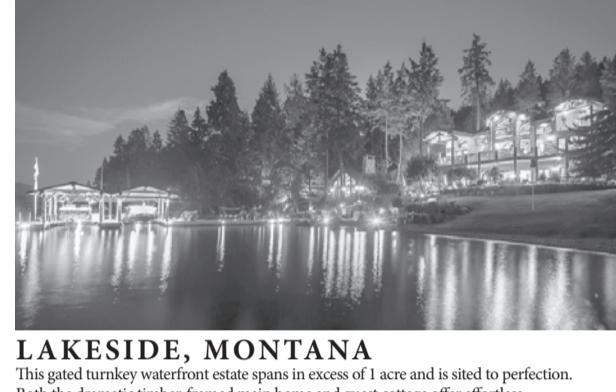
Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com



HAMILTON, MONTANA

17 acre estate, 10 bedroom main house, multiple private guest quarters. Unique features including a grotto style pool, underground shooting range and 4 stall horse barn. Exclusive/private Stock Farm amenities include Tom Fazio golf course. **\$27,500,000.** Dawn Maddux.

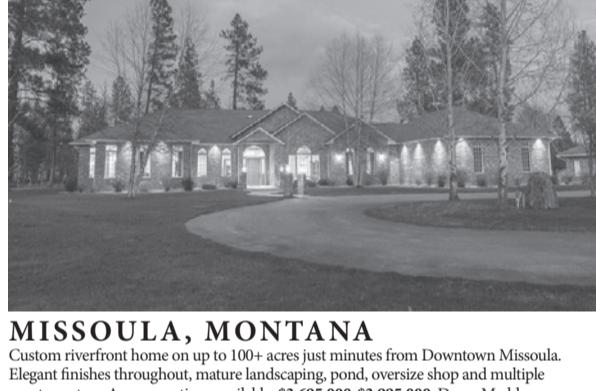
Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com



LAKESIDE, MONTANA

This gated turnkey waterfront estate spans in excess of 1 acre and is sited to perfection. Both the dramatic timber-framed main home and guest cottage offer effortless waterfront access with a rare 200 ft. of pebble beach on Flathead Lake. Amazing views! Price upon request. Amy Bain-Wilson.

Glacier Sotheby's International Realty
+1 406.370.9101 | glaciersir.com



MISSOULA, MONTANA

Custom riverfront home on up to 100+ acres just minutes from Downtown Missoula. Elegant finishes throughout, mature landscaping, pond, oversize shop and multiple guest quarters. Acreage options available. **\$3,695,000-\$3,995,000.** Dawn Maddux.

Glacier Sotheby's International Realty
+1 406.550.4131 | glaciersir.com



NEW YORK, NEW YORK

This gut-renovated, 5 bedroom family-friendly townhouse combines refined architecture with premium finishes. This landmark marries the historic and the new. Sale: **\$19,500,000.** Rent: **\$60,000/month.** cathy.taub@sothebyshomes.com

Sotheby's International Realty East Side Manhattan Brokerage
+1 212.606.7772 | 130east71.com



NEW YORK, NEW YORK

Sun-drenched, south-facing 20 ft. wide townhome. This all new state-of-the-art spectacular home defines luxury with its spacious and ultra-chic feel, flow and finish. **\$16,600,000.** Michael Sieger. michael.sieger@sothebyshomes.com

Sotheby's International Realty West Side Manhattan Brokerage
+1 917.533.8599 | 118w76.com



NEW YORK, NEW YORK

Pristine 2016 renovation of designer's own historic elevator townhouse. Superb proportions, spectacular terraces and views. Approx 6,615 sq. ft. **\$10,000,000.** Mark Thomas Amade and Roberta Golubok.

Sotheby's International Realty East Side Manhattan Brokerage
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NEW YORK, NEW YORK

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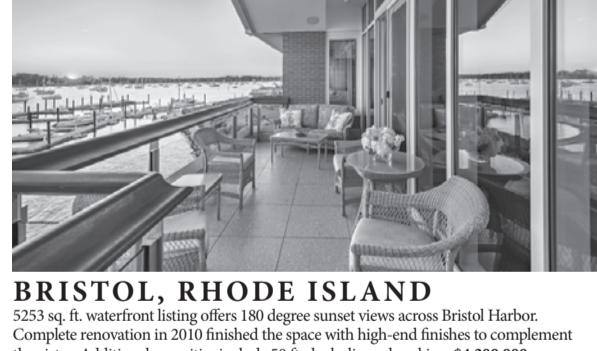
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ASHEVILLE, NORTH CAROLINA

Nestled in the woodlands in The Cliffs at Walnut Cove, this home is near the wellness center, swim pools, tennis, walking trails, the Jack Nicklaus Signature Golf Course and more. Perfect for the grandkids to visit. Near airport, medical facilities and Asheville. **\$1,625,000.** cary.findlay@sothebysrealty.com

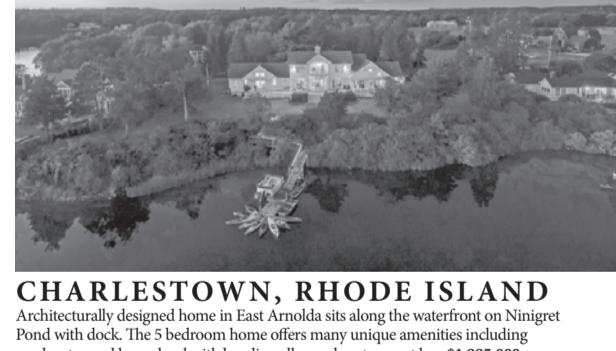
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5253 sq. ft. waterfront listing offers 180 degree sunset views across Bristol Harbor. Complete renovation in 2010 finished the space with high-end finishes to complement the vistas. Additional amenities include 50 ft. dock slip and parking. **\$4,300,000.**

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AUSTIN, TEXAS

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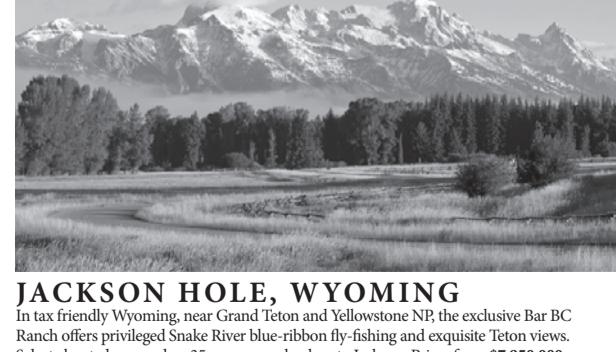
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MANSION



ROCKY SHORES The Prouts Neck shoreline, above; New York-based interior designer Leslie Rylee, below with her daughters, recently bought a five-bedroom house in Prouts Neck.

PROUTS NECK SUMMER, FROZEN IN TIME

Continued from page W7
and-a-half-bathroom circa 1900 mansion; a more modernized three-bedroom house and a two-bedroom guesthouse, respectively called the Walnuts, the Wasnuts and the Nutshell. The homes sit on 1.8 acres with a sweeping lawn down to the beach in the gated, private part of the community.

The decision to sell the house was hard because there are so many family memories, says Diana Hammond, 62, who owns the property with her three siblings; it's something they never would have considered while their parents were still alive. Ms. Hammond has been going there every summer of her life, even though she and her husband live in Australia. She was married there, as were her two daughters. Her parents lived at Wasnuts until they died, and their ashes are at the community's St. James Episcopal church. Ms. Hammond and her brother both recently bought their own homes in the community.

More Prouts Neck houses are starting to show up in the state multiple-listing service, or MLS, where homes are listed in a database set up by real-estate brokers, and on real-estate websites like Zillow and Realtor.com. Already this year, three properties listed have sold there, for \$2.73 million, \$1.5 million and \$1.4 million, and another, listed at \$3.5 million, is under contract. Last year, four MLS-listed homes sold, after only two sales in 2015, and two in 2014. The prices are high for Maine, where only six homes in the entire state listed on the MLS sold for over \$2 million in 2016, two of which were in Prouts Neck.

Listings are starting to "trickle in" more because the market is strong and prices are higher, says Karen Reiche, a principal with Portland-based LandVest. She says the more expensive homes need broader marketing exposure than just word of mouth.

More property buyers are now building their own new homes in Prouts Neck. In 2011, NFL Commissioner Roger Goodell bought two half-acre waterfront lots for \$5.9 million in a private, unlisted sale.



CHECKING IN

A group of 38 neighbors paid about \$20 million to buy the Black Point Inn, the only hotel on the peninsula. They reduced its size. Far right, a painting by artist Winslow Homer, a one-time Prouts Neck resident.

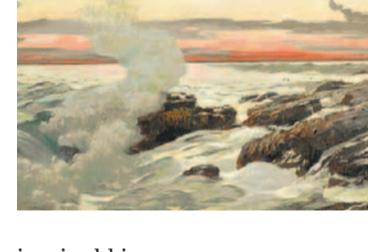


He tore down one house and built an 8,900-square foot, 19-room mansion with a guesthouse in 2013, according to the Maine public assessor's office.

Trevor Watson, head of architectural design at the design/build firm Eider Investments, says his firm has kept up a steady rate of about two new homes and two renovations a year for the past 15 years. He says what distinguishes Prouts Neck from other areas is that most of the new homes aren't enormous, but there are exceptions, including an 8,800-square foot, five-bedroom, six-bathroom mansion finished last summer on a 0.93-acre property that was

bought for \$1.5 million in 2013.

Prouts Neck has managed to keep its privacy, appearance and traditions remarkably intact. There is a bare-bones yacht club, little more than a white clapboard house, where the Sunday evening community sing-a-longs known as "The Sing" take place. The golf course has no tee times and the country club is a modest wood building with no swimming pool. Kids fish off rocks and ride bikes everywhere on their own, balancing tennis rackets. The studio of 19th-century artist Winslow Homer, whose family was among the early homeowners, is preserved, facing the seascapes that



"They wanted to know who I was related to," he says. Mr. Shaw now lives year-round at his house on Prouts Neck, which is about 12 miles from Portland.

Residents say the character of Prouts Neck will never change. "You could go a million places on the coast that are beautiful. What's special here is the community. Everyone wants to keep it casual," says Leslie Rylee, an interior designer based in New York who started going to Prouts Neck when she was a teenager. When she renovated the five-bedroom house and two-bedroom guest cottage she bought recently, she kept the design simple, with white walls, and chose not to winterize it.

The Prouts Neck Association, formed in 1910, hires three police officers to patrol the neighborhood, including one who often sits at the base of the peninsula's neck, just before the Black Point Inn, and tickets anyone driving over the 25 mph speed limit. Most of the windy roads, behind gates, are dirt and have killer speed bumps to discourage fast driving.

David Shaw, a technology investor who built a home in Prouts in 1999, says he is still considered a newcomer even though he has been going there about 20 years.

"People are very friendly, but they were curious why I was there.

Mr. Bolton says the community has been able to keep its character because it has such deep roots.

"You have to be nice to your neighbor. Chances are you're related," he jokes.

PRIVATE PROPERTIES

Fleetwood Mac's John McVie Sells Los Angeles Home

John McVie, bass guitarist of rock band Fleetwood Mac, has sold his Los Angeles home for its asking price of \$2.995 million.

Mr. McVie put the home on the market a few weeks ago.

Listing agent Marcie Hartley of Hilton & Hyland attributed the quick sale to strong demand for homes in Brentwood, an affluent neighborhood on the city's Westside. Another factor is that the house was recently

renovated. "There's big demand for this kind of house," Ms. Hartley said, estimating that the value of the land is likely at least \$2.5 million.

Originally built in the 1920s, the two-bedroom house measures about 2,200 square feet. There is also a detached guesthouse that Mr. McVie used as a music studio. Mr. McVie purchased the house in 2014 for \$2.53 million, public records show.

Mr. McVie and his wife, Julie, had been living primarily in Hawaii, and used the home as a pied-à-terre, Ms. Hartley said. They decided to sell because they recently bought a larger home with a swimming pool in the same neighborhood for \$6.775 million.

There were 1,806 closed sales in Los Angeles in the second quarter of 2017, up 25.1% from the same period of last year, according to a Douglas Elliman Real Estate market report.

—Candace Taylor

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\$2,895,000 kiawahisland.com/real-estate

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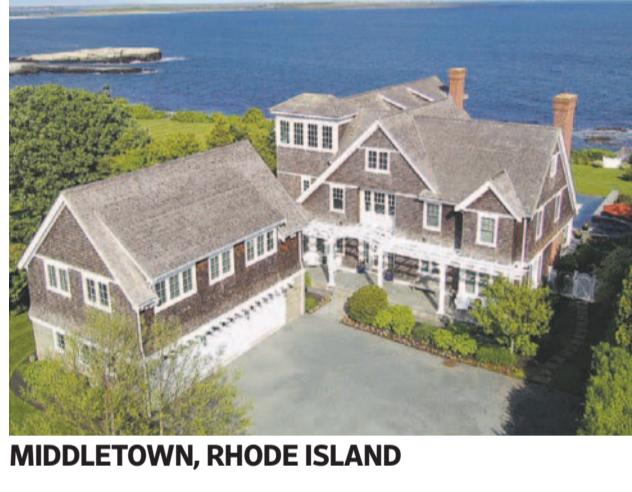


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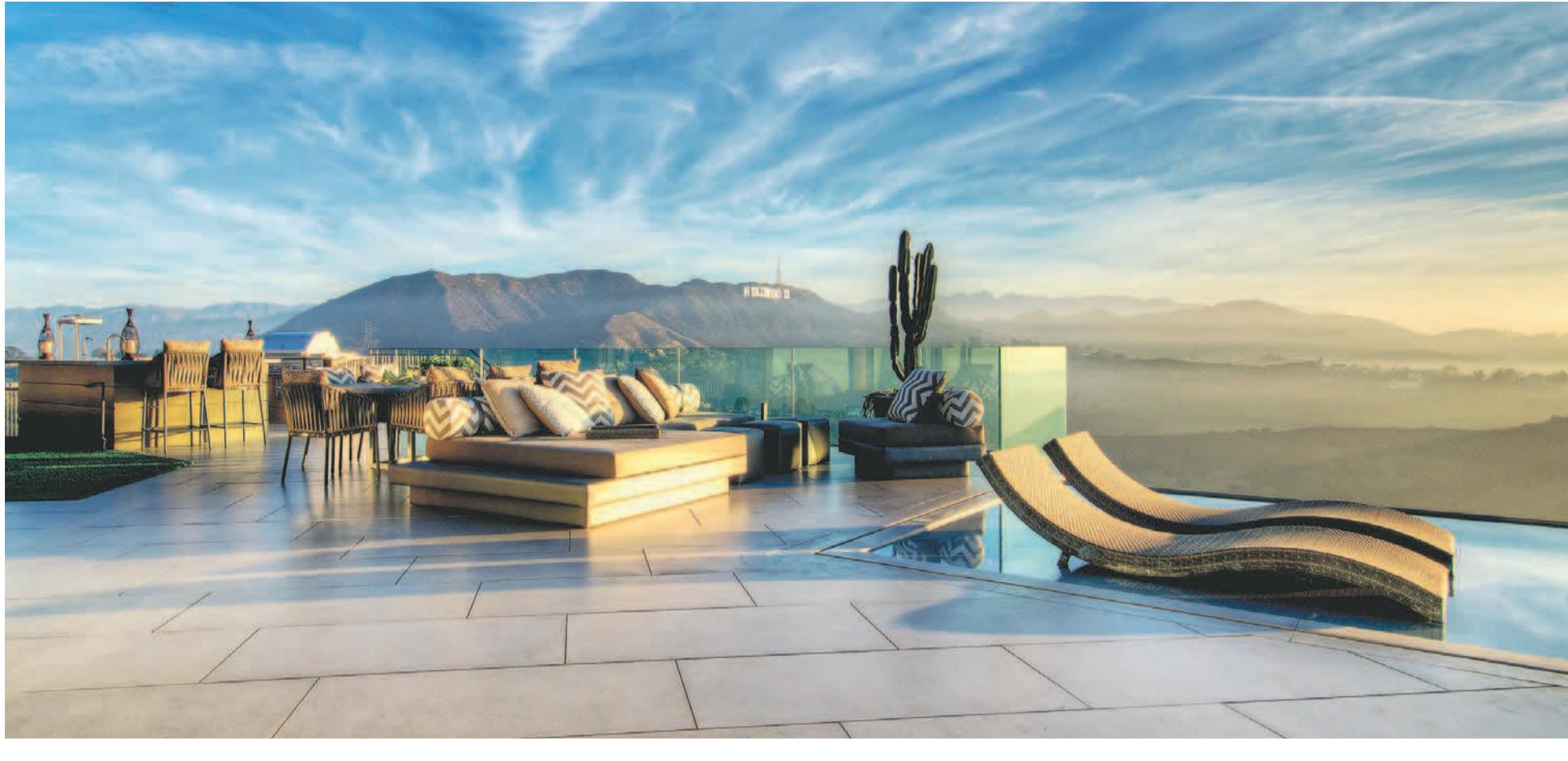
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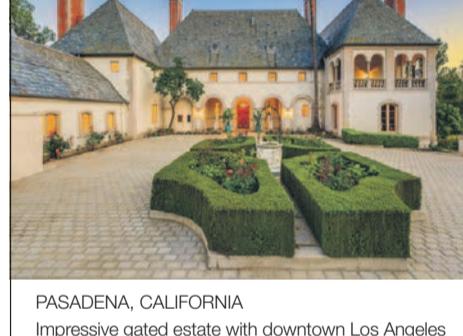
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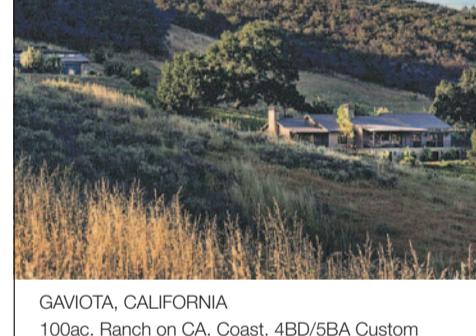
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