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DJIA 21844.01 ▼ 204.69 0.9% NASDAQ 6216.87 ▼ 2.1% STOXX 600 376.05 ▼ 1.0% 10-YR. TREAS. ▲ 8/32, yield 2.211% OIL \$48.59 ▼ \$0.97 GOLD \$1,283.70 ▲ \$10.70 EURO \$1.1774 YEN 109.20

What's News

Business & Finance

Benchmark sued Uber ex-CEO Kalanick in an effort to oust him from the board, in a clash between two of the company's most powerful shareholders. **A1**

◆ **Uber's first hire** said he would step aside from his daily role as senior vice president of operations. **B5**

◆ **Snap's loss** nearly quadrupled amid slowing sales and user growth, sapped by competition from Facebook. Shares slid 17% after hours. **B1**

◆ **Google canceled** a companywide meeting about diversity just before it was set to begin Thursday, citing safety concerns. **B1**

◆ **Wells Fargo's board** plans a shake-up that is likely to include Stephen Sanger stepping down as nonexecutive chairman. **B1**

◆ **Blackstone's** Invitation Homes and Starwood Waypoint, two of the country's largest rental-home owners, have agreed to merge. **B1**

◆ **Declines in U.S. stocks** accelerated, with the Dow shedding 204.69 points, or 0.9%, to 21844.01. **B12**

◆ **The CBOE's VIX**, an index known as Wall Street's "fear gauge," rose to its highest level of the year. **B11**

◆ **Macy's and Kohl's** again reported shrinking sales, spooking investors, though the latest declines slowed. **B3**

◆ **Blue Apron's shares** sank nearly 18% after the meal-kit maker gave its first earnings update since going public. **B3**

◆ **Toshiba** said it reopened talks with Foxconn and Western Digital over selling its memory-chip unit. **B5**

World-Wide

◆ **Trump said** his threat to bring "fire and fury" to North Korea "maybe wasn't tough enough" and warned of more to come, as the president faced defiance from Pyongyang and resistance from China. **A1, A6**

◆ **Investigators uncovered** a global network run by an Islamic State official that used eBay to funnel money to an alleged operative in the U.S. **A1**

◆ **Trump again criticized** McConnell, urging him to "get back to work" on health care, a tax overhaul and infrastructure legislation. **A4**

◆ **Trump declared** the opioid epidemic a national emergency, a designation that could shape the way his administration responds. **A3**

◆ **The president said** he hadn't given "any thought" to the idea of dismissing Special Counsel Mueller. **A4**

◆ **Sessions is urging** Trump to nominate a tough-on-crime judge to a sentencing-guidelines panel. **A4**

◆ **Genetics researchers** altered the genes of pigs and ants in studies with potential relevance for humans. **A3**

◆ **Election monitors** called Kenya's presidential vote free and fair despite new allegations of fraud by the nation's opposition party. **A5**

◆ **The number of migrants** to Italy fell sharply in July, raising hopes of progress in the migration crisis. **A14**

◆ **French officials** identified the man suspected of ramming a car into a group of soldiers as an Algerian. **A14**

CONTENTS Opinion..... A11-13
Business News..... B3-6 Sports..... A10
Crossword..... A9 Streetwise..... B1
Head on Street..... B12 Technology..... B4-5
Life & Arts..... A8-9 U.S. News..... A2-4
Mansion..... M1-10 Weather..... A9
Markets..... B11-12 World News..... A5-6,14

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President Donald Trump and Vice President Mike Pence spoke Thursday at Mr. Trump's golf club in Bedminster, N.J., before a security briefing.

Trump Steps Up Rhetoric

President says his 'fire and fury' threat to North Korea wasn't tough enough

President Donald Trump, facing defiance from North Korea and resistance from China after his threat to unleash "fire and fury" at Pyongyang, said Thursday that his statement "maybe wasn't tough enough" and warned of more to come.

Mr. Trump rejected criticisms that his words had been too inflammatory, repeated his exhortation to North Korea's Kim Jong Un to stop issuing threats and vowed to invest billions of dollars more in missile defense.

"They've been doing this to our country for a long time, for many years, and it's about time that somebody stuck up for the people of this country and for the people of other countries," Mr. Trump said at his New Jersey golf course, referring to North Korea's threats. "So, if anything, maybe that statement wasn't tough enough."

Asked what statement would be tougher, Mr. Trump said: "Well, you'll see. You'll see."

The president's comments escalated an exchange of threats between the U.S. and North Korea that have rattled markets and unnerved world leaders concerned about a nuclear-armed confrontation. U.S. stocks fell by nearly 1% on Thursday, for a third straight session.

Mr. Trump pledged to ease his stance on trade with China if Beijing offers more help on North Korea. He said the U.S. loses hundreds of billions of dollars a year on trade with China. "It's not going to continue like that," Mr. Trump said. "But if China helps us, I feel a lot differently toward trade, a lot differently toward trade."

The war of words with Pyongyang—which responded to Mr. Trump's latest comments Friday morning local time by saying the U.S. "would suffer a shameful defeat and

final doom" if it persisted in threatening the country—lays bare the U.S.'s choices.

Some argue the U.S. at this stage must tolerate North Korea as a nuclear power and try to manage it, as the U.S. did with the Soviet Union and China before it, because a war would be catastrophic. Others argue that would be a dangerous approach, leaving the U.S. and its allies vulnerable, and potentially allowing Mr. Kim to extend his influence in the region

Please see TRUMP page A6

◆ Beijing is pressed as Korea tensions rise..... A6
◆ Trump faults McConnell over legislation..... A4
◆ Sessions pushes tough judge for sentencing panel..... A4

FBI Says ISIS Used eBay To Send Terror Cash to U.S.

By MARK MAREMONT AND CHRISTOPHER S. STEWART

U.S. investigators uncovered a global financial network run by a senior Islamic State official that funneled money to an alleged ISIS operative in the U.S. through fake eBay transactions, according to a recently unsealed FBI affidavit.

The alleged recipient of the funds was an American citizen in his early 30s who had been arrested more than a year ago in Maryland after a lengthy Federal Bureau of Investigation surveillance operation that found the first clues to the suspected network.

The government had alleged in a 2016 indictment that the American suspect, Mohamed Elshinawy, pledged

allegiance to Islamic State and had pretended to sell computer printers on eBay as a cover to receive payments through PayPal, potentially to fund terror attacks.

The recently unsealed FBI affidavit, filed in federal court in Baltimore, alleges that Mr. Elshinawy was part of a global network stretching from Britain to Bangladesh that used similar schemes to fund Islamic State and was directed by a now-dead senior ISIS figure in Syria, Sifil Sujan.

The U.S. has said Mr. Elshinawy told investigators he was instructed to use the money for "operational purposes" in the U.S., such as a possible terror attack. He has pleaded not guilty to supporting the terror group, and currently is

in federal custody awaiting trial. His lawyer declined to comment.

The case suggests how Islamic State is trying to exploit holes in the vast online financial world to finance terror outside its borders.

The U.S. and other countries for years since 9/11 have focused on the formal international banking systems that terror networks might use to transfer money to would-be terrorists.

But some alleged perpetrators inspired by Islamic State have gotten small sums through low-level fraud such as check scams, or through fi-

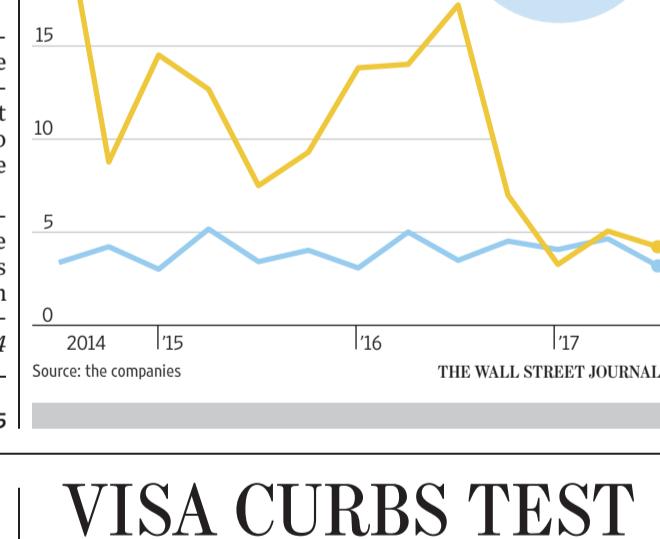
Please see ISIS page A4

◆ Captives who were held by al Qaeda tell of ordeal..... A5

Snap's Troubled Path

Snapchat's parent said its loss nearly quadrupled to \$443 million in the second quarter. Competition with Facebook has squeezed Snap's user growth since Facebook began copying Snapchat's popular features. **B1**

Quarterly change in daily active users



Shortage of H-2Bs squeezes Martha's Vineyard, sparking search for U.S. workers and other fixes

By LAURA MECKLER

MARTHA'S VINEYARD, Mass.—Jamaicans and other foreign workers have long powered the summer economy in the upscale tourist haven of Martha's Vineyard, cleaning hotel rooms, waiting tables and mixing fudge. This year, many local businesses had to come up with a Plan B.

Facing a shortage of foreign laborers, local restaurants have reduced hours of operation and pared back menus. Managers are cleaning hotel rooms, laundry is piling up and at least one restaurant is using disposable cups to ease the dishwashers' load.

The reason is a scarcity of the H-2B visas used to bring foreign seasonal workers to the U.S. It has affected many

resorts and other businesses that depend on such workers, including Alaskan fisheries. Isolated locations such as Martha's Vineyard—it has a tiny year-round population and is accessible only by ferry or plane—are especially vulnerable.

As President Donald Trump presses to restrict both illegal and legal immigration, citing the need to boost prospects for American workers, Martha's Vineyard serves as a small-scale, real-time experiment in what can happen when labor markets that depend on foreign workers no longer have access to as many of them.

This summer, businesses here managed to muddle through. They remain open

Please see VISAS page A7

Fed Has 6,200 Tons of Gold in New York Basement—Or Does It?

Central bank's parsimony with details feeds endless conspiracy among gold bugs

By KATY BURNE

Eighty feet below the streets of lower Manhattan, a Federal Reserve vault protected by armed guards contains about 6,200 tons of gold.

Or doesn't. The Fed tells visitors its basement vault holds the world's biggest official gold stash and values it at \$240 billion to \$260 billion. But "no one at all can be sure the gold is really there except Fed employees with access," said Ronan Manly, a precious-metals analyst at gold dealer BullionStar in Singapore. If it is all there, he said, the central bank has "never in its history provided any proof."

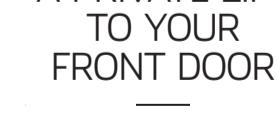
Mr. Manly is among gold aficionados who wonder if the bank is hiding something about what it is hiding.

Other theorists suspect the gold beneath the New York Fed's headquarters at 33 Liberty St. may be gold-plated fakes. Some conspiracy-minded investors think the Fed has been secretly leasing out the gold to manipulate prices.

"There has to have been a central bank spewing their gold into the market," said John Embry, an investment strategist for Sprott Asset Management in Toronto until 2014 who once managed its gold fund.

"The gold price didn't act

INSIDE



A PRIVATE LIFT TO YOUR FRONT DOOR

MANSION, MI



THE LIFE AND DEATH OF A SECRET AGENT

LIFE & ARTS, A8

VISA CURBS TEST SEASONAL HIRING

Shortage of H-2Bs squeezes Martha's Vineyard, sparking search for U.S. workers and other fixes

By LAURA MECKLER

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Please see VISAS page A7

U.S. NEWS

States to Get Access To Vote Hack Data

By ALEX CORSE

The Department of Homeland Security is clearing the way for state election officials to apply for security clearances so they can review classified information about cyberthreats to their election systems, federal and state authorities said in interviews this week.

The move comes after many state officials criticized the federal agency for, in their view, failing to provide certain information about suspected Russian attempts to hack voter-registration systems during the 2016 presidential election. DHS formally designated election systems "critical infrastructure" in January, which federal officials said would help the agency prioritize election-security efforts.

Still, state officials of both parties continue to say they have lacked clarity on whether sensitive cybersecurity information could be shared, including whether election equipment used by vendors or localities in their state were the target of an attack.

"Cyberthreats launched from nation states into county clerks' offices nationwide is not a fair fight, and we cannot continue to be reactionary due to lack of information," said West Virginia Secretary of State Mac Warner, a Republi-

can, in a statement. "I am pleased that DHS has agreed to sponsor security clearances for the states' chief election officials toward this goal."

The clearances are for the purpose of sharing classified cyberthreat information related to election systems with each state's top election official, a DHS official said. The clearances would be at the "secret" level, which is midlevel and doesn't include the nation's most sensitive secrets.

DHS contacted state officials to begin the process of obtaining security clearances last week, the agency official said. Officials in West Virginia, Vermont, Maine and Arizona said they had heard from DHS on the subject.

According to a January report from the U.S. intelligence agencies, Russia's alleged interference in the 2016 election included cyber operations. Evidence suggests suspected Russian hackers may have targeted election computer systems in 21 states during the 2016 election, DHS official Jeanette Manfra said at a Senate Intelligence Committee hearing in late June. Russian President Vladimir Putin has denied any government effort to meddle in the election.

State and federal officials have said that no votes were affected.

Walker Defends Tech Deal

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



MIKE DE SISTO/ASSOCIATED PRESS

Foxconn Chairman Terry Gou, left, with Gov. Scott Walker in July.

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

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 Foxconn would help the state attract young talent and retain college graduates. He also said its most crucial benefit would be changing the popular image of Wisconsin.

"We think that will change people's perceptions, particu-

larly young people," he said.

On Tuesday, a state fiscal analysis found that taxpayers wouldn't recoup their investment until the 2042-2043 fiscal year. That analysis is leading some members of the state Legislature to question the wisdom of the deal.

"Traditionally, these incentive packages, when we look back at them, tend to be expensive, inefficient and have a lot of unintended consequences," said state Rep. Gordon Hintz, a Democrat whose district includes Oshkosh.

The state Assembly has already begun discussions over the bill, and its committee on jobs and the economy plans to vote Monday, said House Speaker Robin Vos. The Senate is beginning internal discus-

sions and a joint committee on finance is expected to start discussions in the next two weeks. But Mr. Walker, a Republican, said he is confident the bill will be passed before Labor Day, which falls on Sept. 4.

On Wednesday, Senate Majority Leader Scott Fitzgerald said in an interview that he expects the bill to pass the Republican-majority state Legislature, but didn't confirm that he had enough votes—which could signal that the deal could be in trouble. "Me saying I don't have the votes is different than the voters aren't there," he said. "I don't start counting noses until they go through the process. I'm not going to assume anybody is an eye."

Mr. Fitzgerald cautioned that the analysis of the benefit to the state is "very, very speculative." The state says that in addition to the \$10 billion direct investment and 13,000 jobs created by the facility, the project will lead to 10,000 construction jobs and 22,000 indirect jobs.

But those numbers aren't easy to calculate. "I think that's part of what we're realizing is that this is going to be very difficult to put a fine point on," said Mr. Fitzgerald.

"There's bipartisan concerns over Gov. Walker's \$3 billion corporate welfare package," said Senate Minority leader Jennifer Shilling. "The best day that this deal had was the day it was unveiled and every day afterwards has been a constant line of questions."

U.S. WATCH

WASHINGTON, D.C.

Trump Hotel Room Rates Boost Revenue

Donald Trump's hotel in Washington, D.C., raised its rates in the months after he became president from what it had expected to charge, helping the facility outperform expectations, new financial documents show.

The hotel, in the renovated Old Post Office near the National Mall, brought in about \$18 million in revenue in the first four months of 2017, in part by charging room rates that were higher than their budgeted prices by 57%.

The Trump Organization signed a lease in 2013 with the federal government to lease a historical post office and renovate it into an upscale hotel. The hotel opened not long before the election.

Mr. Trump has said he will not be involved in running his businesses and has left them in the hands of his two adult sons and another executive. The Trump Organization didn't respond to requests for comment Thursday on the financial statements, which were first reported by the Washington Post.

The financial records for the hotel are filed monthly by the

hotel to the General Services Administration, which oversees the Trump Organization lease. The GSA on Thursday posted unredacted versions of documents that provided information on the first four months of 2017. The agency took the documents down later that evening.

—Alexandra Berzon

ILLINOIS

School-Funding Payment Missed

Illinois missed its Thursday deadline for the first round of state aid payments to K-12 schools with weeks to go before the start of classes as Republican Gov. Bruce Rauner and the Democratic legislature continue to haggle over a controversial education-funding proposal.

School funding has become the most recent casualty of a clash between Mr. Rauner and the General Assembly that resulted in \$14.6 billion in unpaid bills and the longest state financial crisis since the Great Depression.

The payment of \$227 million was meant to be the first since the General Assembly passed a \$36 billion budget package in July over the governor's veto.

—Quint Forney

CORRECTIONS & AMPLIFICATIONS

Vanguard Group's passive mutual and exchange-traded funds owned 5% or more of shares in 481 companies in the S&P 500 at the end of March. A July 14 Page One article about Vanguard naming a new CEO incorrectly said those funds owned 5% or more of shares in 485 companies.

Early analysis by the Pension Benefit Guaranty Corp. showed that the benefits of most participants in an **Avaya Inc.** legacy pension plan for salaried workers were guaranteed by the agency. A Banking & Finance article on Thursday about the company incorrectly said the PBGC estimate showed 100% of benefits were

guaranteed. In addition, the pension agency's name was incorrectly given as the Pension Benefit Guarantee Corp.

A chart accompanying a Page One article on Thursday about the Permian Basin showed Permian oil production measured in millions of barrels per day. In some editions, the chart incorrectly said it showed production in trillions of barrels per day.

In some editions Thursday, the name of **Vantiv Inc.** was incorrectly given as **Vanity** in a Page One What's News summary about the company's agreement to acquire **Worldpay Group PLC**.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

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Continued from Page One

company, the handling of a rape incident involving a passenger in India and a lawsuit from Google parent Alphabet Inc. over the alleged theft of trade secrets.

In a statement, Mr. Kalanick's spokesman said the lawsuit is without merit and "ridiculed with lies and false allegations." He said Benchmark is attempting to deprive Mr. Kalanick of his rights as a founder and shareholder and silence his voice.

An Uber spokesman and a Benchmark spokeswoman declined to comment.

The suit sheds light on the dispute between one of Uber's earliest and most influential investors and Mr. Kalanick, who was ousted as chief executive in June in an investor revolt led by Benchmark. The venture firm, which says it owns 13% of Uber, on June 20 dispatched two partners to meet him in Chicago with a letter signed by other stakeholders, demanding he step down.

Mr. Kalanick's surrender to investors was a surprising twist in what has been a troubled year for the world's most highly valued venture-backed company with a valuation of \$68 billion. The co-founder had been Uber's CEO for seven years, and with his pugnacious style helped build the company into a ride-hailing powerhouse with over \$6 billion in revenue

last year and operations in more than 70 countries.

Uber's board is now attempting to hire a new chief executive—along with chiefs of marketing, operations and finance. The company is working to put on its best face for high-level executives under consideration like former General Electric Co. CEO Jeff Immelt.

In more unwelcome news for the company, The Wall Street Journal last week reported that Uber's car-rental operation in Singapore had

The suit sheds light on a dispute with one of Uber's most influential investors.

knowingly leased unsafe cars to drivers from April 2016 to January and left the faulty cars on the road for weeks while awaiting repairs after one of the cars caught fire.

After the fire, "we took swift action to fix the problem, in close coordination with Singapore's Land Transport Authority as well as technical experts," said an Uber spokesman. "But we acknowledge we could have done more—and we have done so."

Benchmark is suing for fraud and breach of contract and fiduciary duty. The lawsuit also names Uber as a "nominal" defendant as a condition to ensure it receives proper re-

lief from the court.

"Kalanick's improper actions, if allowed to continue, would cause irreparable harm to Uber by exposing it to reputational, regulatory and other risks," Benchmark said in its suit. "Kalanick has already interfered with Uber's search for a new CEO."

Some investors have alleged that Mr. Kalanick has sought to return as CEO by impeding the search, including by rejecting qualified candidates. The speculation led Uber Chairman Garrett Camp, also a co-founder, to send a memo to staff declaring Mr. Kalanick won't return as chief executive. Mr. Camp isn't on the executive search committee, and the note came as a surprise to other board members, people familiar with the matter said. Mr. Kalanick hasn't commented on the situation.

The Alphabet suit, filed in February, alleges Uber conspired with a former Google executive to steal and use design secrets from Alphabet's car-driving operation. Uber has denied Alphabet's allegations.

Uber in June completed a months-probe led by former U.S. Attorney General Eric Holder's law firm into its culture after a former software engineer wrote about pervasive sexual harassment and sexism there. The company fired 20 employees as a result.

◆ First hire at Uber takes a step back..... B5

U.S. NEWS

Opioid Epidemic Is Declared Emergency

BY LOUISE RADNOFSKY
AND ARIAN CAMPO-FLORES

President Donald Trump declared the opioid epidemic a national emergency Thursday, establishing a formal designation for the crisis that could shape the way his administration responds.

"The opioid crisis is an emergency, and I'm saying officially right now it is an emergency. It's a national emergency. We're going to spend a lot of time, a lot of effort and a lot of money on the opioid crisis," Mr. Trump said.

"It is a serious problem the likes of which we have never had," the GOP president said.

A White House commission on the opioid crisis led by New Jersey Gov. Chris Christie recommended the president declare a national emergency in a preliminary report released last week.

Declaring an emergency under the Public Health Service Act, or the Stafford Act, would "empower your cabinet to take bold steps and would force Congress to focus on funding and empowering the executive branch even further to deal with this loss of life," Mr. Christie's commission said. The Stafford Act was designed to organize federal assistance to natural disasters.

Some antiaddiction activists have questioned the value of the move beyond its symbolism.

"The critical question, if you declare an emergency, is what are you going to do that you couldn't do yesterday," said Joshua Sharfstein, an associate dean at the Johns Hopkins Bloomberg School of Public Health.

He was one of several public-health experts who wrote last year a letter to officials in the Obama administration urging such a declaration.

Doing so, they said, could expand access to treatment by, for instance, deploying teams of federal physicians to areas hit hard by the opioid epidemic and creating mobile methadone programs. Other proposals they called for included enhancing real-time monitoring of the opioid threat by taking blood samples of overdose survivors in a sampling of emergency departments.

Earlier this week, Health and Human Services Secretary Tom Price said it wasn't necessary for the administration to declare an emergency to take other steps recommended by the commission.

"We believe that...the resources that we need, or the focus that we need to bring to bear to the opioid crisis at this point, can be addressed without the declaration of an emergency, although all things are on the table for the president," Dr. Price said Tuesday.

Mr. Christie's commission had also suggested eliminating a Medicaid rule that prohibits federal Medicaid funds from being used to finance much inpatient treatment of mental illnesses, including substance-use disorders.

Gene-Editing Hits New Milestone

Crispr system helps team take key step in making animal organs suitable for transplant

BY AMY DOCKSER MARCUS

In new studies that demonstrate how quickly genetics science is advancing, researchers used the Crispr gene-editing system to make long-sought alterations in animals, with potential relevance for humans' health.

In one study, scientists created piglets that no longer have active genes for a pig virus, a key step in making their organs suitable for transplant in humans. The pigs, the oldest of which are four months old, will also allow researchers to study the long-term consequences of gene editing in an organism with similarities to humans.

Separately, two research teams altered the genes of ants in a way that changed their social behavior, bringing ants into the pantheon of creatures along with mice and fruit flies that are useful for studying human disorders. Ants, like humans, exhibit complex social behavior.

"Instead of having just a few organisms in all of biological research, with Crispr now any organism can be used to study fundamental questions of biology," said Shelley Berger of the Perelman School of Medicine at the University of Pennsylvania, part of a team using Crispr in ants.

Crispr, which stands for Clustered Regularly Interspaced Short Palindromic Repeats, evolved over millions of years as the immune system of bacteria. Scientists adapted it to create a system that enables cutting, deleting, modifying or correcting disease-causing mutations at targeted spots in the genome, including those of animals and humans.

The Crispr-Cas9 system holds great potential for developing treatments for human diseases, and is being studied in cancer, muscular dystrophy and other conditions.

But the technology has also raised important ethical questions, especially when gene editing makes changes to the human germ-line, the genes of sperm, eggs or embryos.

Such changes not only alter the individual, but also are passed to future generations.

While much attention has been focused on the risks and possibilities associated with gene editing in the human germ-line, today's studies show that Crispr can also have



Researchers inactivated genes for retroviruses in newborn piglets, above, and changed the social behavior of clonal raider ants.

tremendous impact in changing the genetics of animals.

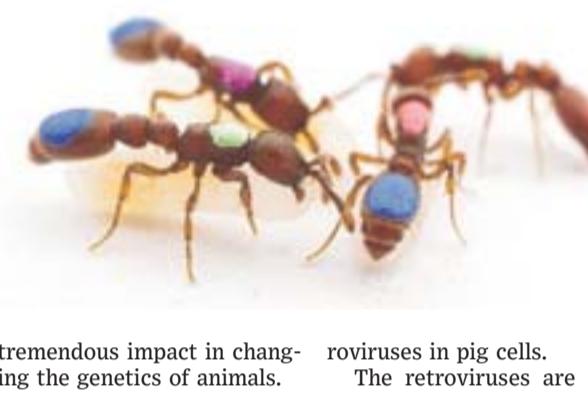
In the study about pigs, published in the journal *Science*, a team of researchers including the founders of the company eGenesis Inc., used Crispr to inactivate all 62 copies of porcine endogenous retroviruses in pig cells.

The retroviruses are dormant in pigs, but fear of transmission to humans has been a major barrier in moving forward with animal-to-human transplants, known as xenotransplantation. The scientists used Crispr to genetically

modify pig cells and create embryos, which are then transferred to surrogate sows. The sows gave birth to 37 PERV-inactivated piglets. Fifteen remain alive, the paper reported.

The ant studies, published in the journal *Cell*, use Crispr in ant eggs, leading to genetic changes in every cell of the adult animals studied.

Researchers at Rockefeller University in New York used Crispr to modify a gene called *orco*, which is involved with the sense of smell, in clonal raider ants. In the other study, a consortium of researchers from New York University and the NYU Langone School of Medicine, Arizona State University, Vanderbilt University and University of Pennsylvania, knocked out the same gene in Indian jumping ants.



DANIEL IRONAUER/THE ROCKEFELLER UNIVERSITY

Seminaries Struggle to Maintain Their Roles

BY IAN LOVETT

CAMBRIDGE, Mass.—The entire faculty at Episcopal Divinity School has been laid off this summer. The remaining students are transferring to other seminaries.

After 150 years, the school is putting its campus, with its 19th-century stone chapel, up for sale and closing its doors.

"We're going to see a bunch of seminaries close in the next 50 years," said Gary Hall, the chairman of EDS's board of trustees. "The church is shrinking, the need for clergy is shrinking and the institutional support is shrinking."

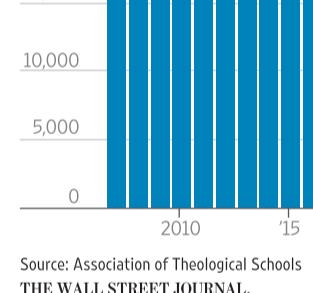
Mainline Protestant seminaries are facing an existential crisis after a decade of mounting red ink. Enrollment has fallen by nearly 25% over the past decade, according to the Association of Theological Schools, an accrediting agency.

Mainline churches, where membership has been falling for decades, can support fewer full-time pastors than in the past. Denominations are pulling back their financial support, while the cost of educating students is rising.

As a result, some of the oldest and most celebrated seminaries in the country—

Losing Faith

Number of students enrolled in mainline Protestant seminaries



Source: Association of Theological Schools

THE WALL STREET JOURNAL.

institutions that helped shape both Christianity and higher

The Remaking of Theological Study

Seminaries have taken steps to attract more students, effectively redefining theological graduate education in the process.

A shrinking portion of students are pursuing the traditional three-year master's of divinity.

Schools are attracting older students, who may not plan on a career in church ministry. A growing portion of seminary students are taking most classes online.

Claremont School of Theology, which traces its roots to

1885, has more than doubled its enrollment since 2010 to more than 400 students, in large part because most of the school's students now take most classes online.

The California school has also embraced an interreligious curriculum, and only a quarter of the students are members of the United Methodist Church, with which the school is affiliated.

"We take seriously our role in training religious leaders. But we also take seriously our role in training leaders for nonprofit organizations and other institutions," said the Rev. Kah-Jin Jeffrey Kuan, the school's president.

—Ian Lovett

education in the U.S.—are on the brink of financial collapse.

Andover-Newton Theological School, the nation's first graduate school of any kind, founded in 1807 outside Boston, sold its campus in July and is moving to the Yale Divinity School campus in Connecticut.

Claremont School of Theology recently said it is hoping to sell its campus and relocate from Southern California to a less expensive area.

Episcopal Divinity School—which pushed the Episcopal church to ordain women and ac-

cept gay and lesbian members—will affiliate with Union Theological Seminary in New York. But the school's faculty and students aren't invited to join.

Daniel O. Aleshire, the former executive director of the Association of Theological Schools, said seminaries were

facing a "mergers and acquisitions environment."

Still, Mr. Aleshire didn't see

this as the end-times for theo-

logical higher education, but as

an evolution. "Theological education is starting to look more like an executive M.B.A., not a

degree required for initial practice in ministry," he said.

Until recent years, seminaries largely focused on training young college graduates to become full-time church pastors.

Schools like EDS and Andover-Newton helped establish

a template for what being a church pastor in the U.S. meant.

Students spent three

years studying for a master's of

divinity, the degree many de-

nominations have long required

for pastors. They studied Greek

and Hebrew so they could read

some of the earliest Bible texts.

Such academic rigor gave rise to a class of clergy who were often among the most educated and respected people in their communities.

But as the nation has grown more secular, the role has shifted. In the past 25 years, the average age of all pastors in the U.S. has risen to 54 from 44, according to a study by the Barna Group, a research firm specializing in the study of religious beliefs.

Other Christian denominations are confronting similar challenges. For Roman Catholics, there is now one priest for every 1,800 Catholics in the country—more than twice what the ratio was in 1970. More than 3,000 parishes in the country now lack a full-time priest.

At evangelical Christian seminaries, enrollment is down slightly over the past decade, though it has rebounded over the past two years. Many of the churches that are growing fastest, like nondenominational Pentecostal churches, don't require a seminary degree for pastors.

Still, some seminaries are growing. Albert Mohler, president of Southern Baptist Theological Seminary, a theologically conservative school in Louisville, Ky., said the school's enrollment had hit record highs in recent years.

In Kansas, a Very Fresh Face Is Campaigning to Be Governor



MARY CLARKIN/THE HUTCHINSON NEWS

By QUINT FORGEY

Politicians often seek to tap voters younger than themselves. Not Kansas gubernatorial candidate Jack Bergeson.

He is only looking for older voters, because come Election Day in November 2018, he'll still be too young to cast a ballot himself.

Thanks to his state's vague election rules on candidate ages, Mr. Bergeson, a 16-year-old high-school student from Wichita, has thrown his hat in the ring. Last year, he signed papers that allow him to start raising money for his campaign—the same step taken by all the major candidates.

His running mate is 17-year-old Alexander Cline, who is vying to become lieutenant governor. The friends, who are seeking the Democratic Party nomination, have known each other since seventh grade.

"As long as I'm giving people the option of my candida-

dacy, it doesn't really matter too much that I won't be able to vote for myself," said Mr. Bergeson, who works summers busing tables and washing dishes at his family's burger and beer joint, called Fizz.

In 47 states the minimum age for governor ranges from 18 to 31 years old, according to data from the National Governors Association. Rules in Kansas, Massachusetts and Vermont are looser.

In Massachusetts, the state constitution doesn't spell out an age requirement, but candidates must be registered voters, making 18 the de facto minimum. Vermont's constitution doesn't specify an age minimum or require candidates to be registered voters, though it does contain a residency requirement.

But in Kansas, where Mr. Bergeson is campaigning to succeed Republican Gov. Sam Brownback, who has taken a job in the Trump administra-

tion, there are no qualifications for candidacy.

"No age. No residency. No citizenship. The law is silent," said Bryan Caskey, director of elections with the Kansas Secretary of State's office.

Mr. Bergeson said he has raised about \$2,200 from 60 people since mid-2016—enough to cover the \$2,037 fee to get his name on the ballot.

"Many people throughout the years have suggested that Jack run for public office later in life, but [I] thought, 'What is the point in waiting to try to help your homeland,'" Mr. Bergeson said on his campaign website.

Mr. Bergeson said his campaign has a "very progressive" platform inspired by Vermont Sen. Bernie Sanders's insurgent presidential candidacy, with planks including a minimum-wage increase and a tax increase for the wealthy.

The youngest governor in U.S. history was Stevens T. Mason, the "Boy Governor" who

was elected to lead the Michigan territory in 1835 at age 24.

"I don't see a lot of danger in Kansas that we would elect a 16-year-old for governor," said Neal Allen, a political-science professor at Wichita State University. "Although Minnesota elected a professional wrestler as their governor, so strange things happen."

So far, Mr. Bergeson said, it has been relatively easy to square the social challenges of being a teenager with the demands of running a statewide campaign, including a Wednesday interview with late-night TV's Jimmy Kimmel.

But things will get more difficult when classes resume and practice picks back up for the school football team, where Mr. Bergeson is on the defensive line.

"When school starts, I might be spending my evenings on this, but I can go out with my friends on the weekends," he said. "I'm up for it."

U.S. NEWS



Senate Majority Leader Mitch McConnell, shown last week, was criticized for a second consecutive day by President Donald Trump.

Trump Pressures McConnell

By BYRON TAU
AND LOUISE RADNOFSKY

President Donald Trump urged Senate Majority Leader Mitch McConnell on Thursday to "get back to work" on health care, a tax overhaul and infrastructure legislation. He also demurred when asked if Mr. McConnell should stay on as GOP leader.

The comments by Mr. Trump marked the second consecutive day of public antagonism from the president directed at the Republican leader in the Senate over a stalled agenda. No major legislation has passed after more than six months of unified GOP control of the government in Washington.

In brief remarks to reporters, Mr. Trump said the failure of Congress to advance a health-care bill is a "disgrace" and refused to answer a question about whether Mr. McConnell should step down as leader in the Senate.

"If he doesn't get repeal and replace done; if he doesn't get taxes done, meaning cuts and reform; and if he doesn't get a very easy one to get done—infrastructure; if he doesn't get that done, then you should ask me that question," Mr. Trump said about Mr. McConnell.

The strained relations between Mr. Trump and his own

Economists Fear Fiscal Disarray

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

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 Treasury will, at least temporarily, skip pay-

ments on government payroll or Social Security checks.

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.

—Josh Zumbrun

party's Senate caucus have no equal in recent political history, several political observers said. In addition to criticizing his colleagues, the president's political allies have put money behind ad campaigns targeting vulnerable GOP senators up for re-election next year.

"There's always going to be infighting between Capitol Hill and the White House or between the House and the Senate," said Doug Heye, a veteran Republican strategist. "What's different is how these fights are spilling out in public."

The tension comes at a time when the White House is looking to push major infrastructure and tax bills, and lawmak-

ers will have to deal with a number of fiscal and spending issues in the fall.

Mr. McConnell, who is known for his discipline and taciturn political style, has largely avoided public conflicts with the president, preferring to focus on looking for ways to advance the broader GOP agenda through Congress. He has confined most of his criticism of Mr. Trump to the president's habit of stirring up controversy on Twitter, telling The Wall Street Journal in a February interview that the president's online habits made passing the GOP agenda more difficult.

The current public spat between the two men started af-

ter Mr. McConnell leveled a rare public criticism of Mr. Trump, saying at an event in Kentucky this week that the White House tried to impose "artificial deadlines" 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.

Mr. McConnell and Mr. Trump spoke on the phone Wednesday evening, and "health care was certainly discussed," according to the White House. "You can see the president's tweets, obviously there's some frustration," said White House spokeswoman Sarah Huckabee Sanders about the relationship between the two men.

A spokesman for Mr. McConnell declined to address the president's comments.

One of Mr. Trump's allies,

Sen. Orrin Hatch of Utah,

wrote on Twitter that Mr. McConnell "has been the best leader we've had in my time in the Senate, through very tough challenges. I fully support him."

—Natalie Andrews
and Josh Zumbrun
contributed to this article.

Trump: No Thoughts Given to Firing Mueller

President Donald Trump said he hadn't given "any thought" to the idea of dismissing Robert Mueller, the

By Louise Radnofsky,
Jacob Gershman
and Del Quentin Wilber

special counsel investigating alleged Russian interference in the 2016 presidential election, and he expressed surprise at a recent predawn raid at the home of his former campaign chairman.

Mr. Trump, who has long said he doesn't believe Russia interfered in the election, said Thursday that Mr. Mueller's work was "an investigation of something that never took place."

"I want to thank him because we're trying to cut down our payroll," he said. "We're going to save a lot of money."

The U.S. president's intentions toward Mr. Mueller have been under scrutiny, including

Mr. Mueller is also probing whether associates of Mr. Trump colluded with Moscow, an allegation the president has denied. Russia has denied any government interference in the U.S. election.

In remarks at his golf resort in New Jersey, the GOP president also appeared to joke about Russian President Vladimir Putin's announcement last month that Russia would order the U.S. to cut its diplomatic presence by 755 people in response to U.S. sanctions.

"I'm not dismissing anybody," said Mr. Trump, referring to Mr. Mueller. "I want them to get on with the task. But I also want the Senate and the House to come out with their findings."

Federal agents supervised by Mr. Mueller raided the home of Paul Manafort, a former Trump campaign chairman, just before dawn on July 26, executing a search warrant signed by a federal judge.

They seized documents and other material tied to foreign bank accounts and tax mat-

ters, according to people familiar with the matter.

"I've always found Paul Manafort to be a very decent man," Mr. Trump said Thursday, adding he was "very, very surprised to see it."

Also Thursday, Mr. Trump's outside attorney denounced the raid on Mr. Manafort's home as "extraordinary invasive" and a "gross abuse" of the judicial process.

In an email to The Wall Street Journal Thursday, John Dowd excoriated Mr. Mueller's aggressive pursuit of evidence, calling the raid a gratuitous attempt to bully Mr. Manafort.

"These methods are normally found and employed in Russia not America," Mr. Dowd wrote.

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McCain Criticizes Trump on Afghanistan

By NATALIE ANDREWS
AND BEN KESLING

Frustrated by the Trump administration's pace in developing an Afghanistan strategy, Sen. John McCain (R., Ariz.) on Thursday released his own plan with the goal of winning congressional approval.

The plan written by Mr. McCain, who leads the Senate Armed Services Committee, would provide U.S. military commanders with broad authority to pursue militant forces and calls for increasing the number of U.S. forces in the country.

"America is adrift in Afghanistan," he said. "Nearly seven months into President Trump's administration, we've had no strategy at all as conditions on the ground have steadily worsened."

When he took office, Presi-

dent Donald Trump ordered the Department of Defense to examine the strategy for fighting Islamic State in Iraq and has promised a new strategy for dealing with a more than decade-long war in Afghanistan.

In June, the president gave the Pentagon authority to send thousands of additional troops to Afghanistan at its discretion, though a major increase hasn't happened.

Mr. Trump, asked about an announcement on troop levels on Thursday at his New Jersey golf resort, said, "We're getting very close. It's a very big decision for me. I took over a mess and we're going to make it a lot less messy."

Mr. McCain's plan calls for the U.S. to advise Afghan forces at the battalion level and for a "long-term, open-ended counterterrorism partnership" with Afghanistan.

ISIS

Continued from Page One
nancial channels where regulators have been paying less attention.

Those include social-media fundraising, student-loan withdrawals and online lending fraud, according to the Financial Action Task Force, an intergovernmental body that makes counterterrorism recommendations.

That is making it more challenging for law enforcement to spot and stop terror attacks and terrorism recruits. A former Treasury official equated policing terror funding in the burgeoning financial marketplace to "looking for a needle in a massive haystack."

A spokesman for eBay Inc. said the company "has zero tolerance for criminal activities taking place on our marketplace" and said that they are working with law enforcement on the case.

A spokeswoman for PayPal

Holdings Inc. said that it "invests significant time and resources in working to prevent terrorist activity on our platform... We proactively report suspicious activities and respond quickly to lawful requests to support law enforcement agencies in their investigations."

The affidavit indicates that several other alleged operatives of the network had been arrested in Britain and Bangladesh, making it one of the most significant suspected Islamic State financial networks yet uncovered.

The operation pulled in investigators across the U.S. intelligence empire and involved coordination with several other countries, according to a person familiar with the matter.

Some of the key players in the alleged network, also used to buy military supplies, were arrested or killed in a coordinated global sweep in December 2015, according to the FBI affidavit. Mr. Sujan was killed in a drone strike on Dec. 10, 2015, according to a person fa-

Sessions Pushes Tough Judge for Sentencing Panel

By BETH REINHARD

WASHINGTON—Attorney General Jeff Sessions is urging the White House to nominate a federal judge and tough-on-crime ex-prosecutor once nicknamed "Hang 'Um High" Henry Hudson to an independent, bipartisan panel that issues sentencing guidelines.

Mr. Sessions' recommendation for one of three openings on the U.S. Sentencing Commission, confirmed by people familiar with the process, reflects the Justice Department's broader crackdown on violent crime, including the reversal of several Obama-era policies.

The department is urging the commission to toughen sentences for certain violent criminals, drug offenders, illegal immigrant smugglers and so-called career offenders.

In its annual report to the commission, the department asked it to preserve the long, mandatory-minimum sentences that supporters say help fight crime but critics say inflate prison costs and disproportionately hurt minority communities without improving public safety.

President Donald Trump, who campaigned on a promise to "restore law and order," has the authority but is under no requirement to fill two Republican vacancies and one Democratic spot on the seven-seat commission.

Judge Hudson, who has acknowledged his colorful nickname, was a candidate for Federal Bureau of Investigation director earlier this year. He is best known for sending pro-football quarterback Michael Vick to prison in 2007 for running a dogfighting ring and finding unconstitutional a key provision of the Affordable Care Act in 2010.

"I'm excited about the opportunity to serve on the commission," Judge Hudson, who serves in the U.S. District Court in Richmond, Va., said in an interview Thursday. "I'd like to make sure the guidelines are fair and consider every possible factor in a case."

Mr. Hudson would be the first new commission member tapped by Mr. Trump, who has reappointed two members previously nominated by former President Barack Obama. A

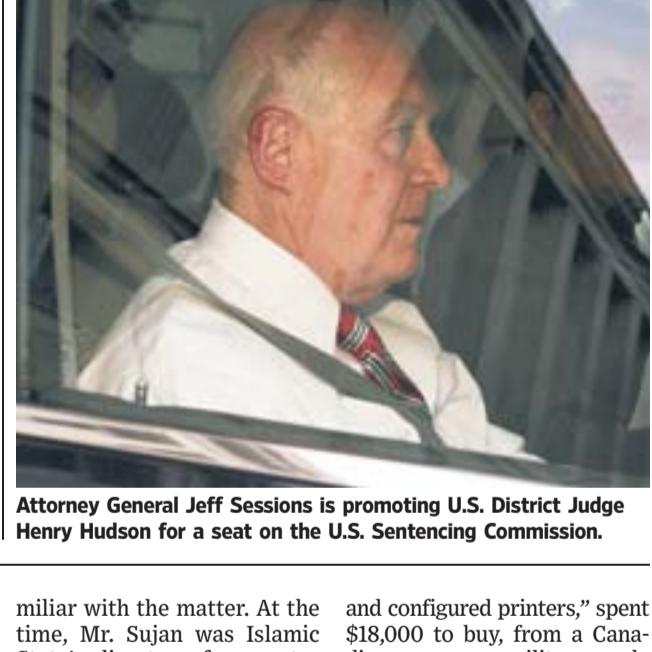
White House official declined to discuss Mr. Hudson's prospects, but said the administration is committed to filling all federal vacancies.

The Sentencing Commission, which sets penalty guidelines for federal crimes, was created in 1984 to address complaints that judges were imposing widely disparate sentences on defendants guilty of the same offenses.

In its most consequential decision in recent years, the commission in 2014 rolled back penalties for most federal drug offenses, allowing more than 30,000 inmates to seek reduced sentences and helping to trim the federal prison population for the first time in decades.

That trend is expected to reverse under Mr. Sessions, a former U.S. attorney and senator

The commission, created in 1984, sets penalty guidelines for federal crimes.



Attorney General Jeff Sessions is promoting U.S. District Judge Henry Hudson for a seat on the U.S. Sentencing Commission.

JOSE LUIS MAGANA/ASSOCIATED PRESS

and configured printers," spent \$18,000 to buy, from a Canadian company, military-grade surveillance equipment that could be used for aerial targeting, according to the affidavit. It also ordered electronic bug-sweeping equipment from a U.S. company to be sent to Turkey, the affidavit said.

Mr. Elshinawy received a total of \$8,700 from individuals associated with Islamic State, according to the affidavit, including five payments through PayPal from Mr. Sujan's company.

He used the money for a laptop, a cellphone and a VPN communications network, all of which the FBI claims he used to communicate with the Islamic State network, according to the affidavit.

Mr. Elshinawy told the FBI he knew the money was meant to conduct a terrorist attack in the U.S., according to the affidavit. But he said he never planned to carry out any attack. Instead, the affidavit indicated, he said he was taking the money from "thieves."

WORLD NEWS

Kenya Monitors Find No Election Fraud

Opposition leader Raila Odinga, trailing in unofficial results, says ballot was rigged

By MATINA STEVIS
AND JOE PARKINSON

NAIROBI, Kenya—International election monitors on Thursday called Kenya's presidential election free and fair despite new allegations by the nation's opposition party that it was rigged.

The claims by opposition leader Raila Odinga came as provisional results appeared to confirm a comfortable victory for the incumbent, President Uhuru Kenyatta. Kenya's electoral commission is set to announce final results Friday.

The fresh allegations raised fears of a protracted—and potentially violent—face-off in a country vaunted as one of Africa's top economies and most dynamic democracies. A Kenyatta victory would give the incumbent leader a second term and a mandate to spend heavily on development projects for Kenya's 48 million people.

Musalia Mudavadi, a senior member of Mr. Odinga's NASA coalition, claimed widespread rigging of the vote, not specifying further. He said an un-

identified electoral commission official had revealed results indicating that Mr. Odinga was ahead of Mr. Kenyatta by more than 200,000 votes out of a total estimated 15 million. He didn't offer evidence to substantiate his claim.

"We demand that the [commission] chairperson announce the presidential election results forthwith and declare Raila Amolo Odinga...as the duly elected president," Mr. Mudavadi told reporters as Mr. Odinga stood silent and stony-faced next to him.

The fraud claim marked a shift from Wednesday when Mr. Odinga said the commission's computer voting system had been hacked to falsify provisional results. An official from Kenya's electoral commission on Thursday reiterated that its servers hadn't been compromised.

A Kenyan official said the government didn't intend to comment until formal results were declared. Mr. Kenyatta hasn't spoken since casting his vote on Tuesday.

Some analysts said the shift in the opposition's claims undermined their credibility but warned they risk raising tensions. In Kenya's 2007 elections, allegations of fraud escalated into tribal-related violence that left 1,100 people dead and



Opposition leader Odinga appeared at a Thursday news event in Nairobi where officials claimed fraud.

"The question is, if results are so different as it is being claimed, why are those discrepancies not being raised at the constituency level?" Ms. Lynch said.

International observer missions, including one led by former Secretary of State John Kerry, called the poll largely free and fair on Thursday and urged Mr. Odinga to follow due process to address his grievances.

"We listened very carefully to his concerns...and they deserve to be taken seriously," Mr. Kerry told a press conference. "I know what it's like to lose an election, I lost by one state the presidency of the United States...but you have to get over it and move on."

Tribal divisions continue to frame Kenyan politics, giving Mr. Kenyatta's Kikuyu tribe and its allies an electoral advantage. Mr. Odinga says his Luo tribe, and others aligned with it, have been neglected.

Mr. Kenyatta's message of stability and leadership for all Kenyans appears to have appealed to more than half of voters.

Tuesday's election was the fourth and likely final run at the presidency for the 72-year-old Mr. Odinga. Mr. Kenyatta, 55, defeated Mr. Odinga in 2013 in a disputed poll.

Men Who Were Held by al Qaeda Tell of Ordeal

By ASSOCIATED PRESS

Two men released from al Qaeda captivity after six years in northern Mali made their first public appearances Thursday, recounting their ordeals and saying they were not clear whether any ransom was paid for their freedom.

"I think it's wrong to pay ransoms," 42-year-old Johan Gustafsson, who was freed in June, told reporters in Sweden. "I hope they let me out because they were tired of

me." Sweden has insisted it never paid any ransom and that his release was obtained through negotiations.

Mr. Gustafsson and 42-year-old Stephen McGown were the longest-held of a number of foreigners seized by Islamic extremists in Mali, where several armed groups roam the West African country's north. The extremists have made a fortune over the last decade abducting foreigners in the vast Sahel region and demanding enormous ransoms for their release.

Mr. McGown told reporters in South Africa he didn't know whether any ransom was paid for his release in late July. South Africa's government has said it paid no ransom. He said he was well-treated during his long years in the desert, but "you always knew you were a prisoner."

The founder of the South African aid organization Gift of the Givers Foundation, which helped mediate Mr. McGown's release, said he didn't know whether any ransom was paid

or any prisoners exchanged for the men's release. But Imtiaz Sooliman said the extremists' initial demands started at €10 million (\$11.8 million) per captive.

When asked how they coped during their long years in the desert with their captors, Mr. Gustafsson said he converted to Islam "to save my life." He said fleeing the extremists had been "out of the question." He had been on a motorcycle tour of Africa when he was seized.



Stephen McGown and his wife, Catherine, in Johannesburg Thursday.

WSJ TALK / EXPERIENCE / OFFER / GETAWAY



Eat Better and Waste Less

In partnership with the NYC Wine & Food Festival, join the Journal's Food and Drinks Editor Beth Kracklauer and a team of chefs and innovators for an exclusive conversation on disrupting the flow of food from table to landfill. Learn everyday strategies for reducing food waste at home, explore how technology is redirecting waste and more.

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WORLD NEWS

Beijing Is Pressed as Korea Tensions Rise

China dislikes Pyongyang but doesn't want to see its government fall

BY CHUN HAN WONG

BEIJING—China sees a war of words between the U.S. and North Korea as frustrating its efforts to reduce tensions on the Korean Peninsula, leaving it with few palatable options.

The threats of military action traded by President Donald Trump and North Korean state media this week drew appeals for restraint from China's Foreign Ministry. Government news outlets warned such rhetoric would "make things worse" and urged Washington and Pyongyang to "return to reason."

Behind the scenes, government officials conferred with international relations and security specialists, weighing options to prevent an outbreak of conflict either intentionally or accidentally, according to foreign-policy experts.

"China's goal is now to find ways to prevent U.S.-North Korean tensions from escalating into open conflict," said Cheng Xiaohe, an associate professor at Renmin University in Beijing.

The latest flare-up is deepening the predicament for Beijing, which dislikes Pyongyang for destabilizing the region but doesn't want to see the government of its ally and neighbor toppled. At the same time, some Chinese foreign-affairs experts said, China's leadership is also becoming more wary about Mr. Trump, 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



A U.S. Air Force B-1B Lancer on a mission from Andersen Air Force Base, Guam, flies near Kyushu, Japan.

U.S. Has Layers Of Missile Defense

How exactly might the U.S. stop a missile headed from North Korea to Guam, or another area in the Pacific?

Policy experts at the Center for Strategic and International Studies say it probably would

go something like this: First, the Space-Based Infrared System would likely detect any initial blast from a missile launch from within North Korea.

Second, three radar systems in South Korea and Japan then could angle up toward the sky to see what types of missiles have launched and get a better read on their trajectory.

Third, the U.S. could then

use that information when using missile-interceptor systems to attempt to shoot down a missile.

The U.S. has several different layers to its missile-defense system, including the more well-known Thaad, or Terminal High-Altitude Area Defense, and Patriot land-based missiles.

—Joshua Jamerson

reported, in the latest American challenge to Chinese territorial claims. The U.S. Pacific Command didn't confirm the operation. China's Foreign Ministry objected to the U.S. maneuver in a statement issued by the official Xinhua News Agency. The ministry didn't respond to requests for comment on policy discussions about the Korean tensions.

Over the 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

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 reportion 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 among Chinese officials and experts is that more pressure should be exerted on the U.S. to persuade it to talk directly with North Korea.

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

head small enough to fit atop such a missile. But the country has yet to demonstrate that the warhead can withstand travel on the missile through the earth's atmosphere.

Mr. Trump on Thursday said Americans should be calm despite the tensions. "The people of our country are safe. Our allies are safe," he said. "And I will tell you this: North Korea better get their act together, or they're going to be in trouble like few nations ever have been in trouble in this world, OK?"

U.S. policy makers are divided over whether it's worth risking the outbreak of war on the Korean Peninsula to prevent Pyongyang from obtaining nuclear weapons that can strike U.S. cities. The alternative is to live with a North Korean regime harboring such weapons and shift to a Cold War-style standoff. The U.S. would then focus diplomatic efforts on pressuring the regime to disarm, while vowing to destroy North Korea if it ever used a nuclear weapon or transferred them abroad.

The Obama administration studied the specter of military action to stymie North Korea's progress but found war on the Korean Peninsula could lead to hundreds of thousands, if not millions, of casualties in South Korea, Japan and elsewhere, former national security adviser Susan Rice said Thursday in an op-ed in the New York Times.

For months, Mr. Trump and his top advisers have said that the administration refuses to abide a North Korea in possession of nuclear weapons that can hit the U.S.



A rally Wednesday in Pyongyang in support of the North Korean government, as tensions escalated with the U.S.

to Asia this week. Mr. Trump's threats have drowned out the more conciliatory rhetoric of Mr. Tillerson, who has said Washington doesn't seek regime change and wants to pressure North Korea into disarmament talks.

Secretary of Defense Jim Mattis sought to draw attention to those efforts on Thursday, emphasizing that the U.S. wants a diplomatic solution to the North Korean crisis. Mr. Mattis, speaking in California

after Mr. Trump, said the diplomatic efforts were showing results and warned that war would be catastrophic.

In his Thursday remarks, Mr. Trump said negotiations between Pyongyang and previous U.S. administrations on nuclear disarmament had proved fruitless. While he cheered sanctions passed by the U.N., he questioned whether they would work.

If diplomatic efforts to pressure North Korea into dis-

armament talks fail, the White House will face a policy question dreaded by previous administrations: Is it better to accept a North Korea capable of hitting the U.S. with nuclear arms or risk military actions on the Korean Peninsula and the outbreak of war?

Mr. Trump declined to say whether his administration was considering a pre-emptive strike on North Korea to roll back the country's nuclear program, after his national se-

curity adviser, H.R. McMaster, voiced the possibility of "preventive war" last weekend.

North Korea has conducted five nuclear-weapons tests since 2006, but the country long lacked a demonstrated ability to carry those weapons to U.S. cities. That changed in July when North Korea conducted two intercontinental ballistic missile tests, putting North America within range.

U.S. officials believe North Korea possesses a nuclear war-

panded from the government to everyone."

Relaxed popular attitudes toward privacy are one reason 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.

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.

IN CHINA, LIVE SURVEILLANCE FEEDS ARE THE NEW ENTERTAINMENT

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, surveil-

lance 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 Bing 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 is the first full-length fiction film to be made entirely with surveillance footage.

To make the movie, which premiered Thursday at Switzerland's Locarno Film Festival, Mr. Xu and his assistants sifted through roughly 7,000 hours of footage, most of it downloaded



The movie 'Dragonfly Eyes' was made with surveillance footage.

from Chinese websites.

The largest of the sites, Shuidi, or Water Drop, is run by internet security company Qihoo360 Technology Co. An-

other, 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 around the country.

Creating "Dragonfly Eyes" convinced Mr. Xu of the pre-sence 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 ex-

IN DEPTH

VISAS

Continued from Page One
and have found temporary solutions, but the lack of visas disrupted the crucial summer season. It forced some local managers to hunt further afield for employees, and crimped profits.

Some employers recruited foreign workers through other means. And others say the crunch has pushed them to try harder to hire Americans—something opponents of the H-2B visa program favor.

"I have more Americans working than I've ever had," says Josh Aronie, executive chef at the Home Port Restaurant in the Vineyard fishing village of Menemsha. He also reports his restaurant has been short of staff and many of the workers he does have don't know the basics of cooking or even how to read the orders.

It is too early to know whether, if such visas remain in short supply, the troubles seen this summer in Martha's Vineyard would ease as businesses adjust, or would persist or worsen, threatening their long-term health. On the national level, it is difficult to isolate the impact of the H-2B program on overall labor markets because it is used unevenly.

H-2B visas were established in 1952 to attract guest workers for nonagricultural, seasonal jobs for which Americans are unavailable. They have proven appealing to businesses in beach resorts and ski areas, as well as to fisheries, landscapers and other employers that have big labor demands for parts of the year.

In 1990, Congress capped the program at 66,000 visas each year, evenly divided between summer and winter seasons. Demand was so intense in the mid-2000s that Congress exempted from the cap foreigners returning to the same jobs. With that change, the total number of those visas issued soared, reaching nearly 130,000 in 2007.

During the recession, demand for the visas fell, and then rose again when unemployment dropped. Congress reinstated the exemption for returning workers for fiscal year 2016, and nearly 85,000 visas, including those for returnees, were issued.

Visa cap

This year, lawmakers opposed to increased immigration blocked a similar provision for returning workers, leaving the program capped once again at 66,000. The 33,000 visas allotted for the summer season were gone by March, the earliest ever.

In a compromise signed into law in May, lawmakers gave the Department of Homeland Security authority to issue additional visas if it determined they were needed.

Then-DHS Secretary John Kelly said at the time he was lobbied by lawmakers on both sides and suggested he was torn about what to do. Aides said he also was annoyed Congress had left the matter to him. In July, he approved another 15,000 visas for businesses able to prove they will



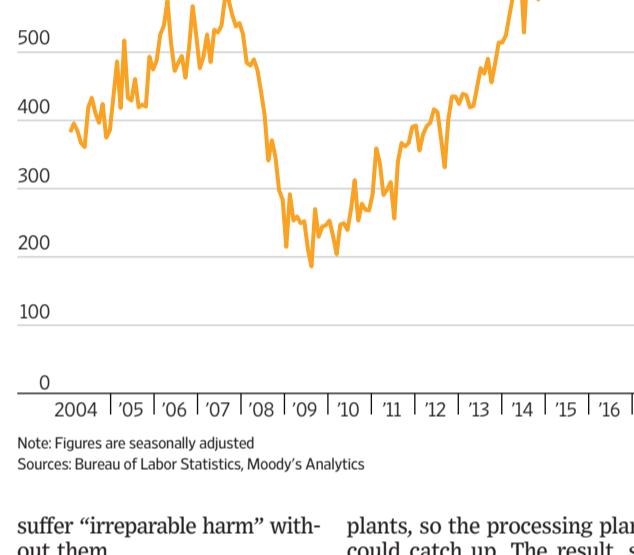
M. SCOTT BRAUER FOR THE WALL STREET JOURNAL

The Home Port Restaurant in Menemsha, on Martha's Vineyard, applied for 18 H-2B visas for foreign workers and received none.

Help Wanted

Job openings have soared in the leisure and hospitality sector, pushing up hourly wages.

Job openings in leisure and hospitality



Note: Figures are seasonally adjusted
Sources: Bureau of Labor Statistics, Moody's Analytics

Average hourly earnings for nonmanagerial leisure and hospitality workers, change from a year earlier



THE WALL STREET JOURNAL.

suffer "irreparable harm" without them.

The first visas from this new pool should be available this month. Some businesses applied for them; others say the decision came too late.

In Alaska, Silver Bay Seafoods, a big user of the program, received 31 H-2B visas this year for workers to help process salmon, down from more than 900 in 2016. The company responded by spending more than \$1 million to recruit workers in 32 states, plus U.S. territories such as Puerto Rico and the U.S. Virgin Islands.

"It's very difficult to find people to do this work," says Joe Misenti, general counsel for Silver Bay. The company succeeded in hiring about 1,600 workers, replacing all of the foreign workers with Americans, counting those from the U.S. territories.

The downside, Mr. Misenti says, was lower retention rates among new workers who lacked industry experience. Because the operation is running less efficiently, he says, the company suspended fishing on some days, forgoing four million pounds of salmon at one of five

plants, so the processing plant could catch up. The result, so far, is a loss of several million dollars to local fishermen who sell to the company and even more to the company, he says.

Landscapers, the heaviest users of the H-2B program, appear least affected. Because many need workers earlier in the season, they can apply earlier for the first-come, first-served program. Many, though not all, landscaping companies received all the visas they requested, industry officials say.

On Martha's Vineyard, the population swells to 115,000 during the tourist season, from 15,500 the rest of the year. Employers and other residents say filling temporary jobs with local workers is hard because people who live there year-round want year-round employment.

The unemployment rate on the island in June was 3.8%, compared with 4.4% both in Massachusetts and nationally. The jobless rate on the island is consistently lower than in the state during the summer, but this summer the differential is greater than it has been for five years, according to Bureau of Labor Statistics data, suggest-

ing labor is even harder to find than usual for local businesses.

Nationwide data on the leisure and hospitality sector also shows a tightening labor market. In June, average hourly earnings in the sector increased 4% from a year earlier, according to government data analyzed by Moody's Analytics, exceeding wage growth across the overall economy. In May, there were 755,000 job openings in

Some employers say the crunch has made them try harder to hire Americans.

the accommodation and food-service industries, way up from the start of the year, according to Moody's. In April, 5.3% of jobs in the sector were open, the highest rate since 2001.

On Martha's Vineyard, the Harborside Inn in Edgartown had 14 H-2B workers last year, all from Jamaica. This year, it got none. "This is the repercussion of the cap," says employee

Allan Baxter, gesturing at a mound of white sheets in the laundry room awaiting one of two industrial washers.

Mr. Baxter was able to return this year as an H-2B worker because he didn't leave the U.S. after last summer's season. He spent the winter working at a ski resort in Vermont, a summer-winter job shift that foreign workers can take advantage of for up to three years. Many of the H-2B workers on the island this summer did the same.

Some employers fill gaps on their payrolls by giving second jobs to H-2B visa holders who are sponsored by others, an arrangement that violates the program's rules. The result is that employers limit their overtime spending, while workers put in as many as 80 hours a week at standard pay rates because they are paid by more than one employer.

Daniel Ferguson, 50 years old, works at both Murdick's Fudge, his sponsor, and a deli and grocery store in nearby Oak Bluffs. Another employee, Doris Brownmiller, 49, works at a hotel during the day and recruits housekeepers there to

roughly \$11 billion in gold reserves and coin, valued at the statutory rate of \$42.22 per fine troy ounce, according to the U.S. Mint. The U.S. government keeps the rest in Denver, Fort Knox, Ky., and West Point, N.Y.

Elaborate theories build on

what the Fed doesn't say

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122 compartments.

It doesn't report when bars

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Visitors on vault tours see

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"All you see is the front

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"There's no way of knowing

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Mr. Turk, based in London,

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out to other parties, and then

rehypothecated, or lent to

multiple parties at once. In

doing so, he says, "central

banks actually own less gold

than people believe."

Some gold bugs—investors

bullish on the yellow metal—

think the Fed secretly lends it

work at Murdick's with her in the evenings.

Mike McCourt, the manager at Murdick's, says he knows this is against the rules but "it's just kind of the nature of the game here on the island. I can't really defend myself other than it really does fill a need."

He says he prefers H-2B workers to college students, who go back to school before the summer season is out, and to high-school students, who he says don't work as hard. American teenagers, he says, "know you need them more than they need you."

Government data on this summer's wages on Martha's Vineyard won't be available for months. H-2B worker wages are generally tied to average local wages, and some have risen modestly over time. Murdick's Fudge, for instance, paid H-2B workers \$10.61 an hour in 2015, \$11.45 in 2016, and \$11.85 in 2017, according to petitions filed with the Labor Department.

Wage factor

Economists say American workers would turn up for seasonal jobs in remote places if employers raised their wages high enough. Some business people in Martha's Vineyard don't think that is feasible.

Mark Snider, who owns the Winnetu Oceanside Resort outside Edgartown, where a two-bedroom suite runs \$1,800 per night, calls the idea of raising wages "naïve." He says most Americans want year-round, full-time work and wouldn't take the summer jobs he has to offer.

In any case, he says, he can't afford to raise wages too much. "There's a limit to what you can afford to spend, and everybody has to make that choice in terms of running a business," he says.

At the Home Port Restaurant, Mr. Aronie recalls meeting with his small staff in a panic this June just a few days before the scheduled opening. He had applied for 18 H-2B visa workers and received none.

The staffing crunch meant the restaurant initially was open just five nights a week, and didn't open for lunch until late July. Mr. Aronie has paid a premium to hire three people via a Boston-based temp agency.

Joel Shevack, property manager of the company that owns Home Port and two inns, says he hired three local housekeepers this summer but then fired them because they weren't thorough enough. He replaced them with foreign college students who are in the U.S. on J-1 cultural-exchange visas.

Nancy's, a snack shop and restaurant in Oak Bluffs, didn't get the visas it requested. It cut its raw bar and replaced ceramic ramekins with disposable cups for tartar sauce to ease pressure on the dishwashing station.

Nancy's is relying heavily on foreign students in the U.S. on cultural-exchange visas to fill the void left by lack of H-2B workers. But that program is "not ideal," says owner Doug Abdelnour, Jr., because the workers are free to change employers.

"If someone says, 'I'll give you 25 cents more an hour,' they're gone," he says.



FEDERAL RESERVE BANK OF NEW YORK

The vault entrance at the New York Fed, which says it stores about 6,200 tons of gold. Skeptics wonder if it's all there.

heavily redacted tour-guide manual provided by the Fed: Tour guides are informed that "visitors are excitable" and should be asked to "please keep their voices down."

Three Fed staffers must be present when gold is moved or a compartment opened, even to change a lightbulb, and no attempts have been made to break in, documents state.

New York Fed President William Dudley told a March gathering in Queens, N.Y., that the fictional raid by drilling through from a subway tunnel in the 1995 movie "Die Hard With a Vengeance" was far

fetched. The Fed gives some information about the vault on a website and offers tours. A guide on one tour gave some details: Inside is enough oxygen for a person to survive 72 hours, should someone get trapped; custodians wear magnesium shoe covers to help prevent injuries, should they drop 27-pound bars; the Fed charges \$1.75 a bar to move gold but nothing to store it; most of the gold is owned by foreign governments.

Along with the foreign gold, the Fed's Manhattan vault holds about 5% of America's

roughly \$11 billion in gold reserves and coin, valued at the statutory rate of \$42.22 per fine troy ounce, according to the U.S. Mint. The U.S. government keeps the rest in Denver, Fort Knox, Ky., and West Point, N.Y.

Elaborate theories build on what the Fed doesn't say about goings-on in its vault's 122 compartments. It doesn't report when bars enter or leave and doesn't let in outsiders—other than auditors and account holders—to count the bars or review records.

Visitors on vault tours see only a display sample and can't verify bars up close.

"All you see is the front row of gold bars," said James Turk, co-founder of Goldmoney, a gold custodian.

"There's no way of knowing how deep the chamber is or how many rows there are."

Mr. Turk, based in London, believes much of the gold has been "hypothecated," or lent out to other parties, and then rehypothecated, or lent to multiple parties at once. In doing so, he says, "central banks actually own less gold than people believe."

In a 2012 audit of U.S. gold at the Fed's vault, the U.S. Mint and the Treasury's Office of Inspector General sent 367 samples to an independent lab for testing. All but three samples came back within 0.13% of the purity recorded by the Fed, within standard industry tolerance, according

to the Mint and Treasury.

Since then, annual government audits of the Fed's vault have inspected only the locks and joint seals on the compartments to check they haven't been tampered with, a Mint spokesman said.

That isn't enough, said Peter Boehringer, founder of the German Precious Metals Society. The problem, he said, is the "complete lack of a transparent, full, independent,

GREATER NEW YORK



Abdul Halim, the new imam at Al-Furqan Jame Masjid, led children in prayer this month, a year after two mosques leaders were slain.

Queens Mosque Still Shaken

A year after killings, scarred community yearns for explanation; 'Is this a hate crime?'

BY MELANIE GRAYCE WEST

A year after two leaders of Al-Furqan Jame Masjid were gunned down following prayer services, the Queens mosque is still struggling to recover as members search for answers to the crime.

Imam Maulana Alauddin Akonjee, 55 years old, and his associate, Thara Uddin, 64, were fatally shot on Aug. 13 in broad daylight just blocks from the two-room mosque in the Ozone Park neighborhood.

The killings shook the city's Muslim community and coincided with a rise in anti-Muslim hate crimes. Such incidents in New York rose 560% in 2016, according to a report released by the New York chapter of the Council on American-Islamic Relations. The number of incidents in New York for the first half of 2017 is on track to exceed those during the same period last year.

But the deepest scar at Al-Furqan, said mosque President Badrul Khan, is the mystery of why an imam and his assistant were murdered. "Still, we don't know why," he said. "Is this a hate crime? We believe it's a hate crime."

Oscar Morel, a 36-year-old Brooklyn man, was charged in the killings, which were caught on a private video camera. The police haven't established a motive, according to Stephen Davis, a spokesman for the New York Police Department.

Michael Schwed, an attorney for Mr. Morel, said his client denies his involvement in the murders. A trial is scheduled to begin on Oct. 9.

The families of Messrs. Akonjee and Uddin remain in New York, according to an attorney for the New York chapter of the Council on American-Islamic Relations who is representing the relatives.

Mr. Akonjee, who immigrated to the U.S. about five years before he was killed, was known in this community of families from Bangladesh to be reserved, rarely venturing beyond his neighborhood, and focused on prayer.

Mr. Akonjee saw a future for Al-Furqan, leading an effort for the construction of a new mosque on the site. Inside the mosque there are glossy renderings of a future building, and Mr. Khan and other mosque leaders say the construction effort will move forward.

But to move on, Al-Furqan

The deadly shooting 'was an unforgettable scene that people still have in their mind.'

first had to find an imam. Mr. Khan said several imams declined to take the position because of the risks, specifically citing the mystery behind the shootings. The mosque ultimately offered a larger salary, and an imam recently committed to the position, mosque leaders said.

While Al-Furqan searched for a new imam, attendance for daily prayers dwindled. Immediately after the shooting,

worshippers were too frightened to attend services, Mr. Khan said.

The new imam, Abdul Halim, who is from Michigan, is "a nice person," said Mohammed J. Uddin, who attends services at Al-Furqan. Mr. Halim wasn't available to comment.

Mosque leaders say they asked for a police camera to be installed at the intersection where Al-Furqan sits at Glenmore Avenue and 77th Street. The camera still hasn't been installed, which is a sore point for Al-Furqan's leadership.

The spokesman for the NYPD declined to comment on the request for a camera.

Those cameras might help to allay residual fears, said Misba Abdin, the founder and president of the Bangladeshi American Community Development & Youth Services, a nonprofit serving the area.

"People used to feel very safe, now they are insecure," Mr. Abdin said. The shooting "was an unforgettable scene that people still have in their mind."

—Zolan Kanno-Youngs contributed to this article.



Ex-Councilman Ruben Wills

Sent Away

Former City Council members imprisoned for corruption

◆ Dan Halloran, Republican, Queens. Sentenced to 10 years in prison in 2015.

◆ Larry Seabrook, Democrat, Bronx. Sentenced to five years in prison in 2013.

◆ Hiram Monserrate, Democrat, Queens. Sentenced to two years in prison in 2012.

◆ Miguel Martinez, Democrat, Manhattan. Sentenced to five years in prison in 2009.

Medical Marijuana Products Widened

BY MARIANA ALFARO

The state of New York is about to make it more convenient for patients to use medical marijuana.

The drug will be available in lotions, lozenges, patches and chewable tablets for the first time this fall. Currently, patients have to use an inhaler, a vaporizer or ingest capsules. Smoking marijuana remains prohibited.

In New York, marijuana is legally prescribed for conditions such as chronic pain, cancer and epilepsy.

The new regulations also will allow shortened versions of a course that certifies patients for medical marijuana use and broaden the ability of dispensaries to advertise products.

"These regulations will continue to improve the program in several ways, including making new forms of medical marijuana available and improving the dispensing facility experience," said state Health Commissioner Dr. Howard Zucker in a news release.

Prospective New York medical marijuana patients also will soon be able to enter a dispensary and learn about products. Previously, operators needed written approval from the Department of Health to allow access by someone who wasn't a patient, employee or caregiver.

Carla Lowe, founder of Citizens Against Legal Marijuana,

said regulations like the new ones make marijuana more appealing to consumers.

"It's all illegal under federal law, and that's our concern," Ms. Lowe said.

The regulations will be published in the New York state register Aug. 23 and adopted after a 30-day public comment period. The changes continue the expansion of the state's medical marijuana program, which began in 2014.

Earlier this month, New York approved five new medical marijuana registered organizations, each of which will be allowed to operate four dispensaries across the state.

According to the Health Department, there are 26,561 certified patients and 1,155 registered practitioners participating in the state's medical marijuana program as of Aug. 8. The department said the number of patients has increased by 77% since the addition in March of chronic pain as a condition that can be treated with medical marijuana in New York.

Medical marijuana is allowed in 29 states, Guam, Puerto Rico and Washington, D.C.

"We welcome these regulatory changes and are hopeful they will help enhance patient access," said Ari Hoffnung, chief executive of Vireo Health of New York and president of the Medical Cannabis Industry Association.

SoHo Falls Hard As Retail Slump Cuts Rents, Sales

BY KEIKO MORRIS

sharply after the recession.

"Retail rents throughout Manhattan were pushed to stratospheric levels by many unsophisticated buyers," said Jared Epstein, vice president and principal of Aurora Capital Associates, an owner of several SoHo properties.

For now, prospective buyers are cautious, said Adelaide Polsonielli, a senior managing director at real estate services firm Eastern Consolidated. The drop in transactions means investors have fewer comparisons on the value of a property, creating still more uncertainty about pricing, she said.

SoHo remains an attractive location for foreign and domestic investors, brokers and analysts said. The neighborhood is a popular tourist destination and is among the Midtown South neighborhoods that continue to draw technology, media and advertising companies looking to woo young workers with a hip office setting.

Neighborhood Had Humble Beginnings

SoHo used to be a decaying commercial neighborhood pockmarked with empty buildings.

During the 1960s, young artists started to convert vacant warehouses and lofts into studios and living quarters, according to a New York City landmark designation report.

Throughout the 1970s and 1980s, the neighborhood became one of the country's most important centers for contemporary art, attracting architect Frank Gehry and artist Keith Haring and galleries, such as the eponymous gallery founded by Mary Boone. Some 5,000 artists were living in SoHo by 1978, when the area became a fashionable destination for upscale boutiques, galleries, bars and hotels.

Rents and real-estate values started their sharp climb around that time, as many artists moved out and SoHo became a posh residential and commercial district, the report said.

—Keiko Morris



Police were in position in Brooklyn after the shooting Thursday.

Officer Is Shot in Brooklyn

BY ZOLAN KANNO-YOUNGS AND MIKE VILENSKY

The mother of the shooter called the police at about 4:35 p.m., saying that her son was in her home, unstable and unarmed, Mr. O'Neill said.

Police were let into the home on Ridgewood Avenue and one officer went to the rear of the apartment with medical officials, Mr. O'Neill said. Another officer was told by the mother that her son "may flee from the backdoor" and went to the back of the building, the commissioner said.

As the officer with the medical officials approached the rear bedroom, "the subject fired several shots, striking the officer several times," Mr. O'Neill said. "He was struck once in the right arm and twice in the protective vest."

Mr. O'Neill said the officer, who has been on the force for more than two years, didn't return fire.

GREATER NEW YORK

GREATER NEW YORK WATCH

LONG ISLAND

Mishap Kills Student At Football Practice

A Long Island high-school student died Thursday morning when a log fell on his head during an off-season football practice drill, according to Suffolk County Police.

The boy, 16-year-old Joshua Mileto, was a resident of Farmingville, N.Y., and attended Sachem East High School, where the accident took place. The group of athletes were carrying the log overhead during the workout when it fell. The student was pronounced dead at Stony Brook University Hospital, according to Suffolk police, which had no additional comment.

In a statement published in the Sachem School District website, superintendent Kenneth Graham said "the district is devastated by this horrific accident and words cannot express the grief we feel as a school community."

—Mariana Alfaro

NEW JERSEY

Government Can Continue Dune Plan

A federal judge gave the U.S. government permission Thursday to resume a beach replenishment project in New Jersey that led to ponds of bacteria-laden water after a storm.

Judge Renee Marie Bumb overturned a state judge and granted the request by the U.S. Army Corps of Engineers to continue the project in Margate.

But the judge ordered the Army Corps to fence off any areas with ponding of 2 or more inches of water.

Margate residents had warned about the ponds of standing water in previous, unsuccessful litigation against the government's plan to build the protective sand dunes.

—Associated Press



Ana Villafañe, center and below, has portrayed pop star Gloria Estefan in the musical 'On Your Feet!' since the show opened on Broadway in November 2015.

MATTHEW MURPHY

Broadway's Iron Woman Hits Finish Line

'On Your Feet!' star Ana Villafañe, the only actress to play lead role, finally gets a break as show wraps up

BY CHARLES PASSY

Broadway stars these days generally stay in a show for a year at most before moving on to the next project.

But Ana Villafañe, who plays Gloria Estefan in the musical "On Your Feet!" is an exception.

She has been the only actress in the role since the jukebox musical, which chronicles the rise of the Cuban-born pop star, opened in November 2015.

With the show set to close Aug. 20, Ms. Villafañe's roughly 725-performance run will come to an end.

Even more bittersweet for the 28-year-old performer, "On Your Feet!" is the only home she has ever known on Broadway—or the New York stage. "I can't take it for granted," she said in her dressing room at the Marquis

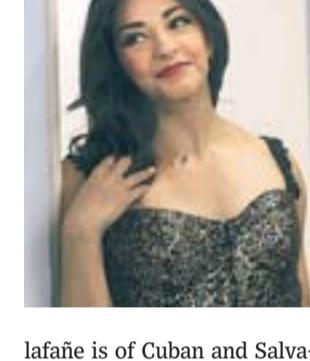
Theatre after a recent performance.

Ms. Villafañe has never taken an extended break during her time with the show, apart from a two-week period in spring 2016 when her voice became strained from the role's daily rigors. Show insiders say her dedication to the part and her uncanny ability to recall a young Ms. Estefan are key reasons the musical has made it this far.

"On Your Feet!" has grossed more than \$80 million during its nearly two-year run, though producers, including Ms. Estefan and her manager/husband, Emilio, wouldn't comment on the show's costs.

An 80-week national tour, without Ms. Villafañe in the cast, is slated to begin in the fall. International productions also are in the works.

The musical is a rarity for Broadway in that it features a largely Hispanic cast. Ms. Vil-



lafañe is of Cuban and Salvadoran heritage.

"She and the show as a whole brought some much-needed diversity to Broadway stages and very likely drew many people to their first-ever Broadway show," said Christopher McKittrick, an editor with DailyActor.com, a website that covers film and theater news.

It is a point echoed by Ms. Villafañe, who said the show's theme of Hispanic

immigrants struggling to make their way into mainstream American society speaks to audiences. Until Ms. Estefan hit the scene in the 1980s, it was difficult for a Latin artist to cross over to the pop charts.

For Ms. Villafañe, the musical has a more personal resonance. Both artists grew up in Miami and have had to overcome physical challenges. Ms. Estefan was nearly paralyzed in 1990 when her tour bus was hit by a tractor-trailer. Ms. Villafañe has suffered from rheumatoid arthritis.

"I felt like I could bring something to the role that no one else could," said Ms. Villafañe, who added that she has become personally close to Ms. Estefan during her time with the show. Ms. Estefan couldn't be reached for comment.

Personal parallels notwithstanding, Ms. Villafañe admits it was no easy feat staying

with a production for so long. She attributes an ability to keep things fresh in large part to changes in the rest of the cast. As new talent came on board—the musical's run has featured three Emilos, for example—she adjusted her performance to suit the different energy and spirit the actors brought to the work.

Ms. Villafañe said she thought about leaving the show at some point but decided it was too exciting and too important of an opportunity to cut short. And while she won't join the tour—"There comes a moment when you need to leave the party"—she sees herself playing Ms. Estefan again someday.

Still, Ms. Villafañe said, it will be hard to pick a follow-up role—either on Broadway or in film and television, where she also hopes to work.

"I can't go from playing Gloria Estefan to playing any random character," she said.

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A 1949 Wagner graduate, Donald Spiro began serving as a College trustee in 1974. As board chairman from 1989 to 2001, Mr. Spiro oversaw the College's renaissance. The leadership, guidance, and support of Donald Spiro and of his wife, fellow Wagner graduate Evelyn Lindfors Spiro, made the College into the thriving institution it is today. Wagner's Spiro Communications Center, Spiro Sports Center, and Evelyn L. Spiro School of Nursing honor their legacy.



"Throughout his life, and particularly at Wagner College, Don Spiro set the highest standards for leadership, achievement, and integrity. He inspired so many of us to live up to his vision for a College based on excellence, substance, and resilience."

— President Richard Guarasci

WAGNER COLLEGE

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LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

The Life And Death of A Secret Agent



ALEXANDER LITVINENKO IN THE HOSPITAL

THE DEATH, in 2006, of British citizen Edwin Carter, age 44—born Alexander Litvinenko, citizen of the Soviet Union—began a criminal investigation that would ultimately point the finger of guilt at parties in Russia, not least among them, President Vladimir Putin. But this documentary is about more—not that this assassination on British soil, by agents of the Russian secret service wouldn't be enough. Spellbinding in its clinical detail, it's both an account of a medical mystery—what could be the cause of the extraordinary symptoms of poisoning afflicting a patient at University College Hospital in London?—as well as a story of police investigators in fascinating pursuit of answers to the question, who did it? Which they find, after determined sleuthing—a saga that should put writers of certain fancy TV mystery series to shame.

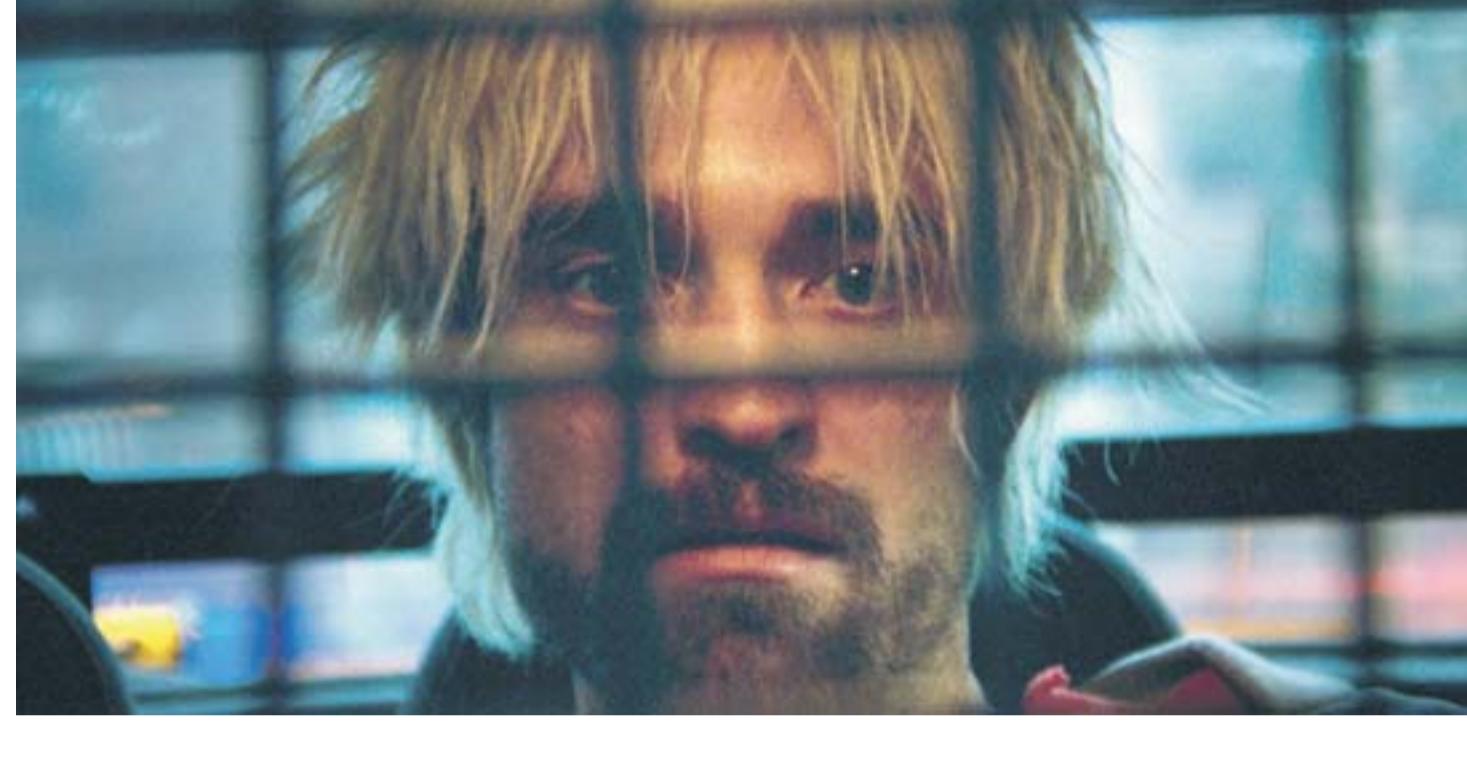
The real life pursuit of those responsible for Litvinenko's death began in earnest after the questions about his physical condition had been solved. Deputy assistant police commissioner Peter Clarke, in charge of the investigation, recalls first reports of this strange case.

A man, in a hospital in North London, was claiming to be a former KGB officer, and believed he had been poisoned with thallium, a heavy metal. About this he would be proved wrong—it was something far deadlier—but he had his reasons for that guess. Thallium was a poison favored by the KGB, the sort of thing the patient was in a good position to know. For, as he informed his police interviewers, he had been a KGB officer himself, a colonel.

The film's hospital scenes show a photo of Litvinenko lying in bed. The words he speaks, recorded by the police, are voiced by actor Andrew Bryon. He answers police questions over three days and nights, and insists on continuing—we need to work, he tells his interviewers—despite excruciating pain. His insides are filled with blisters, he can't eat or drink. He is clearly dying. Even so, he's far more than a victim in a shadowy assassination story—through the history he reveals, he has become known to us, a large presence and a heroic one.

After school, the army, then 11 years with the KGB, he had been sent, in 1997, to a top-secret department that specialized in assassinating important people—“political and high businessmen”—the government wanted dead. In 1998, after refusing an order to carry out an assassination, he decided he would ask for a

Please see KGB page A9



A24 FILMS (2)

FILM REVIEW

Hurtling Toward Heartbreak

An exhilarating thriller about bank robberies, hospital breakouts and the bond between brothers

BY JOHN ANDERSON

THE ACTOR Griffin Dunne was in the crowd at this week's premiere of "Good Time," directed by the siblings Ben and Joshua Safdie ("Daddy Longlegs") and starring Robert Pattinson as one of the more resourceful, shrewd and snakebit figures in crime-movie history. It also played in competition this year at Cannes. So I didn't think a lot about Mr. Dunne's presence. He sees a lot of movies. "Good Time" is a movie that a moviegoer would want to see.

But I wondered if he was thinking later what I was thinking later.

Containing as much forward motion as any film in recent memory, "Good Time" is as heartbreakingly as it is exhilarating, and that's no small thing. But as it follows failed bank robber Connie Nikas (Mr. Pattinson) and his increasingly desperate attempts to spring his mentally challenged brother, Nick (Ben Safdie), from jail, it shares what seems an obvious kinship with "After Hours," the celebrated Martin Scorsese black comedy that starred Mr. Dunne, and even "Eyes Wide Shut," Stanley Kubrick's much maligned but often revelatory final film. All are New York movies that suspend time, which take their audiences into nights that never end, where events tumble into and over each other and add up to bad dreams, wrong moves and dead ends. When dawn comes—if it does—it arrives like a punch in the face. If nothing else, the Safdies are in good company.

They also get a first-rate performance out of Mr. Pattinson, who submerges his Englishness into the Greek-American, Queens-bred Connie without a ripple, while at the same time roiling with conflicts and contradictions, i.e. his protectiveness toward a brother he also drags into death-defying criminality.



BENNY SAFDIE AND ROBERT PATTINSON, ABOVE, STAR IN 'GOOD TIME'; MR. PATTINSON, TOP, PLAYS A FAILED BANK ROBBER.

The heartbreak comes courtesy of Nick, whose medical treatment at the hands of a seemingly benevolent doctor (Peter Verby) bookends the film. The session at the beginning, in which Nick is asked to explain certain common expressions, frustrates and humiliates him to the point that he surrenders a single tear. (Mr. Safdie is superb.) But the session is abruptly ended by Connie, who drags Nick from the office. "Shame on you!" the doctor yells. He has no idea.

Their first stop is a bank; their second is a downtown street after the ink pack in the cash explodes in a cloud of red and their getaway driver hits a parked car. Nick gets nabbed after running through a glass door and knocking himself out. From there it's almost nonstop chaos, close-calls, violence and Connie's calculated efforts to free his brother, efforts that exhibit a creative genius untempered by the ability to anticipate anything more than 30 seconds into the future.

The intensity of "Good Time" can be credited to the performances, to Daniel Lopatin's

often ferocious music and to the directors' decision to frame everything so tightly, while shooting in the equivalent of CinemaScope. A wide-screen film made up mostly of close-ups creates a weird intimacy; there are no grand vistas, unless one counts certain snatches of Queens Boulevard. And it's hard to remember when negative space was such an important factor in the overall effect of a thriller, a thriller with so many subtexts—there are almost no parents, for instance, among the population of "Good Time." Nick and Connie have a grandmother. Likewise, Crystal (newcomer Taliah Webster), the 16-year-old with whom Connie holes up after attempting to break his brother out of the Queens hospital where Nick is taken after being beaten in jail. The one person with a mother is the needy Corey (the great Jennifer Jason Leigh, in a virtual cameo), from whom Connie tries to squeeze \$10,000 for Nick's lawyer—and those two women are crazy. Are the Safdies moonlighting as psycho-sociologists? Let's hope not. They have enough to do. And most of it is working.

THEATER REVIEW

By Terry Teachout

BREATHING NEW LIFE INTO A CLASSIC



DIANE SOBOLOWSKI
CURLY (RHETT GUTER), LAUREY (SAMANTHA BRUCE) AND THE CAST OF GOODSPRING MUSICALS' 'OKLAHOMA!'

East Haddam, Conn.

ONCE UPON A TIME, "Oklahoma!" was the most popular and beloved of Broadway musicals. Now it's widely regarded as a corny back number, your grandmother's favorite show. It was last seen on Broadway 14 long years ago, and Goodspeed Musicals' new revival, directed by Jenn Thompson, is only the third production anywhere that I've had occasion to review in the past decade and a half. Nor is Ms. Thompson's staging a trend deconstruction intended to freshen a stale show, an "Oklahoma!" set on the Jersey Shore in which Laurey is a goth chick with tats. Instead, it's conventionally designed and straightforwardly warm-hearted—but in a way that gives full weight to the emotional complexity of a show that isn't nearly as simple as it looks. The result is the best "Oklahoma!" I've ever seen, further proof that Ms. Thompson is a stage director of real consequence with whom Goodspeed is extremely lucky to be working.

Three-quarters of a century after it opened on Broadway and ran for a then-unprecedented 2,212 performances, it's easy to forget that "Oklahoma!" was one of the most innovative and influential of all Broad-

way musicals, not merely for Agnes de Mille's oft-imitated dream-ballet sequence but also for the way in which Richard Rodgers and Oscar Hammerstein II integrated their songs into the dramatic flow of Hammerstein's book. Even more important, Hammerstein built darkness and conflict into what could have been a lightweight show by portraying Jud Fry (Matt Faucher) as a tortured soul who is obsessed with the sexually innocent Laurey (Samantha Bruce). That wasn't the way musicals worked in 1943—most of them were as fluffy as lemon meringue—but Rodgers and Hammerstein believed that the Broadway musical would never ripen into a serious form of popular art unless it was driven by strong dramatic conflict. They were right, and every great musical since "Oklahoma!" has either used it as a structural model or deliberately departed from its once-revolutionary, now-familiar formal innovations.

That's what makes "Oklahoma!" more than just a faded swatch of theatrical calico, and it's also what makes this new production so distinctive. Ms. Thompson, who has previously directed such anguish-ridden

Please see THEATER page A9

LIFE & ARTS

FILM PREVIEW

Urbane Comedy Hits the Road Again



Rob Brydon and Steve Coogan in Michael Winterbottom's 'The Trip to Spain'

BY JOHN ANDERSON

STEVE COOGAN and Rob Brydon take their fractured bromance out for another spin in Michael Winterbottom's "The Trip to Spain," playing characters who aren't entirely themselves. Ever.

Which is, of course, entirely the point. And, once again, the stuff of delightful, acerbic comedy. Having already run his very literal road-movie concept through "The Trip" (2010) and "The Trip to Italy" (2014), Mr. Winterbottom manages to keep things fresh while the relentlessly funny (and sometimes just relentless) Coogan-Brydon face-off continues undiluted. The pair, all but ignoring the gorgeous Spanish landscapes and people, trades barbs, swap arcane quotations and play can-you-top-this with their dazzling, dueling vocal impersonations—a fuming Al Pacino, a Corleone-y Marlon Brando and, as fans probably expect by now, Michael Caine and Sean Connery. There are some outliers as well—Mr. Coogan's John Hurt certainly takes one by surprise, and he and Mr. Brydon both do spot-on David Bowie, at various ages and timbres. Mick Jagger gets driven around the track a few times as well, most notably as King Lear.

Mr. Hurt and Mr. Bowie are among the few deceased stars to get the treatment but that fits the purposes of Mr. Winterbottom, who puts a bit more existential baggage aboard Mr. Coogan's Range Rover this time out, including the not-quite-new notion that the odometer of life registers only

a finite number of miles. And that there are only so many miles left on Messrs. Brydon and Coogan. There is also the suggestion that The Traveler, in the largest sense, doesn't just visit another place, but another self. Maybe a better self: When "The Trip to Spain" reaches the beginning of the end, there's a momentary but profound sense of melancholy for something about to be lost.

"The Trip to Spain" is a film made by Englishmen, but there's a very American ethos at its heart: Travel needs a purpose. A journey

The series that features luscious food, beautiful places and barbed rapport takes on Iberia

needs to be a task in order to be thoroughly enjoyed. The "excuse" this time is that the two performers have been commissioned by two major publications to do what they did on their previous trips—write about the journey, the accommodations, the cuisine, this time in Spain. They're also helping promote an American TV show called "Medium Rare," in which Mr. Coogan plays a chef—which will seem funny to "Trip" fans given how little attention he and Mr. Brydon ever paid to the food. Supposedly, the show is being produced by Martin Scorsese who, though absent, serves to ignite the Coogan-Brydon snark fest. ("Have

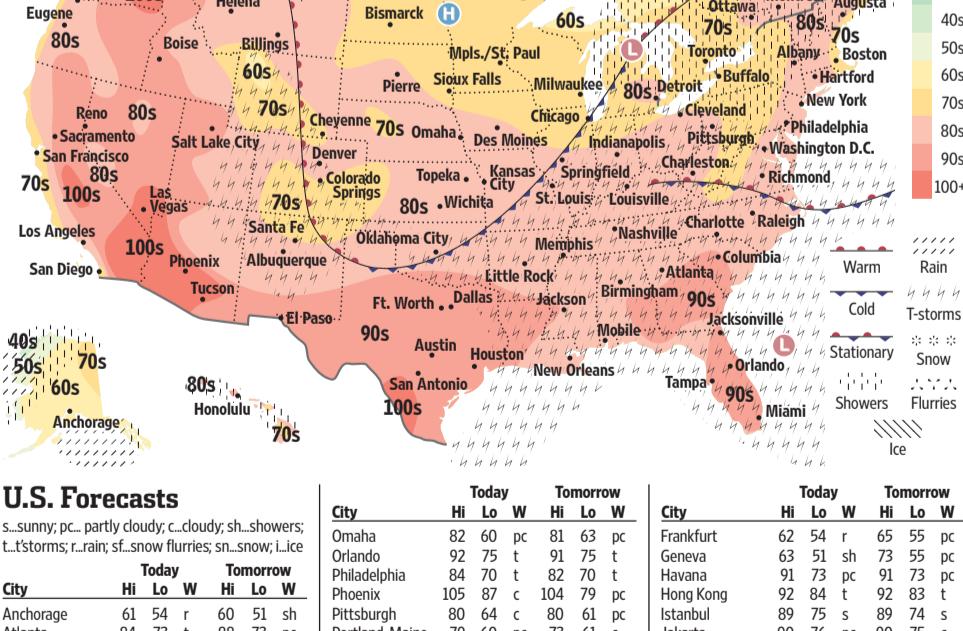
you met him?" Mr. Coogan asks, faux-casually, to which Mr. Bryson responds with a very definite "No I've not.") Mr. Coogan never misses an opportunity to mention his Oscar-nominated screenplay for "Philomena" (2013) and Mr. Brydon never misses an opportunity to puncture his companion's considerable ego. Their mutual mockery is as regular as the thrum of Mr. Coogan's big black car.

As in the previous films, the pilgrims stay in the most picturesque places, and are served the most sumptuous meals, the preparation of which Mr. Winterbottom uses as a visual digestif when his two stars begin to cloy. Most often, though, they are supremely urbane and consistently hilarious.

The two actors, playing men named Steve Coogan and Rob Brydon, are portraying, we hope, characters based only partly on themselves. Mr. Brydon is the too-contented family man ("You can't have everything. That's my mantra..."). Mr. Coogan, ambitious and restless, mansplains everything to everyone, and tends to revel in indignation: He spends much of the trip in high dudgeon after discovering his agent has left his agency without notifying Client No. 1, namely Mr. Coogan. He also tends to go off half-cocked, as he does in "The Trip to Spain," the open-ended conclusion of which seems to preclude any further amazing adventures. But who knows? This vehicle isn't close to running out of gas.

—Mr. Anderson is a Journal TV critic. Joe Morgenstern is on vacation.

Weather



U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	61	54	r	60	51	sh
Atlanta	84	73	t	88	73	pc
Austin	99	75	s	101	75	s
Baltimore	82	68	t	82	68	t
Boise	96	67	pc	96	65	s
Boston	79	65	pc	72	66	sh
Burlington	84	65	c	79	62	sh
Charlotte	85	70	t	88	69	pc
Chicago	78	61	pc	77	59	pc
Cleveland	83	65	t	78	62	pc
Dallas	99	79	c	97	79	t
Denver	81	56	t	85	56	t
Detroit	80	61	pc	79	59	c
Honolulu	88	76	pc	89	75	pc
Houston	93	78	pc	94	77	pc
Indianapolis	81	63	pc	79	60	s
Kansas City	81	61	pc	80	64	sh
Las Vegas	105	85	s	104	83	pc
Little Rock	86	72	t	85	72	t
Los Angeles	87	68	pc	86	67	pc
Miami	91	79	t	91	78	sh
Milwaukee	75	60	pc	75	60	pc
Minneapolis	76	59	t	79	61	pc
Nashville	86	71	t	89	71	c
New Orleans	88	76	t	89	76	c
New York City	82	69	pc	78	70	t
Oklahoma City	86	69	t	86	69	t

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	67	58	sh	68	56	sh
Athens	97	80	t	98	79	s
Baghdad	121	86	s	122	84	s
Bangkok	96	81	t	97	80	pc
Beijing	94	73	pc	86	72	t
Berlin	72	58	r	66	55	pc
Brussels	67	55	sh	68	56	sh
Buenos Aires	65	54	r	61	42	r
Dubai	112	94	s	111	94	s
Dublin	66	52	sh	64	48	pc
Edinburgh	65	49	r	64	46	t

LIFE & ARTS

THEATER

Continued from page A8
plays as William Inge's "Natural Affection," has staged Jud's confrontation scene with Curly (Rhett Guter), Laurey's boyfriend, in a snarlingly intense manner that put me in mind of Iago's pitch-black anti-credo ("I believe in a cruel God") in Verdi's operatic version of Shakespeare's "Othello." Working in tandem with Katie Spelman, who has choreographed the show, she has also given us an updated dream ballet, one which signals to the viewer that Laurey is in the process of undergoing a sexual awakening that will turn her into a mature woman—and that Jud knows it, even if Curly doesn't.

All this is sited inside the picture frame of a traditional-looking "Oklahoma!" set in a small-town world of box socials and shivarees. Wilson Chin's neat, compact ranch-house sets and Tracy Christensen's gingham dresses and weather-whacked cowboy duds are just what you expect to see on Goodspeed's tiny stage, and Mr. Chin has festooned the century-old 398-seat auditorium with enough red, white and blue bunting to fly flags over every elementary school in Connecticut. But instead of contradicting the roiling emotions of Ms. Thompson's staging, the décor actually heightens them: It reminds you that the far-off world of "Oklahoma!" is as real as the one we live in now.

There is so much else to praise about Ms. Thompson's production that I can't be anything other than constrictingly brief in doing so. For openers, Ms. Spelman's choreography uses the shallow space of the stage so creatively that you come away thinking the show is much bigger in scale than it really is. The discreetly multi-racial cast is marvelous, especially Mr. Faucher, who homes in on Jud's otherness and makes you

feel it like an itch, and Gisel Jiménez, whose Ado Annie is a delectable pepper-pot, a girl whose chronic inability to "say no" comes across not as patriarchal sex-shaming by Hammerstein but as the wholly natural consequence of her effervescent joie de vivre. I also want to say a word about the fine musical direction of Michael O'Flaherty. Regional shows can be a bit haphazard when it comes to musical values, but this one has been superlatively well-prepared, and the score is played with pleasing precision by the eight-piece pit band. I do wish that Goodspeed had



hired an accent coach—some of the members of the cast sound like cartoon hicks when speaking their lines—but otherwise, this "Oklahoma!" is as close to ideal as can be imagined. If you still think of Rodgers and Hammerstein as purveyors of six-hanky schlock, you've got another think or two coming.

Oklahoma!

Goodspeed Musicals, Goodspeed Opera House, 6 Main St., East Haddam, Conn. (\$29 and up, depending on availability), 860-873-8668, extended through Sept. 27

Mr. Teachout is the Journal's drama critic. "Billy and Me," his new play, opens at Palm Beach Dramaworks on Dec. 8. Write to him at tteachout@wsj.com

KGB

Continued from page A8
meeting with the newly appointed director of the KGB (now renamed FSB), Vladimir Putin, in hopes of enlightening him about criminality within the agency. The new director was not sympathetic. Months later Litvinenko was arrested and served a year prison for taking part in a press conference whose aim was to spread word about government corruption. After release, he fled, along with his wife and son, to England, where he found a role as an adviser to MI6.

In his account to the police, a methodical recollection of all

the possibilities, he delivered the clues that would lead to the agents who had poisoned him. He had met with this person and that one just arrived from Russia—one of the men had even brought his young son to meet Uncle Sasha (Litvinenko). Nothing in this history is more chilling than the casual nature of the meetings that spelled Litvinenko's doom: the quick meals or tea, with the most innocent seeming visitors from the old country. Unless it's contemplating the lengths to which Putin's Russia would go to liquidate an enemy, about which this case sends an unforgettable message.

Hunting the KGB Killers

Monday, Acorn TV

Puzzle Contest
60 Give an edge to
61 New England skiing destination
62 Hot spot
63 Six yards of silk, often
64 Not available
65 Capone chaser
Down
1 Isn't quite straight
2 Share a side
3 Viral sensation
4 Checks out
5 Capacitor units
6 Hit letters
7 Play on the road
8 Moore's TV boss
9 Attains the maximum safe speed
10 Lectures
11 Implemented
12 Port west-southwest of Algiers
13 Hardy title character
18 Exhausted
22 Business school sub.
24 Upolu is one of its islands
26 "The Evil Dead" director
27 Host with "12 Days of Giveaways"
28 Rehab candidate
29 Has legs
31 Galvanize
32 Three-time French Open champ
35 Police protection
38 Braised entree
39 Tool with a low loft
41 "Le Moribond" songwriter
42 Told too often
44 "Come in!" in Campania
46 Early hominids
48 Maria's "West Side Story" friend
50 Chops
51 Fed. workplace monitor
52 Understand intuitively
54 Swing music
55 Top pair
56 Villainous prince in "Frozen"
59 Slack-jawed state

Previous Puzzle's Solution

ONCRE	SRI	SNARE
OOHED	TIN	PALED
MIAMI	AGT	AMOUR
PSI	TEETHERS	FSU
HERA	OUT	

SPORTS



From left to right, Chelsea manager Antonio Conte, Liverpool manager Jürgen Klopp and Manchester City manager Pep Guardiola could all be on the hot seat if their teams struggle this season.

PREMIER LEAGUE

Soccer's Game of Thrones

As the season kicks off, there is one truth of English soccer: the average Premier League manager lasts less than 18 months

BY JOSHUA ROBINSON

London

THIS TIME last year, the Premier League was bracing for what Arsenal manager Arsène Wenger called a "world championship of managers."

Soccer's philosopher-prince Pep Guardiola had arrived at Manchester City. Chelsea had hired Italian mastermind Antonio Conte. Liverpool and Manchester United were starting their first full campaigns under Jürgen Klopp and Jose Mourinho, respectively. And Tottenham had its Argentine taskmaster in Mauricio Pochettino.

Everyone knew that those five, plus Arsenal, would somehow make up the Premier League's top six. And one year later, the cast is unchanged. But when this managerial reality show kicks off its second season on Friday, it's worth remembering one truth of English soccer: the average Premier League manager lasts less than 18 months.

In other words, this is the year one of those super-managers probably gets fired.

"You could say that last season was a round for observation,"

Wenger said. "Now the fight is really going start."

Wenger himself has been at Arsenal for 21 years, a spell that many of the club's fans hoped would end last season. Instead, after a fifth-place finish and an FA Cup success, he signed on for another two years. But even without the extension, his two decades in one place are four times longer than the tenure of the second coach on the Premier League's longevity list, Bournemouth's Eddie Howe, appointed in 2012.

Meanwhile, another 12 of the 20 coaches beginning this campaign have been in their current jobs less than two years. English soccer isn't a place that values stability.

Even winning a title won't keep you safe. Just ask Chelsea and Roman Abramovich, the most trigger-happy owner in England. Abramovich has twice in the past decade fired managers in the season following a championship.

"There are many reasons which suggest to me that next season will be very tough, the most difficult of my career," said Conte, who conquered English soccer in his first season with Chelsea. "In Eng-

land the pressure is high, this is the strongest league in the world because there are six teams ready to fight for the title."

Never before last season have there been so many legitimate contenders. And only three of the teams that don't win the title will have the consolation prize of a place in the lucrative Champions League. At least one of the league's richest, most powerful teams is sure to be left out, much the way Arsenal was last spring. Which is why even the super-managers, men who would operate with a wide margin for error in most other countries, are all playing for their jobs.

And already, the stress is starting to show. The pressure has sent nearly all the top clubs scrambling for reinforcements in the only way they know how: throwing money at their rosters at record pace.

As of Aug. 1, Premier League clubs had spent a collective \$1.2 billion on new talent, nearly twice as much as the \$623 million they had spent by this stage last summer.

Leading the way is Manchester City and Guardiola. The man who built his career on nurturing other-worldly talent and finding creative

new ways to deploy it decided that what his squad needed most this summer was \$160 million worth of fullbacks. He signed Kyle Walker from Tottenham, Danilo from Real Madrid and Benjamin Mendy from Monaco, plus another two players, to take Manchester City's total summer expenditure to \$275 million.

"We didn't compete, especially in the Premier League, until the end of the season," Guardiola said. "We fought, but we were not able to be close to especially Chelsea."

Mourinho, who already broke the world transfer record to sign Paul Pogba last summer, riposted by blowing \$190 million on three new players, including striker Romelu Lukaku and midfielder Nemanja Matic.

Even Arsenal's famously thrifty Wenger put his penny-pinching on hold. The Gunners broke their own transfer record on the \$62 million, 27-year-old French striker Alexandre Lacazette.

"Man City has been quite spectacular in the transfer market. Man United as well," Wenger said.

"And it's not finished."

Teams have until the end of the month to burnish their rosters.

Chelsea's Conte, despite an outlay of more than \$150 million, has said over and over again that his squad is short, especially as it prepares to compete in the Champions League again for the first time in two years. Both Manchester clubs have declared they are still in the market. And Liverpool may have to move quickly to replace Brazilian playmaker Philippe Coutinho if he completes a long-rumored move to Barcelona.

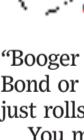
Only Spurs continue to sit still. Tottenham, which accumulated more points over the past two seasons than any other club but didn't win a title, hasn't spent a dime this summer. Certainly, it is already loaded with the most electric English talents of their generation in Harry Kane, Dele Alli and Eric Dier, but a top-six club gambling on stability is a curious sight these days.

Still, even Pochettino is unlikely to resist between now and the deadline. He knows that critics will seize on his fiscal maturity if Spurs' season begins on the wrong foot.

"If you look at the history of Tottenham in the last few years," he said, "we always spend at the end of the window."

MLB | By Booger Gay

FOR BASEBALL, CALL ME BOOGER

 My name is Jason, but for the last weekend in August, I want to be addressed strictly as Booger.

That's right: Booger. "Booger Gay." So elegant. Like James Bond or John Legend, Booger Gay just rolls timelessly off the tongue.

You may have caught the news that from Aug. 25-27, fussy ol' Major League Baseball will allow its players to replace last names with nicknames on the backs of their jerseys. They're calling it "Players Weekend," which I think is supposed to sound fun and loosey-goosey, but sounds more like a low-stakes poker tournament in Reno, Nev. (There's some sort of tie-in with the Little League World Series, which is regrettable—the LLWS is already overrun by creepy adult professionals, it doesn't need any more.)

All across the league, major leaguers will step onto the diamond with nicknames stitched to the back of newly designed, softball-style jerseys that are so unattractive, you wouldn't put one on your dog in a rainstorm. You can already buy one for \$199, which feels overpriced by about...\$199.

(These nickname jerseys really are ugly jerseys. I don't know why baseball always insists on mucking up its uniforms. That's not true, I do know why: money. But the sport is rich with beautiful, classically designed uniforms—the Detroit Tigers, the Cardinals, the cream-colored San Francisco Giants—that could hang in the Louvre. Then

there are modernist gems like the J.R. Richard-era Astros and Dave Winfield Padres probably are in MoMA. But in recent decades, baseball has been awash in hideous "alternate" jerseys that look like the kind of gear you might give a prison bowling league.)

As for the nicknames, some players already have well-established ones. Most do not. Here are a few:

Bryce Harper is going to be BIG KID, which is approximately 8,000 times duller nickname than what it should be, which is: I HAVE THE HAIR OF A MAGICAL PONY. Don't worry about space. If baseball could fit SALTALAMACCHIA on the back of a jersey, it can handle I HAVE THE HAIR OF A MAGICAL PONY.

Albert Pujols is THE MACHINE, which I guess is more foreboding than THE MACHINE IS BATTING .227.

Aaron Judge is ALL RISE, which...OK, it's good. (You can't say anything bad about Aaron Judge in New York right now, or they drive you and your luggage to the border of New Jersey.)

Daniel Murphy is, well, MURPH. Really dug deep for that one, Daniel. Sheesh.

On and on it goes. The team nickname rosters were released this week, and baseball fans have entertained themselves trying to decipher secret meanings and double entendres. Some of them are genuinely funny! Oakland's Josh Phegley picked PTBNL, which stands for "player to be named later." Boston's David Price chose ASTRO'S DAD,

which apparently isn't a reference to dominating Houston, but rather, Price's dog, Astro. (In light of Price's recent, nonsensical feud with a beloved Red Sox television analyst and Hall of Famer, I would have preferred Price to wear MY BAD, ECKERSLEY.) Meanwhile, Price's colleague Chris Sale is going with STICKMAN, which I pray is a merely a reference to his lean frame, and not a nickname I can't explain to my kids.

It's always weird to see baseball attempt to be hip. The national pastime is famously bound to tradition: This is a sport, after all, that looks pretty close to what it looked like back when the players wore neckties and milked cows in the outfield.

Watching baseball try to be cool is sort of like watching grandparents dance to Drake at a wedding—you should do it with one hand

over your eyes. It's like someone over 40 wearing neon exercise clothes. It's like watching...*The Wall Street Journal* try to be cool.

(For the record, I think The Wall Street Journal is super cool, and you all can scoot off to BuzzFeed or Vice if you don't agree. In fact, I'm going to see if Peggy Noonan wants to wear a nickname jersey with me. Maybe our Journal czar Dan Neil would like to be VRROOOOMM. Travel guy Scott McCartney will be MIDDLE SEAT, natch. Our tech columnists Geoff Fowler and Joanna Stern could be NEWTON and ZUNE.)

Baseball's not the first sport to try a nickname stunt. The NBA's already done it, and the ground-breaker, of course, was the football-wrestling demon-baby XFL, which gave birth to HE HATE ME, which is pretty much the Sgt. Pep

per's of sports nicknames.

The gimmick does have a fundamental flaw: I believe strongly that you can't force a nickname. A great nickname can't be invented by a shoe company, a marketing outfit, or at the behest of baseball commish Rob Manfred. It has to be natural. Personal. Perfect.

Wilt the Stilt.

Butterbean.

Iceman.

The Mook.

As for me and Booger, there's no special meaning behind it. I don't think I pick my nose more than any other ordinary American. It isn't a reference to "Revenge of the Nerds." I just like old-fashioned nicknames. Scooter. Shorty. Lucky. Skippy. Booger.

It's just for one weekend, though. After that, everyone can go back to calling me an idiot.



L-R: REUTTERSTOCK/ZUMA PRESS; MARTIN MEISSNER/ASSOCIATED PRESS; ANTHONY DEVILIN/GETTY IMAGES

OPINION

Trump's IRS Swamp



Donald Trump promised to drain the swamp, and here's a seven-month progress report: The Washington bog is still as wide and fetid as ever. Consider that Mr. Trump's Justice Department has inexplicably continued to defend the IRS's misdeeds under President Obama.

Voters put a Republican in the White House in part to impose some belated accountability on the scandal-laden Obama administration. And the supreme scandal was the IRS's assault on tea-party groups—a campaign inspired by congressional Democrats, perpetrated by partisan bureaucrats like Lois Lerner, and covered up by Mr. Obama's political appointees. This abuse stripped the right to political speech from thousands of Americans over two election cycles. To this day, no one has answered for it.

The groups targeted are still doggedly trying to obtain justice through lawsuits that have dragged on for years. They believed Mr. Trump's election would bring an end to the government obstruction. It hasn't. "The posture of the DOJ and the IRS under the Trump administration is identical to the posture under the Obama administration," Mark Meckler, president of Citizens for Sound Governance, tells me. "Nothing has changed."

To this day, conservative nonprofits are being toyed with by the IRS. The Texas Patriots Tea Party has waited five years for tax-exempt status and has continued to receive round after round of intrusive agency questions,

long after the scandal was exposed and the IRS promised reform.

Other litigants are experiencing the same treatment. The IRS is fighting Judicial Watch in a suit over document requests. Government lawyers are hamstringing a suit against the IRS brought by Z Street, a pro-Israel nonprofit—as described last month in an op-ed on these pages.

Obama-era lawyers are still obstructing lawsuits to hold the agency accountable.

The problem is that the same old Obama-era lawyers have been left to run these cases in the same old hostile ways. Who are these people?

Laura Beckerman, one of the lead lawyers defending the IRS in the Ohio class action, left government only this month. Her LinkedIn profile says she is now pro bono coordinating counsel at Citizens for Responsibility and Ethics in Washington. CREW is among the most liberal outfits in the capital, fanatically devoted to taking down conservatives. That's the type still calling the shots in Mr. Trump's bureaucracy.

The Justice Department's job is to defend the government, but it is also supposed to pursue justice. And there is no question the IRS did wrong. It has been documented by

the Treasury Department's inspector general and admitted by the IRS itself. It'd be one thing if the plaintiffs were demanding a billion-dollar payout, but they aren't. Their main request is that the IRS come clean on what happened, and the government is resisting with all its power. The real question is why the Justice Department is even fighting this suit, when it ought to be leading a renewed investigation into what happened and how it got covered up.

This stonewalling cannot be laid solely at the feet of IRS Commissioner John Koskinen, another Obama appointee who bizarrely remains in his post. The IRS, as the client, no doubt is calling many of the legal shots. But the Justice Department has the authority in important cases to make the ultimate judgment call on how the government will handle the litigation.

It's time for some judgment. Senior leaders in the Justice Department may be wary of replacing or redirecting attorneys on the IRS cases, fearing it might provoke another round of media caterwauling. The White House may be wary of canning Mr. Koskinen, thinking it would be cast as another high-profile firing. But Mr. Trump was hired to impose exactly that sort of accountability. If he's going to get rapped for dramatic moves, it might as well be for doing something that serves justice.

Write to kim@wsj.com.

The Priesthood Is a Heroic Vocation

HOUSES OF WORSHIP
By Matthew Hennessey

Catholics around the world will celebrate the feast day of St. Maximilian Kolbe on Monday. His story is one the church's finest, though too few people—Christian or not—have heard it.

Kolbe was born to a German father and Polish mother in 1894. He entered the seminary at 13 and was ordained a priest in 1918. With a special devotion to the Virgin Mary and a talent for writing and publishing, the bearded, bespectacled Franciscan founded monasteries and media outlets in Poland and Japan during the 1930s.

When Hitler invaded Poland in 1939, German forces arrested Kolbe. Although he refused to sign a document giving him the privileges of German citizenship, he was released after three months. His monastery continued to issue anti-Nazi publications. It was shut down in 1941, and Kolbe was arrested again. Eventually he was taken to the concentration camp at Auschwitz.

There Kolbe carried out his priestly ministry while enduring humiliation and abuse. After a small group of prisoners escaped in July 1941, the camp's notorious disciplinarian, Lagerführer Karl Fritsch, decided to set an example by starving 10 others to death. Franciszek Gajowniczek, a Polish army sergeant, was among

those selected to die. Gajowniczek begged that his life be spared on account of his wife and children. Kolbe volunteered to take his place.

"I want to go instead of the man who was selected," Kolbe said. "He has a wife and family. I am alone. I am a Catholic priest." For whatever reason, Fritsch agreed.

Kolbe outlived the other condemned prisoners, but after two weeks of hunger and prayer, he was near death. On Aug. 14, 1941, a guard was dispatched to finish him off with an injection of carbolic acid.

As the executioner approached, the frail priest extended his arm. He died with the Hail Mary on his lips. Kolbe was canonized by Pope John Paul II in 1982. Gajowniczek, whose children did not survive the war, lived to be 94. He died in 1995.

Catholic history is replete with heroic stories like Kolbe's. The church could do a better job of telling them. Many Catholics, including this one, have much to learn.

After 9/11 the Archdiocese of New York launched a website aimed at young men discerning a vocation to the priesthood. The banner across the top of the landing page read, "The World Needs Heroes." The slogan made an impression on Andrew Vill, who was then a teenager but is now a priest of the Diocese of Bridgeport, Conn. "Every young man wants to be a

hero," Father Vill told me last month. "We dream about saving the day."

Vocations have been drying up for half a century. In 1965 the American Catholic Church ordained 994 new priests, according to Georgetown University's Center for Applied Research in the Apostolate. By 2000, the number had fallen to 442. Ordinations have rebounded somewhat—in 2016 there were 548—but not nearly enough to replace the priests who die, retire or leave their ministries every year.

Consider the case of St. Maximilian Kolbe, a Franciscan who resisted the Nazis.

The vocations crisis is not only a human-resources problem for the bishops. It has real spiritual consequences for the people in the pews. Some 3,500 American parishes have no resident priest.

Without a servant of God living among them and ministering to their sacramental and catechetical needs, Catholic communities are unlikely to thrive, if they even manage to survive.

Every diocese has a vocations office staffed by at least one priest whose sole job is to identify and encourage good

seminary candidates. These vocations directors are well-intentioned and in some cases successful. The relatively small Diocese of Lincoln, Neb., for instance, routinely outpaces the ordination rates of jurisdictions many times its size.

Recruiting good men remains a challenge. The sexual-abuse scandal dealt a considerable blow to the priesthood's once-sterling reputation. Gone are the days when Spencer Tracy could win an Oscar playing tough-but-fair Father Flanagan in "Boys Town." A priest who shows up in a Hollywood movie these days is as likely as not to be the villain.

One thing hasn't changed: Young men still want lives of heroic virtue, and the priesthood offers that in abundance. My advice to parents, teachers and vocations directors everywhere is to tell heroic stories like that of St. Maximilian Kolbe. Appeal to the romantic aspirations of young men by highlighting the courageous lives of the many martyrs and saints of the church.

"When God calls you to serve as his priest, he is inviting you to go on this mission with him," Father Vill said. "You will literally be saving souls. As a young man, when you look at your vocation like that, who wouldn't want to pursue the priesthood?"

Mr. Hennessey is an associate editorial features editor at the Journal.

When Louisiana was inundated, volunteers with boats floated in.

In Louisiana, a state prone to hurricanes, government has spent millions on emergency planning. Officials have also learned, though, how to step aside and empower neighbors to help one another.

In an interview last year with the Advocate, the hometown newspaper where I work, Livingston Parish President Layton Ricks recalled the worries about letting the Cajun Navy patrol. Some feared amateur rescuers might get into

trouble themselves. But there simply weren't enough trained officers to answer all the distress calls quickly. The Cajun Navy took up the slack. "And as it turned out, we couldn't have done without those guys," Mr. Ricks said. "They were a tremendous asset."

Among the rescuers was Jere Delaune, an auto-body shop owner who helped ferry an estimated 200 people and their pets to higher ground. When a woman plucked into his boat asked if he had taken to the flood waters to help family, his reply was succinct: "All these people here, they're humans. They're all my family."

Another volunteer, construction worker Joey Bernard, helped rescue an injured sheriff's deputy who had been thrown from his boat and was clinging to a tree. "God put us where we needed to be," Mr. Bernard said.

Volunteer boaters saved my sister and sister-in-law when their houses, miles apart, were

overwhelmed by water. If not for the Cajun Navy, our extended family might have lost more than mere property on that terrible August weekend.

The 12 months since last August's flood have been tough. Federal disaster assistance has lagged far behind what's required, and given the stalemate on Capitol Hill, prospects for progress seem dim. Extensive flash flooding in New Orleans this month underscored the region's continuing vulnerability.

Meanwhile, as another hurricane season unfolds, residents hope a new Cajun Navy won't be needed anytime soon. Even so, there's comfort in knowing that here, a world away from the English Channel in a state that's no stranger to the whims of nature, the spirit of Dunkirk still lives.

Mr. Heitman, a columnist for the Advocate newspaper in Louisiana, is the author of "A Summer of Birds: John James Audubon at Oakley House."

BOOKSHELF | By Bart Elmore

The Indispensable Ingredient

Baking Powder Wars

By Linda Civitello

(Illinois, 252 pages, \$19.95)

Michael Pollan fans may find Linda Civitello's new book hard to digest. Over the past two decades, Mr. Pollan and other natural-food advocates have made the case that America's food system is awash in subsidized sweeteners and synthetic chemicals that are making people sick. To get back to healthy living, the popular mantra goes, eat what your great-grandma gave you.

But as Ms. Civitello, a food historian, points out in "Baking Powder Wars," if we're going to follow that rule, we're going to be eating "refined white flour, sugar, and cake made with baking powder" that is manufactured by corporations. That is because many of our great-grandmothers openly embraced synthetic chemical mixtures, such as baking powder, that offered liberation from producing daily bread from homemade yeast. Ultimately, Ms. Civitello replaces Mr. Pollan's prescription for American consumers with another: Let them eat cake—leavened with sodium aluminum sulfate.

Ms. Civitello draws on history to make her case. She vividly shows the arduous and time-consuming work involved in bread baking from the colonial period to the decade before the Civil War. Up to the 1850s, she explains, more than 90% of all bread in America was homemade, which was quite a feat, considering the limited number of leavening agents that housewives had at their disposal. One preferred substance was emptins, a byproduct of in-home beer brewing, but this yeasty sludge was problematic because it worked slowly and had to be used in large quantities. Plus there was the issue of kneading. Whether using emptins or other leaveners, even simple bread recipes called for half an hour or more of kneading to diffuse the yeast through the dough. This was hard work.

It is no wonder, then, that many women welcomed the arrival of synthetic baking powder, a miracle product that made foodstuffs rise quickly without much preparation. An instrumental figure in this transformation in American foodways was Eben Horsford, Harvard's Rumford Chair for the Application of Science to the Useful Arts, who in 1856 patented a method for making monocalcium phosphate from ground animal bones. Mixed with baking soda, this substance was sold in paper packets at pharmacies. The era of manmade leavening agents had arrived, and in the coming years new competitors fought for supremacy in an expanding market that included more than 500 companies by 1900.

Business historians will like the middle section of Ms. Civitello's book, which offers details of corporate jousting between competing firms in the late 19th and early 20th centuries. Among the major combatants was the Royal Baking Powder Co., incorporated in New York City in 1873, which used cream of tartar—an "acid by-product of wine making"—to create a leavening agent used by many Americans by the end of the 19th century. Royal faced off against the manufacturers of Calumet baking powder in Illinois and the Indiana-based Clabber brand, both of which used sodium aluminum sulfate, a synthetic chemical, to make their baking powder.

When synthetic baking powder was invented in the mid-19th century, it was hailed by many as a time-saving miracle product.

In this battle, Royal stressed the natural origins of its powder, printing labels with juicy grapes to remind consumers that they derived cream of tartar from fruit. Beyond advertising, Royal also worked the halls of state assemblies, trying to persuade local politicians across the country to ban baking powders containing sodium aluminum sulfate on the grounds that they were adulterated with a toxic chemical. Ultimately, the Agriculture Department determined in 1914 that sodium aluminum sulfate in baking powder didn't represent a health threat, and by the mid-20th century aluminum-based baking powders gained supremacy, largely because they were much cheaper to produce than Royal's wine-based varieties.

Ms. Civitello weaves a remarkable number of famous characters into her story, with vignettes including President Teddy Roosevelt's interest in baking powder as well as tales of labor activist Eugene Debs fraternizing with Clabber brand-owner Herman Hulman. Ms. Civitello documents Martha Washington's baking habits early in the book, as well as the escapades of eccentric USDA food chemist Harvey Wiley. KKK clansmen arrive in chapter nine, protesting Clabber's manufacturer, which was founded by German immigrants in Terre Haute, Ind. In short, Ms. Civitello connects the story of baking powder to much larger themes in American history, offering illuminating insights into how racial prejudices influenced branding and marketing practices in the baking-powder industry.

But while Ms. Civitello devotes passages to character development in an attempt to build drama, this book is ultimately best suited to an academic audience. That said, foodies and culinary enthusiasts will find much to mine, including several recipes culled from old cookbooks. Chefs interested in such treats as World War I-era Salvation Army doughnuts or Native American fry bread will want to peruse the ingredient descriptions peppered throughout the book.

Beyond these niche interests, however, "Baking Powder Wars" raises important questions for the health of our nation. Baking powder is, as Ms. Civitello puts it, an "indispensable invisible ingredient" that makes possible everything from Dunkin' Donuts to McMuffins to Mrs. Fields Cookies. It facilitated the rise of a fast-food nation replete with quick-grab sweets and convenience-store cakes. This is something that Ms. Civitello acknowledges, but future books might delve deeper into the health consequences catalyzed by this remarkable culinary revolution.

Mr. Elmore is assistant professor of environmental history at Ohio State University and author of "Citizen Coke: The Making of Coca-Cola Capitalism."

Coming in BOOKS this weekend

Catherine Merridale on Svetlana Alexievich • A guide to the total eclipse • The true meaning of "Tutti Frutti"

• How 1922 changed literature • London's big stink • New fiction by Jarett Kobek & Kamila Shamsie • & more

OPINION

REVIEW & OUTLOOK

John McCain's Defense Cut

There is no more passionate and principled advocate for greater military spending than Senator John McCain, so we wonder if the Arizona Republican appreciates that he recently voted to guarantee weaker U.S. defenses. To wit, his vote to kill health reform means that entitlements like Medicaid will continue to squeeze the Pentagon like an ever-tightening vise long after he has retired.

Many in Congress have lamented that President Trump's budget proposal for fiscal 2018 is more modest than the military buildup he promised during the campaign. He has requested \$65 billion in the overseas contingency fund, and overall only 3% more than President Obama's 2018 budget. This is a far cry from the Reagan defense buildup that helped win the Cold War.

The main reason is that the structure of federal spending has changed dramatically from the 1980s. More than 60% of the federal budget is now swallowed up by mandatory spending on Social Security, Medicare and other entitlement programs, up from about 25% in the 1960s and 42% in the mid-1980s. Interest on the debt absorbs another 6%. That leaves much less for the military, which has dropped to about 15% of the federal fisc from more than 25% in the 1980s.

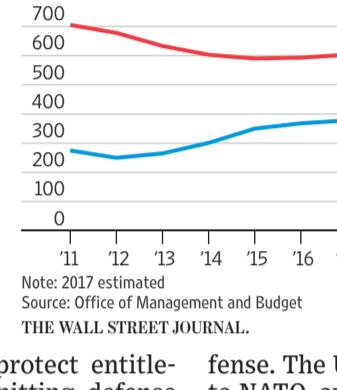
This crowding out has become more pronounced as President Obama sought to protect entitlements from any cuts while pitting defense against discretionary domestic accounts like education and transportation. This was his explicit strategy in signing the Budget Control Act of 2011 that included annual budget caps for defense but not for entitlements.

As ObamaCare came on stream in 2014, spending on Medicaid in particular exploded. The Affordable Care Act dumped federal money on states that add working-age adults above the poverty line to government health-care rolls, and to no great surprise many have signed up. The feds reimburse up to 95% for every addi-

His vote to kill health reform will inevitably squeeze the military.

Guns vs. Medicaid

Federal Medicaid and defense spending, fiscal 2011-2017



Note: 2017 estimated
Source: Office of Management and Budget

THE WALL STREET JOURNAL

tion, whereas the rate is below 60% on average for the disabled, children and other vulnerable populations under original Medicaid.

As the nearby chart shows, annual federal Medicaid outlays rose from \$265 billion in 2013 to an estimated \$378 billion this year, and they are expected to keep climbing to \$439 billion on current trend by 2020. It's no coincidence that defense spending has fallen and then stayed flat over the same period.

By blocking the Senate bill that could have gone to a House-Senate conference, Mr. McCain blocked the chance to put Medicaid on a long road to sustainability and save as much as \$772 billion over 10 years. Moderates helped kill reform with mendacious claims that the legislation would hurt the poor. Mr. McCain justified

his killer vote because the Senate lacked an open process, though Senators had been discussing the details for months. Now the Medicaid blowout will accelerate, as states that have so far refused the federal bribe accept that the expansion is here to stay and sign on.

Mr. McCain has surely watched how entitlements have contributed to Western Europe's shrinking military. As welfare, health-care and retirement subsidies soak up ever more of national economies, Germany and all but four NATO states lack the money or will to spend even 2% of GDP on defense. The U.S. was at 3.6% in 2015, according to NATO, and Republicans may boost that for a while, but watch that shrink toward 2% in the U.S. too as the Baby Boomers retire and ObamaCare goes unreformed.

When Mr. McCain cast his vote on the Senate floor, he was greeted by hugs and huzzahs from Democrats, and no wonder. They understood that the Senator had preserved their entitlement-state priorities at the expense of Senator McCain's military buildup. We doubt this is the result and legacy that the patriot and former Navy pilot intended, but we regret to say there it is.

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

Islamic State came close to taking down a passenger plane.

easily could have favored the terrorists.

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.

The Trump-McConnell Spat

The damage from the GOP's health-care debacle has only just begun, and the latest evidence is this week's public spat between President Trump and Senate Majority Leader Mitch McConnell. The big potential winner here is Democratic leader Chuck Schumer.

Mr. McConnell has been getting the Kim Jong Un treatment this week, as Mr. Trump has pounded away for the Senate's recent failure to reform ObamaCare. "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 tweeted Thursday morning from his vacation redoubt in Bedminster, N.J.

Mr. Trump was slightly more gentle six hours later, but he laid down the Senate's challenge for September: "Mitch, get back to work and put Repeal & Replace, Tax Reform & Cuts and a great Infrastructure Bill on my desk for signing. You can do it!"

The President was angered by Mr. McConnell's remarks earlier in the week in Kentucky that perhaps Mr. Trump expected too much too soon from Congress. "Our new president, of course, has not been in this line of work before," Mr. McConnell said, according to a local CNN affiliate that covered the event. "I think he had excessive expectations about how quickly things happen in the democratic process."

They both have a point. The ObamaCare collapse was ugly, and Mr. Trump is right to hold

If the GOP Congress fails, so does the Trump Presidency.

would protect health care for the truly needy. His failure to master even basic policy details made him useless as a public advocate.

The question is what they do now. Mr. Trump and the GOP are to some extent a shotgun marriage, and a major political risk from the health-care defeat is that Mr. Trump concludes he should start running against the GOP majority. The Steve Bannon wing of the White House would welcome a blowup as they try to rebrand the GOP as a nativist, protectionist movement. They might prefer to run in 2020 against Mr. Schumer than with Mr. McConnell.

But that advice is deadly for Mr. Trump too. He still needs a GOP majority to pass his agenda as much as Republicans need him to sign it. They need each other in particular this autumn to raise the debt ceiling, press deregulation, and pass a budget and tax reform. Failure on that agenda after the health-care fiasco will open the door to a Democratic House—which means nonstop anti-Trump investigations and perhaps impeachment. The best defense against mutual assured political destruction is legislative success in the fall.

LETTERS TO THE EDITOR

Reagan's Economic Policies Then vs. Today

Phil Gramm and Michael Solon present an argument for tax cuts for our economy going forward, but their arguments are less than persuasive. Our economy involves hundreds of components and to select just two for cause and effect is very misleading ("Reagan Cut Taxes, Revenue Boomed," op-ed, Aug. 4)

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 our national debt. He also subsequently raised taxes. Certainly deregulation had some positive effects on our 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 which would stimulate 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 is 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.

CULLEN COATES
Lincoln, Calif.

Regarding the application of ObamaCare to Congress, I'm reminded of the admonition in Luke 11:46: "Woe to you lawyers also! For you load men with burdens hard to bear, and you yourselves do not touch the burdens with one of your fingers" (ESV). The president should ensure that every member and staffer on Capitol Hill must touch ObamaCare, with all 10 fingers.

FREDERICK BUTZEN
Chicago

Nancy Pelosi said we'd have to read the law to understand what's in it. Maybe if Congress has to abide by the laws it passes for the rest of us, members will learn to read the bills before they pass them.

RAY WALLACE
Vonore, Tenn.

Fix the Filibuster, Don't Merely Get Rid of It

According to Rep. Andy Biggs ("Kill the Filibuster Before It's Too Late," op-ed, Aug. 7), the Senate filibuster is the greatest obstacle blocking Republicans from fulfilling their agenda. But why is the filibuster such an obstacle? It wasn't always so.

According to Rep. Tom McClintock (Hillsdale College "Imprimis," January 2017), the filibuster began to be abused in 1970 after then-Senate Majority Leader Mike Mansfield "instituted a 'two-track' system that allowed the Senate, by unanimous consent or the approval of the minority leader, to bypass a filibustered bill and go on to another." This system, called the Mansfield Rule, relieved a lot of the difficulties of filibustering. No longer would a filibustering senator have to talk through the night to keep a filibuster going. As Rep. McClintock states, "The filibuster thus entered the couch-potato world of virtual reality, where an actual speech is no longer required to block a vote. Today the mere threat of a filibuster suffices to kill a bill as the Senate shrugs and goes on to other business."

If the Mansfield Rule were undone, we could go back to the filibuster requiring a serious commitment from the filibustering senator, and the

Pepper ... And Salt

THE WALL STREET JOURNAL



"Sometimes I long for the days before technology."

In his Aug. 1 letter David Cook wonders how it is fair that Donald Trump, Warren Buffett and Bill Gates pay Social Security tax only on the first \$127,000 of their earned income.

It's fair because each will only receive Social Security benefits attributable to that amount. How is that anything but fair?

KEVIN FLETCHER
Golden Colo.

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

An Environment of Destruction

By Jillian Kay Melchior

In front of an Iowa government building, two women admitted to an eight-month campaign of arson, vandalism and sabotage targeting the Dakota Access Pipeline. "Some may view these actions as violent, but be not mistaken," said Ruby Montoya, 27. "We acted from our hearts and never threatened human life nor personal property."

But Ms. Montoya and her cohort, 35-year-old Jessica Reznicek, admitted they had engaged in election-night arson that destroyed several pieces of heavy machinery and caused as much as \$2.5 million in damage. They also said they had repeatedly used oxyacetylene torches to cut through pipe, delaying construction for weeks. And they claimed they had deployed gas-soaked rags and burning tires to destroy electrical units and construction equipment along the Iowa portion of the pipeline's 1,172-mile route.

Criminal tactics have become a regular feature of pipeline protests over the past year.

Ms. Reznicek said she hopes her confession will "empower others to act boldly, with purity of heart," and commit similar acts of vandalism. Even as they spoke, the two women took out a hammer and crowbar, tearing apart a sign on state property before they were arrested.

Over the past year, pipeline opponents have resorted to unlawful tactics with alarming frequency. The environmental left, which has made a special cause of pipelines, assumes that if it can disrupt the transportation of traditional energy, oil and gas will remain trapped in the ground.



A fire set by opponents of the Dakota Access pipeline in Cannon Ball, N.D.

The most serious incident took place several months ago in Citrus County, Fla. Antipipeline activist James Leroy Marker used a high-powered rifle to damage the Sabal Trail Pipeline. He then fled in his car, spurring state troopers and sheriff's deputies to give chase. When Marker finally stopped, he "engaged the deputies and the trooper, armed with a firearm," the sheriff's department said. The officers shot him dead.

Though some environmentalists decried Marker's actions, the response was far from unanimous. A video posted to the Facebook page of the green nonprofit Balance for Earth lauded Marker as someone who "stood up and took an action on behalf of all of us." It was viewed more than 48,000 times before its quiet removal.

Likewise, a blog for the Sabal Trail Resistance, an activist group dedicated to protesting the pipeline, said: "We feel that focusing on honoring the sacrifice Marker made to take a stand against this pipeline is of a greater immediate importance than debating the strategy, tactics or morality of his action."

The same month Marker fired his weapon, two other protesters lodged themselves inside the Sabal Trail

Pipeline. They used locks, plastic pipe, chicken wire, tape, bolts and concrete to make it difficult for authorities to remove them. One activist, Karrie Ford, apparently planned to stay for the long-haul, packing not just food and water but also disposable diapers, according to the sheriff's incident report. The pipeline developer said it feared the protesters' actions might have damaged the internal coating, so it had to spend \$28,500 replacing that section.

Pipeline protesters also targeted Michigan's attorney general, Bill Schuette, last summer. Video shows some 60 people congregating outside Mr. Schuette's home, shouting obscenities and ignoring authorities' orders not to trespass on the lawn. The protesters smeared chocolate syrup on Mr. Schuette's driveway and windows, toilet-papered trees, dumped glitter and trampled the grass in his front yard, and pounded his door loudly, frightening his wife. "If public officials continue to threaten our safety, then we will continue to threaten their security," one protester proclaimed.

The Dakota Access Pipeline has been the most high-profile of these controversies, with the media credulously repeating activists' assertion

that they were peaceful and prayerful. The actions of the two women in Iowa are only the latest contradictory example. In North Dakota, crime became a regular feature of the 233-day Standing Rock protests, which drew as many as 10,000 activists. The protesters overwhelmed local authorities, and North Dakota had to summon law enforcement from other states to help keep the peace.

One protester, now facing several charges, allegedly fired a stolen weapon at police last October. "I still recall seeing somebody with a flex cuff, about to put it on her wrist, and—when I heard a couple of gunshots ring out," Deputy Sheriff Rusty Schmidt from Pennington County, S.D., recounted to the court in December. "At that point I looked down, and there's another gunshot rang out, and I could actually see the round impacting the ground right next to my knee."

Other Standing Rock protesters threw Molotov cocktails, rocks and logs at law enforcement and consistently trespassed on private land. Local ranchers reported stolen property and slaughtered animals, while businesses told of death threats they'd received in retaliation for their support, real or imagined, of the pipeline. Activists also doxxed local law enforcement, sending at least one police officer's family into temporary hiding.

After more than 600 arrests, the protests drew to an anticlimactic end in February. The self-proclaimed "water protectors" left behind 9.8 million pounds of garbage, including abandoned vehicles, tents, portable heaters and plastic tubs. North Dakota scrambled to clean up their detritus, fearing contaminated snow would melt and run off into the Missouri River. Some activists also abandoned their dogs, including several puppies, when they left their frigid protest camp. It's an odd way of protecting the environment.

Ms. Melchior is an editorial writer for the Journal.

On Radical Islam, Trump Has Lost His Focus

By Ayaan Hirsi Ali

Candidate Donald Trump vowed to take a fresh approach to Islamic extremism. He ditched the politically correct language of the Obama administration by declaring that we were mired in an ideological conflict with radical Islam, which he likened to the totalitarian ideologies America had defeated in the 20th century.

Mr. Trump also promised, as part of his immigration policy, to put in place an "extreme vetting" system that screens for Islamic radicalism. He vowed to work with genuine Muslim reformers and concluded with the promise that one of his first acts as president would be "to establish a commission on radical Islam."

There's no 'extreme vetting,' no outreach to moderates, and too much coziness with Riyadh.

Mr. Trump has had more than six months to make good on these pledges. He hasn't gotten very far. The administration's first move—a hastily drafted executive order limiting immigration from seven Muslim-majority countries—backfired when it was repeatedly blocked in court.

Worse, subsequent moves have tended to run counter to Mr. Trump's campaign pledges. Aside from a new questionnaire for visa applicants, there has been no clarity regarding the promised "extreme vetting" of Muslim immigrants and visitors. The promise to work with and empower authentic Muslim reformers has gone nowhere. The status of the promised commission on radical Islam remains unclear.

Perhaps most discouragingly, the administration's Middle Eastern strategy seems to involve cozying up to Saudi Arabia—for decades the principal source of funding for Islamic extremism around the world.

Some administration critics have blamed the loss of focus on Lt. Gen. H.R. McMaster, who became White House national security adviser in February. The most charitable formulation of this criticism is that military men who slogged their way through wars in Iraq and Afghanistan have an aversion to the argument that we face an ideological opponent, as opposed to a series of military problems.

But I put the responsibility on Mr. Trump. With regard to radical Islam, he simply seems to have lost interest.

Is all hope of a revamped policy on radical Islam lost? Not necessarily. Prominent members of Congress—among them Sens. Ron Johnson (R., Wis.) and Chuck Grassley (R., Iowa) and Reps. Ron DeSantis (R., Fla.) and Trent Franks (R., Ariz.)—understand that Islamism must be confronted with ideas as well as arms.

And this need not be a partisan issue. In the early years after 9/11, Sens. Jon Kyl (R., Ariz.), Dianne Feinstein (D., Calif.) and Chuck Schumer (D., N.Y.) worked together to analyze the threat of Islamist ideology. Even President Obama's former representative to Muslim communities, Farah Pandith, who visited 80 countries between 2009 and 2014, wrote in 2015: "In each place I visited, the Wahhabi influence was an insidious presence... Funding all this was Saudi money, which paid for things like the textbooks, mosques, TV stations and the training of Imams." In 2016, addressing the Council on Foreign Relations, Sen. Chris Murphy (D., Conn.) sounded the alarm over Islamist indoctrination in Pakistan, noting that thousands of schools funded with Saudi money "teach a version of Islam that leads... into an... anti-Western militancy."

We have already seen one unexpected outbreak of bipartisanship in Washington this summer, over tightening sanctions on Russia in retaliation for President Vladimir Putin's many aggressions.

I propose that the next item of cross-party business should be for Congress to convene hearings on the ideological threat of radical Islam. "Who wants America on offense, with a coherent and intelligible strategy?" Newt Gingrich asked in 2015, when he called for such hearings. Then as now, if the president has forgotten his campaign commitments—lawmakers can and should step up to the plate.

Ms. Hirsi Ali is a research fellow at the Hoover Institution, Stanford, and founder of the AHA Foundation.

Why a Universal Basic Income Would Be a Calamity

By Dan Nidess

Leading voices in the tech industry—from Mark Zuckerberg to Sam Altman—are warning that increased automation risks leaving an unprecedented number of Americans permanently unemployed. In response, many concerned Silicon Valley luminaries have called for a universal basic income, or UBI. Guaranteed income from the government may seem like the easiest way to address long-term unemployment, but UBI fixes only the narrowest and most quantifiable problem: joblessness causes: lack of a reliable income. It completely ignores, and may exacerbate, the larger complications of mass unemployment.

Finland has been testing a basic income for 2,000 of its unemployed citizens since January, and UBI proponents say the Nordic country is providing an example for the U.S. It will be interesting to see the Finnish results, but Americans shouldn't read too much into the outcome of a small-scale, early-stage trial. Look instead to Saudi Arabia, which for decades has attempted the wholesale replacement of work with government subsidies. Perhaps more than half of all Saudis are unemployed and not seeking work. They live off payments funded by the country's oil wealth.

And what has Saudi Arabia's de facto UBI created? A population deeply resistant to work. Efforts by the Saudi government to diversify the economy have been hamstrung by the difficulty of getting Saudis to trade in their free income willingly for paid labor. Regular citizens lack dignity while the royal family lives a life of luxury. The technocratic elite has embraced relatively liberal values at odds with much of the society's conservatism. These divisions have made the country a fertile recruiting ground for extremists.

It's true that Saudi Arabia has a host of other social problems. For one, it is ruled by a hereditary monarchy and a strictly enforced set of religious laws. Yet the widespread economic disempowerment of its population has

How long before the elites decide the unemployed underclass shouldn't have the right to vote?

made it that much harder for the kingdom to address its other issues. Don't expect the U.S. to fare any better if divided into "productive" and "unproductive" classes.

At the heart of a functioning democratic society is a social contract built on the independence and equality of individuals. Casually accepting the mass unemployment of a large part of the country and viewing those people as burdens would undermine this social contract, as millions of Americans become dependent on the government and the taxpaying elite. It would also create a structural division of society that would destroy any pretense of equality.

UBI supporters would counter that their system would free people to pursue self-improvement and to take risks. America's experience over the past couple of decades suggests that the opposite is more likely. Labor Department data show that at the end of June the U.S. had 6.2 million vacant jobs. Millions of skilled manufacturing and cybersecurity jobs will go unfilled in the coming years.

This problem stems from a lack of skilled workers. While better retraining programs are necessary, too many of the unemployed, or underemployed, lack the motivation to learn new skills. Increasingly, young

unemployed men are perfectly content to stay at home playing video-games.

UBI would also weaken American democracy. How long before the well-educated, technocratic elites come to believe the unemployed underclass should no longer have the right to vote? Will the "useless class" react with gratitude for the handout and admiration for the increasingly divergent culture and values of the "productive class"? If Donald Trump's election, and the elites' reactions, are any indication, the opposite is likelier.

Rapid technological advancement is already presenting American workers with unprecedented difficulties. Facing this challenge is going to require creative approaches from the government and the private economy. UBI is a noble attempt. Perhaps it could work as only a supplement

A child in motion tends to stay in motion. Some research has found that kids are more physically active when they play on their own than in organized sports. They also would be safe at schools, no matter how dicey the neighborhood.

As for the parents—woo-hoo! They wouldn't have to pick up the children and drive them to yet another activity. True, playing tag in a gym isn't learning Mandarin or violin or gymnastics, but it does build crucial skills like focus, creativity and leadership. Kids solve their own arguments. They organize games, an early lesson in project management (only fun).

This solution is also good for kids' mental health. Peter Gray, a professor of psychology at Boston College and author of "Free to Learn," says that as play has declined, kids have become more anxious and depressed.

Correlation isn't causation, but Mr. Gray makes a persuasive case that kids lose their "locus of control" when adults take over more of their time—driving them, teaching them, watching them. But during free play, the kids make the rules and decisions. There's a strong connection between happiness and feeling in control of life.

Long story short: Adults should stop stealing away the time kids need to play. Give it back and they won't become so old so young.

Ms. Skenazy is founder of Free-Range Kids and a contributor to Reason.

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WORLD NEWS

Fewer Migrants Arriving in Italy

Country takes carrot-and-stick approach to stem flow; 'light at the end of the tunnel'

BY DEBORAH BALL
AND HASSAN MORAJEA

A sharp drop in the number of seaborne migrants arriving in Italy in the past month is raising hopes that the country—and Europe—may have turned the corner in its four-year migration crisis.

Since the start of July, the number of migrants seeking to reach Italy from Libya has dropped by 60%, a remarkable shift in a year that seemed set to break records for seaborne arrivals of migrants.

The drop—coming when good weather normally brings a peak in the Libya-to-Italy crossings—is creating optimism among Italian officials that a concerted push by Rome to tackle the problem is bearing fruit. Those efforts range from positioning a navy ship just inside Libyan waters to supporting the voluntary repatriation of migrants to training and supplying Libya's coast guard in its efforts to fight traffickers and conduct rescue operations.

At the same time, Rome has promised millions in aid to Libyan tribes, hoping the development funds will further encourage them to suppress the rich smuggling business.

Libyan authorities say the show of force and aid may have convinced tribal leaders, who control swaths of the country, to cut off support for people smugglers.

"We are finally beginning to see a turnaround in the trend," 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."

In a year in which the European Union appears to have found fresh confidence, the migration crisis in Italy has remained a major point of friction, with Rome bitterly protesting a lack of support from fellow member states. As a result, any easing in the problem will help lower tensions within the union. It could also rob anti-immigration parties of some of their force, including in Italy, where migration looms as a major issue in national elections due in the spring.

Through the end of June, Italy counted nearly 84,000 arrivals, 17% higher than the

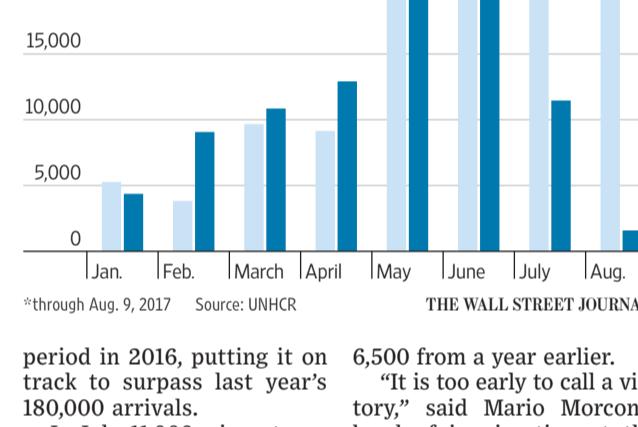


Migrants hoping to reach Europe waited Aug. 2 for a rescue ship in the Mediterranean Sea, about 35 miles from the Libyan coast.

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



*through Aug. 9, 2017 Source: UNHCR

THE WALL STREET JOURNAL.

period in 2016, putting it on track to surpass last year's 180,000 arrivals.

In July, 11,000 migrants arrived, less than half the number in July 2016, while so far in August, just under 1,587 arrived. In August 2016, 21,300 people arrived from Libya.

Italian officials, though, caution that the drop in arrivals could quickly 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.

"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."

A reception center in the Sicilian city of Trapani that used to receive as many as 100 people a day currently holds just 176 migrants. "We have noticed a remarkable drop in new arrivals," said Giacomo Venza, a psychologist working at the reception center.

The change comes just two

years after a huge surge in migrants reaching Europe caused deep political and social turmoil in the continent.

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 officials 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 migrant traffic.

Balkans and Eastern Europe, erected borders to keep migrants out. About 60,000 migrants were stranded in Greece because border controls in the Balkans prevented them from traveling to Northern 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, according to the United Nations High Commissioner for Refugees.

—Deborah Ball
and Hassan Morajea

France Sees Shift In Scale Of Attacks

BY NOEMIE BISSEBRE

PARIS—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, remained hospitalized with bullet wounds, officials familiar with the matter said.

Police searched the man's 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

There have been roughly a dozen attacks in France since November 2015.

activity—often the small-scale, less-organized kind.

There have been roughly a dozen attacks in France since November 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.

Disputes Expose Limits of EU's Power

BY DANIEL MICHAELS
AND LAURENCE NORMAN

Europe's latest crisis, over rule of law, is a slow-burning one that could play out over years. But it may prove as corrosive as the sudden shocks from the eurozone debt blowup or the 2015 migration wave.

The European Union is grappling with challenges from members including Poland, Hungary

ANALYSIS and Greece to what had widely been deemed basic legal and political norms.

That presents Brussels with two dilemmas. The EU, which is a voluntary club of democracies, has never fully resolved how to respond if members' elected governments stray from democratic norms to tighten their grip on power.

Second, what happens to the EU's single market, its currency union and border-free zone if EU governments simply stop following the EU's rules?

Countries have always griped about forking over cash, surrendering their national currencies or opening their markets and borders. But ultimately they have either accepted the consensus or, in a few cases, struck special deal to opt-out of common projects.

Now, in an unprecedented cavalcade of rejections, members are flouting pronouncements of EU institutions.

A Greek appeals court recently convicted the country's former top state statistician on charges of dereliction of duty, despite Brussels' warnings the case was undermining the independence of the country's statistics agency, a pillar of the bloc's economic rules. Separately, the country's judges



People in Warsaw protest against a plan that Brussels says threatens Poland's judicial independence.

union has accused Greece's left-wing government of undercutting judicial independence.

Poland's nationalist government brushed aside an injunction from the European Court of Justice to prevent logging in a protected forest.

Poland's dismissal of the interim ruling came days after the European Commission began an infringement case against Poland for passing a law that Brussels has said also threatens the country's judicial independence.

The EU has also been locked in a protracted fight with Prime Minister Viktor Orban of Hungary. Despite victories in EU courts, the commission was unable to stop Mr. Orban from tightening his grip on Hungarian courts. Brussels is now struggling to rein in Mr. Orban over legislation that

could let him shut Central European University.

The cases have alarmed EU officials. European Commission Vice President Frans Timmermans, said the judicial developments in Poland pose a threat to the whole bloc.

"The rule of law is one of the values on which our Union is founded and which defines our Union," he said. "What is happening in Poland affects the Union as a whole."

The governments have pushed back, accusing the EU institutions of interfering in sovereign decisions to support politicians friendlier to Brussels.

President Andrzej Duda of Poland bowed to outside pressure and vetoed two of the three laws involved in the judicial overhaul. However, the Hungarian and Polish governments have generally been

bolstered politically by their fights with Brussels.

That has underlined how constrained the EU is in enforcing its vision of fundamental standards. The bloc granted Brussels in 2009 more powerful instrument to curtail a member state's voting rights and funding if democratic standards are undercut. But such punishments require unanimity from the other 27 EU countries.

Hungary's Mr. Orban has pledged to veto EU sanctions against Poland's government.

EU members "may bend the rules or abuse them, but we agree they exist," said Aneta Wiewiórowska, a senior researcher in the European Legal Studies Institute at Osnabrück University in Germany. "Poland says they do not exist—the consensus is gone."

MEXICO

Ruling Party Opens To Outside Candidates

Mexico's ruling Institutional Revolutionary Party, struggling with low approval ratings less than a year from a presidential election, decided late Wednesday to allow nonmembers to contend for the party's nomination, opening the door for Finance Minister José Antonio Meade to be its candidate.

Mr. Meade, who isn't affiliated to any political party but has held cabinet positions under several parties, is tipped by political observers as the main beneficiary of the PRI's decision to widen the field of possible candidates.

The change is expected to be ratified Saturday by a convention of more than 10,000 party delegates.

Mr. Meade hasn't said whether he would seek the nomination, but doesn't deny his political ambitions.

PRI officials have been floating the idea of an independent candidate for months, arguing that the scandal-plagued party needs a fresh face to attract independent voters in what is expected to be a close election.

President Enrique Peña Nieto's approval rating, currently around 20%, is the lowest of any recent president. Mexican presidents serve a single, six-year term and can't be re-elected.

—Juan Montes

MEXICO

Franklin Downgraded To Tropical Storm

Hurricane Franklin was downgraded Thursday to a tropical storm as it moved across central Mexico after causing some damage.

age but no deaths in its passage through the states of Veracruz and Puebla.

Franklin made landfall overnight as the first Atlantic hurricane of the season. There were no reports of deaths as of early Thursday, Luis Felipe Puente, national head of civil protection, told the Televisa network.

He said a number of roads were cut off, houses damaged, and many trees and poles knocked down by the storm, as well as some mudslides. Electricity service was lost in a number of towns.

—Anthony Harrup

ZAMBIA

Central Bank Cuts Key Rate on Weak Growth

Zambia's central bank cut its key lending rate by 1.5 percentage points to 11%, the third rate cut in a row, citing slowing inflation and weak economic growth.

Governor Denny Kalyalya said easing inflationary pressure warranted a rate cut as Africa's second-largest copper producer seeks to recover from years of low copper prices.

After registering a record corn crop, Zambia's inflation remained in single-digit territory in the second quarter at 6.8%, the lowest level in nearly four years. Some analysts had predicted a spike in inflation, following a 75% rise in electricity tariffs this year.

Zambia's economy grew by 3% last year, the worst performance in nearly two decades, according to the International Monetary Fund.

Global copper prices have slowly recovered over the past 12 months buoyed by anticipated growth in demand from the U.S., but remain below their peak levels six years ago.

—Nicholas Bariyo

BUSINESS & FINANCE

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Friday, August 11, 2017 | B1

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Snap Falls Hard on Wider Loss

Stock plummets 17% in after-hours trading; deficit swells in wake of Facebook pressure

BY GEORGIA WELLS

Snap Inc. said its quarterly loss nearly quadrupled amid slowing revenue and user growth, sapped by intensifying competition from larger rival Facebook Inc.

The parent company of messaging app Snapchat said Thursday that revenue more than doubled in the second quarter to \$182 million from \$71.8 million a year earlier. Yet that growth rate was about half what it was in the first quarter, and slower than in-

vestors expected for a company that says it still has ample room to grow. Snap's second-quarter loss ballooned to \$443 million from \$116 million a year earlier.

Snap's incremental gain in daily users compares with the galloping growth Facebook saw for **Instagram** Stories, packages of ephemeral photos and videos that copy Snapchat's "Stories," one of its most popular features. Snap added 15 million new daily users in the first half of the year—of which 7.3 million joined in the second quarter—compared with Instagram Stories' 100 million new daily users between January and June.

"Snap has gone from industry darling to troubled child overnight," said Bryan Wiener, a former executive at LinkedIn.

chairman of advertising agency 360i.

"We made a lot of great progress this quarter," said Snap Chief Executive Evan Spiegel. He said user growth was "solid" and that the company is "still in the very early stages" of monetizing.

Snap's stock was trading down 17% in after-hours trading, hitting new lows. Its stock has lost 44% since its listing in March to its close on Thursday at \$13.77.

Before Snap went public, its fast growth as a startup and high engagement among users—especially those in their teens and 20s—wowed investors and scared competitors. Advertisers saw it as a way to reach users who weren't tuning into traditional media or

other social networks such as Facebook.

But Facebook noticed Snap's traction and set a bull's eye on it. Beginning with "Stories," Facebook has rolled out a series of features that emulate Snapchat's most popular elements, including image filters and stickers.

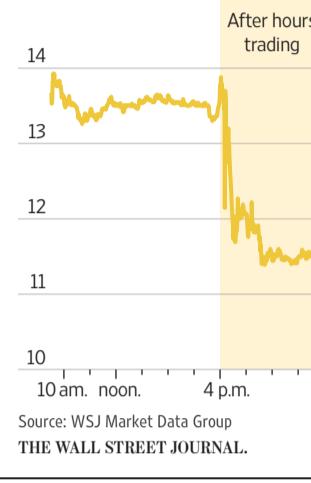
"Facebook's Instagram game made this even harder for Snap than it was six months ago," said Michael Nathanson, senior analyst at MoffettNathanson.

For advertisers, Instagram's similarities to Snapchat can make it harder for them to justify spending more on campaigns for Snapchat, because Facebook provides them more ways to target and measure

Please see **SNAP** page B2

Grim Message

Snap's share price, minute-by-minute, Wednesday



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

Google Cancels Meeting on Diversity

BY JACK NICAS

Google canceled a company-wide meeting about diversity just before it was set to begin Thursday, citing safety concerns after right-wing commentators published the names of certain employees.

Google Chief Executive Sundar Pichai had scheduled the meeting in the wake of his firing this week of software engineer James Damore, who wrote and distributed a memo that argued biological differences between men and women explain the gender gap among tech workers.

Shortly before the highly anticipated meeting's scheduled 4 p.m. start in California, Mr. Pichai said in an email to staff that Google decided to cancel after employees expressed concerns "about their safety and worried they may be 'outed' publicly for asking a question in the Town Hall."

"In recognition of Googlers' concerns, we need to step back and create a better set of conditions for us to have the discussion," Mr. Pichai said, adding that the company would find other ways to gather and engage employees on the subject in the coming days.

Google's firing of Mr. Damore has sparked debate within Google and nationwide about the company's diversity program and whether it is intolerant of conservative viewpoints. Executives were expected to face difficult questions from employees upset over the firing at Thursday's meeting.

The firing has also drawn the ire of some far-right-wing commentators, who in recent days have harassed online Google employees who publicly supported the firing. A Google spokeswoman on Thursday pointed to several instances in which these commentators posted the names and photos of some employees on social media and ridiculed them.

The spokeswoman said the names of other employees who had proposed questions for Thursday's meeting also were leaked outside the company—

Please see **GOOGLE** page B4

U.S. Home-Rental Giants Plan to Merge

BY RYAN DEZEMBER

Two of the country's largest rental-home owners have agreed to merge, one of the clearest signs that Wall Street is betting homeownership rates will remain low and that a growing number of U.S. families will rent.

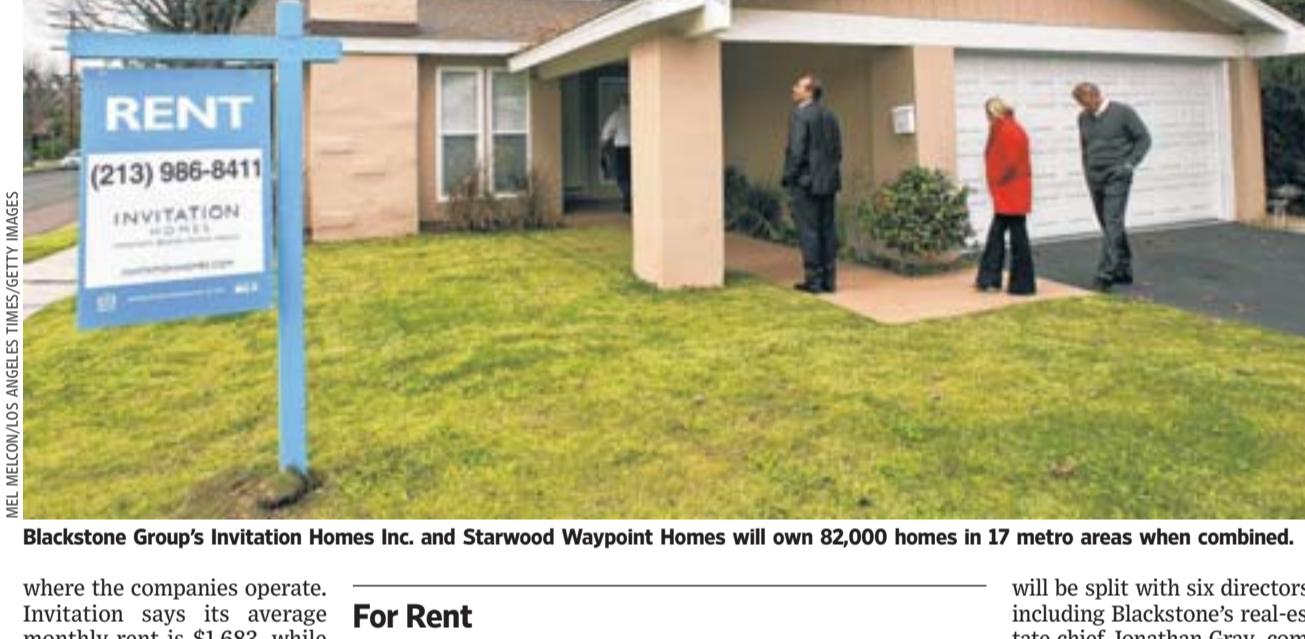
Blackstone Group LP's **Invitation Homes** Inc. and **Starwood Waypoint Homes** said Thursday that they plan to combine in a bid for scale and operating efficiencies. The combined company would own about 82,000 homes in 17 metro areas, including Atlanta, Miami and Southern California.

The all-stock deal between the publicly traded real-estate investment trusts is the biggest yet in the rapidly consolidating institutional rental-home business, which sprouted from the foreclosure crisis when big investors raced to buy homes at steep discounts.

Their near-term wager is that home-building will continue to lag behind demand and that bad credit, a lack of savings and tight lending will keep many people renting. Long-term, they are wagering that homeownership will no longer be an essential component of the American dream and that more people will choose to rent.

"The markets that we're in are characterized with high population growth, high household formation growth and, most importantly, job growth," said Fred Tuomi, who is Starwood's chief executive and will lead the combined company. "These are markets that people are moving to for opportunity versus moving from."

The homeownership rate is hovering around 50-year lows and home prices are rising, partly due to a shortage of new houses. That has driven rents higher in the markets



Blackstone Group's Invitation Homes Inc. and Starwood Waypoint Homes will own 82,000 homes in 17 metro areas when combined.

where the companies operate. Invitation says its average monthly rent is \$1,683, while Starwood says its is \$1,629.

The firms' executives note that on a per-square-foot basis, rents for single-family homes lag behind those charged for apartments. But their challenge will be to pace rent increases so as to not turn their tenants into house hunters who would compete with them for properties.

The combined company will keep the **Invitation Homes** name and become 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.

The agreement calls for each Starwood share to convert into 1.614 **Invitation** shares. That will result in **Invitation** shareholders owning 59% of the combined company's shares with Starwood's investors receiving the remainder. The companies have

For Rent

Invitation Homes and Starwood Waypoint Homes plan to merge to become the country's largest private owner of single-family rental homes.



*Rounded to nearest hundred

Source: the companies

will be split with six directors, including Blackstone's real-estate chief Jonathan Gray, coming from **Invitation Homes**, and five from **Starwood**, including its Chairman Barry Sternlicht, who said in an interview that he plans to hang on to his stake in the rental homes.

"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 23% this year, including a 5.2% gain after the merger was announced. Shares of **Invitation Homes** rose 3.9% on Thursday.

Please see **BUILDER** page B2

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

STREETWISE | By James Mackintosh

New Financial Crisis: We Forgot Last One

The measure of a true financial crisis is that money itself comes into question. The global financial crisis began 10 years ago this week, when a French bank suspended three money-market funds. What savers thought was money turned out to be merely credit, and the realization rapidly trashed U.S. money-market funds and the global banking system.

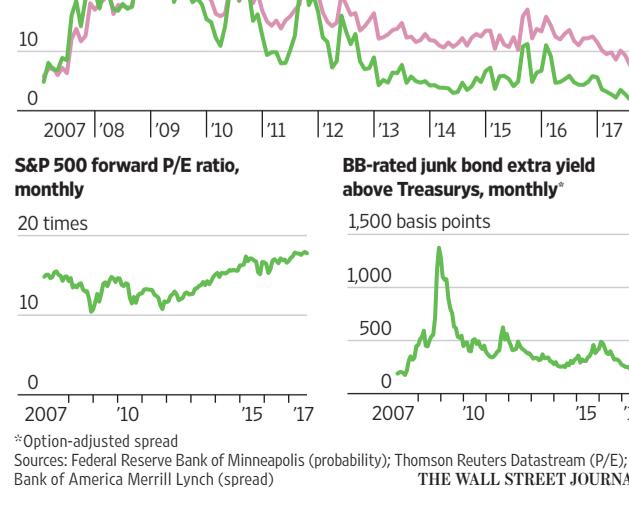
There is little risk of a repeat any time soon. While there is plenty of financial innovation going on, the amounts being parked in modern money alternatives are relatively small, at least outside China. Cryptocurrencies like bitcoin and peer-to-peer lenders are obviously more risky than the money alternatives of 2007.

So much for the good

Everyone Agrees: No Danger

Derivatives are pricing in less risk of a big market move than any time since before the financial crisis, and both equity and debt are very expensive.

S&P 500 option-implied probability of 20%, monthly



INSIDE



ECLIPSE IGNITES HOT BUSINESS

RETAIL, B3



STOCKS ACCELERATE PULLBACK

EQUITIES, B12

Wells Fargo Shake-Up Imperils Chairman

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 responded to requests for comment.

Wells Fargo, the third-biggest U.S. bank by assets, has spent most of the past year trying

Please see **WELLS** 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	
Alibaba Group Holding	B4
AlphaB	B4
Altice	B12
Amazon.com...B3,B5,B12	
American Airlines...B10	
American Express...B10	
American Industrial Partners...B10	
American Paper Optics...B3	
Apple...A2,B5,B10	
Applebee's...B3	
Armc Metal Holdings...B10	
Avaya...A2	
B	
Babcock & Wilcox Enterprises...B10	
Bain Capital...B5	
Bank of America...B2	
Barclays...B10	
Best Buy...B3	
Blackstone Group...B1,B2	
Blue Apron Holdings...B3,B12	
BNP Paribas...B2	
Brinker International...B3	
C	
CBOE Holdings...B11	
Celestron...B3	
Charter Communications...B12	
Choice Hotels International...B3	
Citigroup...B10	
Comcast...B12	
Cox Communications B12	
D	
Danfoss...B6	
Deere...B11	
Deutsche Bank...B2	
Didi Chuxing Technology...B4	
E	
Dillard's...B3,B12	
DineEquity...B3	
DuPont...B11	
F	
eBay...A1,B5	
Facebook...B4	
Flipkart Group...B5,B10	
FMC...B11	
Foxconn Technology...A2,B5	
G	
Glencore...B11	
Goldman Sachs Group B2	
Google...B4	
H	
Hangzhou HIK Vision Digital Technology...A6	
Hon Hai Precision Industry...A2,B5	
I	
Innovation Network of Japan...B5	
Instagram...B1	
Instinet...B12	
Intel...B4	
J	
JetBlue Airways...B10	
K	
Kohl's...B3,B12	
Kroger...B3	
L	
Lego...B6	
Lightship Capital...B10	
Lyft...B4	
M - N	
Macy's...B3,B12	
Mastercard...B10	
Mattel...B6	
Microsoft...B5	
Morgan Stanley...B2	
Nasdaq...B11	
P	
Wal-Mart Stores...B3	
Wells Fargo...B1	
Western Digital...B5	
Westinghouse Electric...B5	
WeWork...B10	
Worldpay Group...A2	

INDEX TO PEOPLE

B	
Barrack, Thomas J....B1	
Brown, Danielle...B4	
C	
Cappelleri, Frank...B12	
Christiansen, Niels B...B6	
Cohen, Steven A...B2	
Cole, Christopher...B11	
D	
Damore, James...B1,B4	
Drahi, Patrick...B12	
E	
Emerson, Joelle...B4	
F	
Fitzgerald, Scott...A2	
G	
Georgiadis, Margaret...B6	
Graves, Ryan...B5	
Gray, Jonathan...B1	
H	
Grom, Charles...B3	
K	
Hintz, Gordon...A2	
Holley, Bruce...B2	
L	
Kalanick, Travis...B5	
Kashkari, Neel...B10	
Knudstorp, Jørgen Vig...B6	
M	
Lucero, Lance...B3	
P	
Molyneux, Stefan...B4	
R	
Padda, Bali...B6	
Pichai, Sundar...B1	
Rodrigues, Barry...B12	
S	
Sajed, Amer...B10	
Salzberg, Matt...B3	
Sanger, Steven...B1	
Schwarzman, Steve...B2	
Son, Masayoshi...B5,B10	
Spiegel, Evan...B2	
Sternlicht, Barry...B1	
T	
Tchir, Peter...B11	
Throsby, Tim...B10	
Tsunakawa, Satoshi...B5	
Tuomi, Fred...B1	
V	
Vos, Robin...A2	
W	
Walker, Scott...A2	
Whye, Barbara...B4	
William Dudley...B10	
Wren, Scott...B12	

BUILDER

Continued from the prior page
and are up about 9.1% since its
IPO.

Messrs. Sternlicht and Barrack had similar strategies to Blackstone following the mortgage meltdown a decade ago. They bought foreclosed homes by the thousands 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 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.

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. 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. 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, the more efficiently leasing agents, maintenance crews and contractors can work. The firms' combined holdings also should make for cheaper financing. And a larger company could mean inclusion in big stock indexes.

The companies believe they can achieve as much as \$50 million a year in so-called synergies by combining. They overlap in 10 of their combined 17 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.

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

Continued from the prior page and nuclear apocalypse probably won't be triggered from one of President Donald Trump's golf courses.

The danger is that investors are complacent to an extraordinary degree.

There is no margin of error, and if investors turn out to be wrong, it will be a nasty shock. It isn't just that volatility is very low, although it is. Options on the S&P 500 suggest less than a 1-in-10 chance of a 20% rise or fall in the market over the next two decades into a portfolio of drilling rights, rig operators and construction arms.

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 tug-boat 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 rights, 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, taking 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 records, 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 the 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 members and put the Natita up for sale in 2015 for \$59.5 million (\$67 million at that time), then dropped the price to \$57.5 million last year, according to court documents. He sold a second

Palm Beach house in April 2015 for \$19 million. Goldman alleges he stopped paying back on the loan last November.

Three crew members, including the captain, were recently awarded roughly \$90,000 in back pay by a Florida court. A Texas judge last month awarded his former bodyguard more than \$500,000 for unpaid services. Mr. Kallop also owes the Florida marina where the Natita is docked hundreds of thousands of dollars in fees, employees said.

Eventually, Goldman filed suit in a Miami federal court to seize the boat in a maritime version of a foreclosure. Acting on a judge's orders, U.S. Marshals impounded the Natita at a West Palm Beach marina, where it remains.

Goldman's first move as owner-in-waiting: buying \$67,000 worth of fuel to keep the yacht's generator running, according to court filings.

Today, the yacht is listed for \$39.9 million, according to broker Worth Avenue Yachts. The outstanding balance of the loan owed to Goldman is roughly \$28 million.

SNAP

Continued from page B1
the impacts of their campaigns.

Snap's stock-market debut shifted the conversations advertisers are having about the social-messaging company, marketers say. When the early buzz was around how Snapchat was "taking millennials and Gen Z by storm," the conversation in the boardroom among CMOs was what are we doing about this," said Mr. Wiener. "Now they are questioning whether Snap is viable."

Historically, the second quarter has been a strong quarter for advertising, Mr. Wiener says, partly due to a string of holidays that spur shopping, such as Mother's Day and Father's Day. In the first quarter, Snap attributed a sequential decline in revenue in part to seasonal trends.

In an effort to reassure investors, Snap co-founder and Chief Executive Evan Spiegel emphasized the avenues for growth ahead. He highlighted Snap's new automated ad-selling platform, fresh products like Maps, and the increased attention devoted to Snapchat's Android app, which has lagged behind the performance of the iOS version and limited its ability to grow.

Mr. Spiegel said Snap has already addressed most of the obvious items that held back Android performance, but noted the remaining improvements required will come from larger changes to the app that will take some time.

STREET

Continued from the prior page and nuclear apocalypse probably won't be triggered from one of President Donald Trump's golf courses.

The danger is that investors are complacent to an extraordinary degree.

Economists are similarly confident that U.S. inflation will be well-behaved, with much less variation than usual around the average forecast for next year of 2.08% collected by Consensus Economics.

Of course, just because

BUSINESS & FINANCE

Why Goldman Sachs Seized a Yacht

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, Fla., 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 to wine.

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: lend money to people. They have the added benefit of building loyalty among prizewinners.

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."

Although not as well-known as some other borrowers, Mr. Kallop was the kind of client courted by private banks.

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 tug-boat 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 rights, 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, taking a 7% stake in energy company Quicksilver Resources and buying a 300-year-old liquor distillery in Peru.

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 problems within Wells Fargo.

Behind the sense of security is a belief that deflation



BUSINESS NEWS

Retailers' Sales Sink but Not So Deeply

Macy's and Kohl's slow slump in their sales, and Dillard's has loss; Nordstrom bucks trend

BY SUZANNE KAPNER
AND EZEQUIEL MINAYA

Macy's Inc. and Kohl's Corp. reported another quarter of shrinking sales that spooked investors, though the latest declines weren't as deep as they have been in recent periods.

Kohl's executives pointed to signs of improved demand and shopper traffic in summer months, and Macy's executives said their store restructuring and inventory reduction put them on track to reach their goals for the year.

"I don't want to make too much of one quarter, but it certainly feels better than it has in a long time," Karen Hoguet, Macy's finance chief, said in an interview.

Still, the results weren't enough for investors who have soured on the sector. Shares of

Macy's fell 10% and Kohl's dropped 5.8% Thursday. Smaller department-store chain Dillard's Inc., which Thursday surprised analysts by swinging to a loss, tumbled 16%.

After U.S. markets closed, Nordstrom Inc. bucked the downward trend, reporting higher quarterly revenue and a 1.7% increase in sales at stores open at least a year.

Shares of the upscale retailer gained 3% in late trading, recouping some of Thursday's decline.

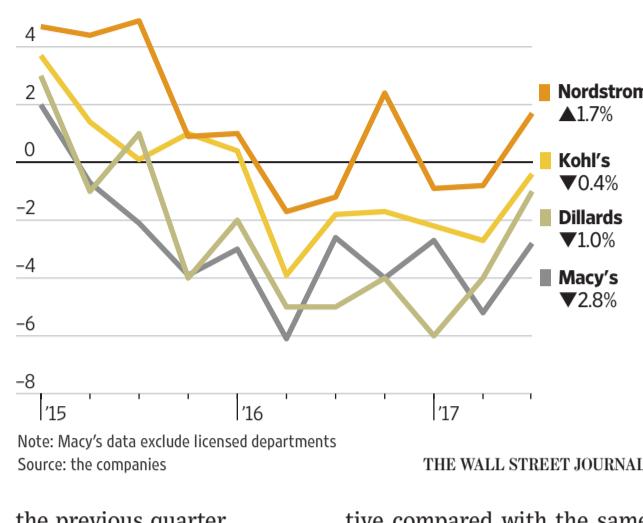
"Investors want more sustainable evidence of why these businesses can survive in today's world," said Charles Grom, an analyst with Gordon Haskett Research Advisors.

Macy's same-store sales, a metric that tracks sales at established locations that haven't recently opened or closed, fell 2.8% in the second quarter, which was an improvement from the 5.2% retreat logged in the first quarter.

Kohl's same-store sales retreated 0.4% in its latest quarter, less than the 2.7% decline

Retail Slipping

Change in same-store sales from a year earlier



Note: Macy's data exclude licensed departments

Source: the companies

compared with a year ago. Mr. Mansell said Kohl's also sold more goods at full price, while less inventory resulted in fewer promotions to clear unsold goods.

Foot traffic has steadily slowed at brick-and-mortar stores as shoppers increasingly turn to Amazon.com Inc. and e-commerce to spend their dollars. Same-store sales have declined at both Macy's and Kohl's for several quarters in a row.

But Craig Johnson, the president of market-research firm Customer Growth Partners, said the worst may be over for some of the stronger department stores.

"Although it's premature to call a turn, we believe that the sector has bottomed," Mr. Johnson said, adding that mall traffic picked up in July just in time for the back-to-school sell season.

Macy's said business improved throughout the second quarter, despite a 9% drop in sales to foreign tourists. New strategies, including revamped shoe and jewelry departments,

contributed \$60 million in sales during the period.

Macy's, which is in the process of closing 100 stores, said on Thursday it expects same-store sales to decline about 2.5% in the third quarter.

Kohl's CEO said he has no plans to announce mass store closures this year.

"There is an impact on a market when you have fewer stores," Mr. Mansell said, noting that e-commerce sales tend to slow in areas where stores have closed. "Everything we've learned reinforces the importance of a great physical footprint."

Overall for the quarter ended in July, Macy's earned \$116 million, up from \$11 million a year ago. Revenue decreased 5.4% to \$5.55 billion. Kohl's posted \$208 million profit, up from \$140 million a year ago. The company's revenue slipped 0.9% to \$4.14 billion.

—Michelle Ma contributed to this article.

◆ Heard on the Street: Retailers are on down escalator..... B12



Many models of special glasses to view a solar eclipse are sold via Wal-Mart Stores, Toys 'R' Us, Amazon.com and other retailers, plus museums and science groups.

A Brief, Shining Moment for Businesses

Eclipse fires up demand for special glasses; firms and NASA issue warnings on fake products

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 star-gazers 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.

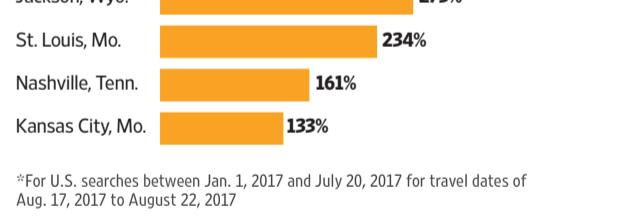
"We are kind of kicking ourselves because we're in a position where we're actually selling out of most of our shelves," said Mr. Lucero, whose Celestron glasses were picked up by Best Buy Co. among others. Celestron won't be able to produce more glasses in time for the Aug. 21 event, he said, estimating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

In the Market

Demand has been surging for eclipse experiences and products, including interest in travel to prime viewing spots.

Change in hotel searches on Kayak.com from previous year*



*For U.S. searches between Jan. 1, 2017 and July 20, 2017 for travel dates of Aug. 17, 2017 to August 22, 2017

Source: Kayak.com

reach consumers, Chief Executive John Jerit said. That trend also has given rise to more counterfeit and sub-standard products, according to manufacturers and the National Aeronautics and Space Administration, which warned 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, said Alex Young of NASA's Goddard Space Flight Center.

NASA also issued guidelines on how to view the event safely.

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.

According to Jason Mitchell, partner of GSM Sales, Amazon has since restricted the sale of Soluna glasses to his company, so all Solunas on the site as of Thursday are legitimate.

The American Astronomical Society's website recommends 12 brands that meet safety standards.

Blue Apron Costs Eat Into Profit; Shares Fall

BY HEATHER HADDON
AND CARA LOMBARDO

Shares of Blue Apron Holdings Inc. fell nearly 18% as the meal-kit maker struggled to reassure investors that it can contain costs and fend off competition in the fast-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, 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 new 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 preportioned 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. Meal kits currently sold on Amazon are attracting customers, and the e-commerce giant is also pushing into the space. It filed a trademark for prepared food kits last month.

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 are down nearly 50% from their \$10 price when they began trading on June 29. They tumbled to \$5.14 on Thursday.

Blue Apron is valued at about \$1 billion, far less than the \$3 billion target its bankers used when approaching investors ahead of the IPO.

Applebee's Parent Taps New CEO, Plans Cutback

By JULIE JARGON

DineEquity Inc. named a new chief executive and plans to close as many as 160 Applebee's International Inc. and IHOP restaurants, making the casual-dining bellwether the latest chain hurt by declining traffic and an enduring shift in consumer habits.

Stephen P. Joyce, a long-time DineEquity board member, will take over as chief executive on Sept. 12, the company said Thursday. Mr. Joyce is currently chief executive of Choice Hotels International Inc.

"I have seen DineEquity, Applebee's and IHOP experience both incredible success and challenging periods, like the one we are in today," Mr. Joyce said. Former DineEquity CEO

Julia Stewart resigned in March after 16 years in that role.

Casual-dining companies have struggled for years as consumers have gravitated toward healthier food and fast-casual chains that offer fresh food at lower prices and in much less time than sit-down restaurants such as Applebee's. Casual-dining chains have been particularly hard hit at lunch. Such restaurants last year posted their steepest-ever decline in lunch traffic, according to NPD Group Inc.

Applebee's has struggled more than most. The chain's domestic same-store sales fell 6.2% in the second quarter versus the prior-year period. Some of the problems have been self-inflicted, the company said. DineEquity executives said an effort to woo younger, wealthier customers had alienated the chain's older

base in mid-America.

The company plans to provide financial assistance to some struggling franchisees. It disclosed in a regulatory filing that a franchisee that repre-

sents approximately 5% of Applebee's domestic systemwide sales is in particularly acute financial distress. It didn't identify that franchisee or the number of restaurants it operates.

DineEquity said the chief

executive and chairman roles will be separated and the company will name a new board chairman. Applebee's will close 105 to 135 restaurants by year-end, and IHOP will close between 20 and 25 restaurants, out of a total of about 3,700 outlets for both chains.

The company lowered its full-year same-store sales guidance to as much as a 3% decline at IHOP and as much as an 8% decline at domestic Applebee's outlets.

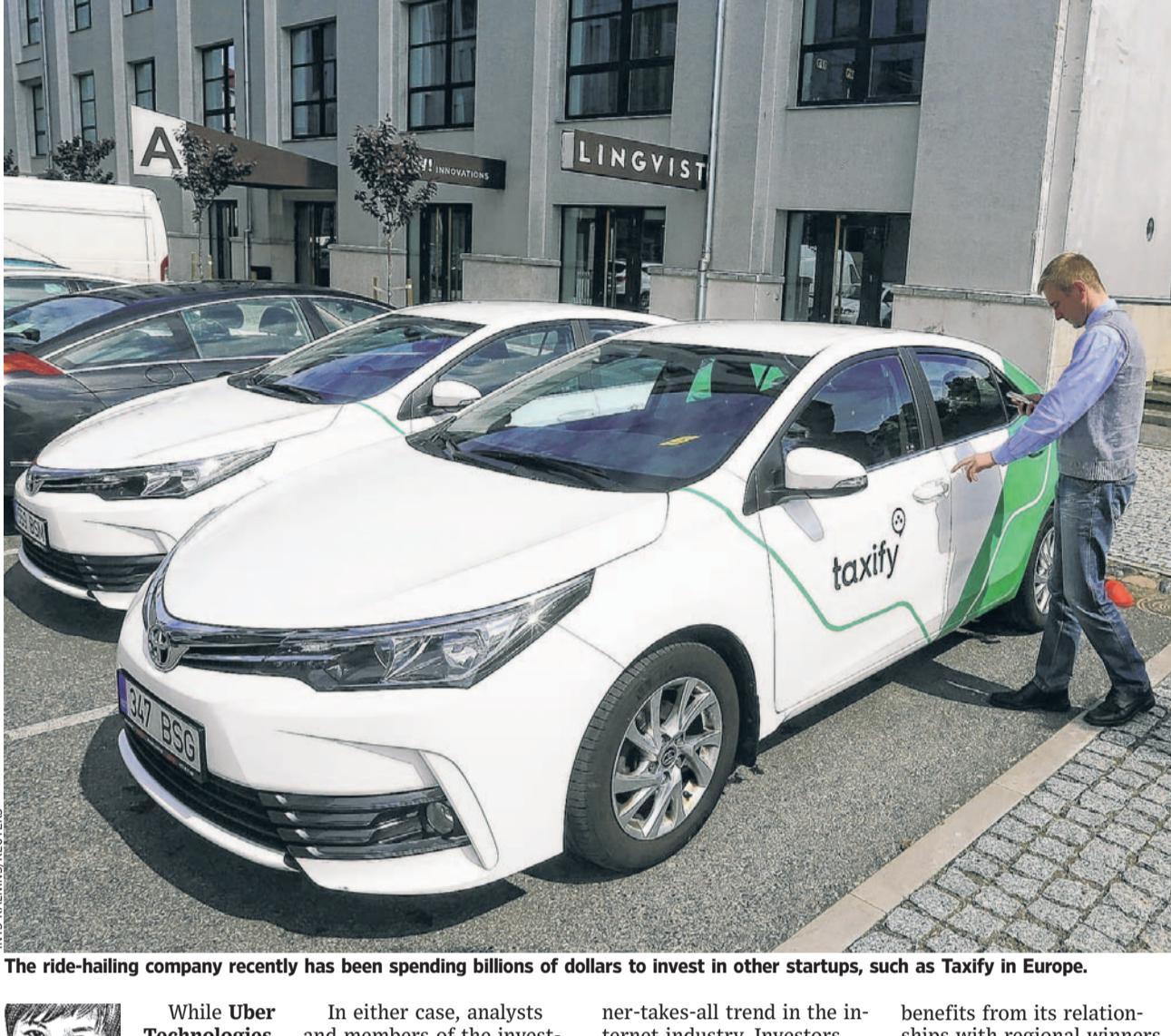
The company posted revenue of \$155.2 million in the quarter, just below analysts' expectations of \$155.3 million. Income was \$21.3 million, or \$1.18 a share, compared with expectations of \$19 million, or \$1.07 a share.

—Justina Vasquez contributed to this article.

TECHNOLOGY

CHINA CIRCUIT | By Li Yuan

Can Didi Justify Its Valuation?



The ride-hailing company recently has been spending billions of dollars to invest in other startups, such as Taxify in Europe.



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 finance professor at China Europe International Business

Some analysts and investors say Didi isn't behaving like a typical startup.

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 win-

ner-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 Facebook for social media or Alibaba 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 more than ever—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.

In announcing deals, 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.

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

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Public Sale No. 1: Wednesday, August 16, 2017, 2:00 P.M. EDT
The Asset Type for Lot 1 is Subprime, Lot 2 is Zero Factor - CDO

Lots 3-33 is Zero Factor - RMBS.

Lot #	CUSIP/Name	Issue	Original Face
1	29256PAZ2	EGR 2005-E M2	10,000,000
2	02317UAB3	AMBSD 2005-1A 2A	10,000,000
3	004421UH4	ACE 2005-HET M6	13,464,000
4	073879355	SBABS 2005-HE11 M5	2,450,000
5	144528AK2	CARR 2005-NC3 M6	1,200,000
6	126670HN1	CWL 2005-13 MVS	11,050,000
7	32027N7Y3	FFML 2005-FF12 M5	7,000,000
8	35729PNH9	FHLT 2005-E M5	10,000,000
9	35729PNJ5	FHLT 2005-E M6	3,750,000
10	367910A29	GEWMC 2005-2 M5	5,750,000
11	39538WE11	GPMF 2005-AR5 M1	5,000,000
12	39538WDN5	GPMF 2005-HE4 M6	6,500,000
13	362341N70	GSR 2005-HE11 M2	15,000,000
14	45071KCT9	IIXIS 2005-HE4 M6	5,250,000
15	46626LB99	JPMAC 2005-WMC1 M6	3,000,000
16	54251TA64	LBMLT 2006-7 M2	2,400,000
17	61744CZK5	MSAC 2006-NC3 M6	4,000,000
18	64352VPE5	NCHET 2005-C M6	9,043,000
19	66987XHC2	NHEL 2005-3 M6	9,750,000
20	66987WDJ3	NHEL 2005-4 M5	12,000,000
21	68389FNJ9	OOLMLT 2005-4 M6	7,028,000
22	68402YAH9	OONMLT 2007-CP1 M4	100,000
23	76110W6S0	RAS 2005-18AL M5	8,000,000
24	78578M910	SACO 2005-11 M2	7,465,000
25	86359PZK2	SACO 2005-11 M4	13,000,000
26	86359REX0	SAIL 2005-8 M3	20,667,000
27	84751VA65	SURF 2006-BC4 M2	1,400,000
28	83611MP4	SVHE 2005-OP7A M4	10,000,000
29	8825561D43	TMTS 2005-12SL B4	8,926,000
30	881561F58	TMTS 2005-18AL M1	7,276,000
31	881561M84	TMTS 2006-11 M6	3,488,000
32	881561J39	TMTS 2006-12 M4	12,000,000
33	92977YBC4	WMLT 2005-WMC1 M6	4,368,000

Trustee deems it advisable or is required by applicable law to do so: (i) to restrict the prospective bidders and/or purchasers of the above identified security ("the Collateral") to be sold to those who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution of such security; (ii) to require a certificate for the sale of the Collateral stating that it is in legend substantially to the effect that such security has not been registered under the Securities Act of 1933, as amended, and may not be disposed of in violation of the provisions of said Act; (iii) to disclaim and to refuse to give any warranty (other than as to title), and (iv) to impose such other limitations or conditions in connection with any such sale as the Trustee deems necessary or advisable.

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Housing Finance Authority General Multi-Family

Housing Bond Resolutions adopted April 27, 2000

(as amended), December 14, 2000 (as amended), and November 17, 2009, effective August 1, 2017

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successor trustee to The Bank of New York Mellon Trust

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Diversity Push Is a Hard Sell In Silicon Valley

By GEORGIA WELLS AND YOREE KOH

numbers. At Intel, 85% of U.S. employees are either white or Asian, the company said in December, also down just 1 percentage point from three years ago.

Alphabet has over 75,000 employees and Intel has more than 100,000, making it harder for those companies to move the percentages.

The people with the most to lose may also resist change to how the system works. "Diversity efforts can be a tough sell to some employees—primarily those from majority groups," said Joelle Emerson, chief executive of Paradigm, a consultancy that advises Silicon Valley companies on diversity.

Previously, when Ms. Brown had the same role at Intel Corp., employees anonymously posted approximately 40 negative comments on an internal company website in response to positive articles about Intel's diversity programs, according to a former Intel employee. Ms. Brown left Intel in June to join Google.

Some of the comments questioned why Intel was devoting \$300 million over a number of years to improve diversity, or suggested managers would be forced to hire unqualified workers to satisfy goals, according to the former employee. Other comments said the initiative was just for good public relations.

"This work is hard," Ms. Brown said in an interview with The Wall Street Journal in February about her work at Intel. "Engineers...don't believe we have a problem until we see the data behind it."

One reason for the skepticism is that three years and hundreds of millions of dollars spent on diversity have produced meager results.

The tech industry continues to be a mostly white or Asian male workforce. Google, part of Alphabet Inc., said in June that 69% of its staff is male, only 1 percentage point less than in 2014, the first year it began reporting its diversity

—John Simons and Jack Nicas contributed to this article.

Rewiring Tech

Despite incremental change, the gender gap is wider at major tech firms than at companies overall.

Google Apple Microsoft Facebook Amazon

Female employees, by role globally

Overall	Nontech	Tech	Leadership [†]
50%	50%	50%	50%



*Tech and nontech figures not available.

[†]Leadership includes executives, senior officials and managers

Sources: Google as of Jan. 2017; Apple as of June 2016; Microsoft as of Sept. 30, 2016; Facebook as of June 30, 2017; Amazon as of July 2016

THE WALL STREET JOURNAL.

people of all political stripes, and there's outrage at the extreme of both ends of the spectrum and more sanity in the middle." Moderate liberals at the company don't believe the memo threatens the rights of women at the company, while moderate conservatives don't think Mr. Damore's firing means they can't express themselves, this employee said. "But ultimately the loudest voices on the fringes drive the perception and reaction."

A person familiar added that an additional top question was: "What can we do to clarify for the entire company that there is one hiring bar," regardless of race or gender? There are "definite mixed feelings" inside the company, one employee said. "There are

people who are worried that you cannot speak out at work freely," he wrote.



Google's CEO, Sundar Pichai, expressed concerns about the safety of employees in an email.

TECHNOLOGY

First Hire At Uber Takes a Step Back

By GREG BENSINGER

Ryan Graves, **Uber Technologies Inc.**'s first hire, said he would step aside from his daily role as senior vice president of operations, the latest shake-up in the ride-hailing company's top management.

Mr. Graves became Uber's first employee in 2010 when he responded to a hiring call on Twitter from Uber co-founder Travis Kalanick. Mr. Graves was briefly Uber's chief executive in its early days before handing the reins to Mr. Kalanick, who was pushed out by investors in June after months of scandal and bad press racked the \$68 billion company.

Mr. Graves, now a 34-year-old billionaire, said in an email to staff on Thursday that he will leave his current role in September to focus on being a board director at Uber.

"My hope is that ensuring my transition is known and planned for well before our board's decision on CEO it will help to make it clear to our team and to our new leader that I will be there to support however I can," said Mr. Graves in his email.

In addition to seeking a new CEO to replace Mr. Kalanick, Uber also is looking for chiefs of operations, finance and marketing, as well as a new independent chairman.

Mr. Graves oversaw human resources in his operational role, a division that came under scrutiny after a former software engineer alleged in a February blog post that the company turned a blind eye to sexism and sexual harassment, prompting Uber to call for a months-long probe led by former U.S. Attorney General Eric Holder's law firm, Covington & Burling.

SoftBank's Tech Fund Invests in Flipkart

By MAYUMI NEGISHI

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 Inc.**, 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 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 betting big on market leaders as well as startups. Led by SoftBank founder Masayoshi Son, the fund aims to speed up technological change by allowing smaller firms to focus on growth, while securing returns from bigger companies for its investors, which include sovereign-wealth funds of Saudi Arabia and Abu Dhabi and tech giants such as **Apple Inc.** (Please see related article on B10.)

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 to more than \$4 billion, Flipkart said on Thursday.

For months, SoftBank had pushed 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.

—Karan Deep Singh
in New Delhi
contributed to this article.

Toshiba Revives Talks for Chip Unit Sale

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." **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.

Analysts and people involved in the chip-unit deal say it could raise ¥2 trillion or significantly more because of the popularity of the unit's NAND flash-memory chips for computers, smartphones and

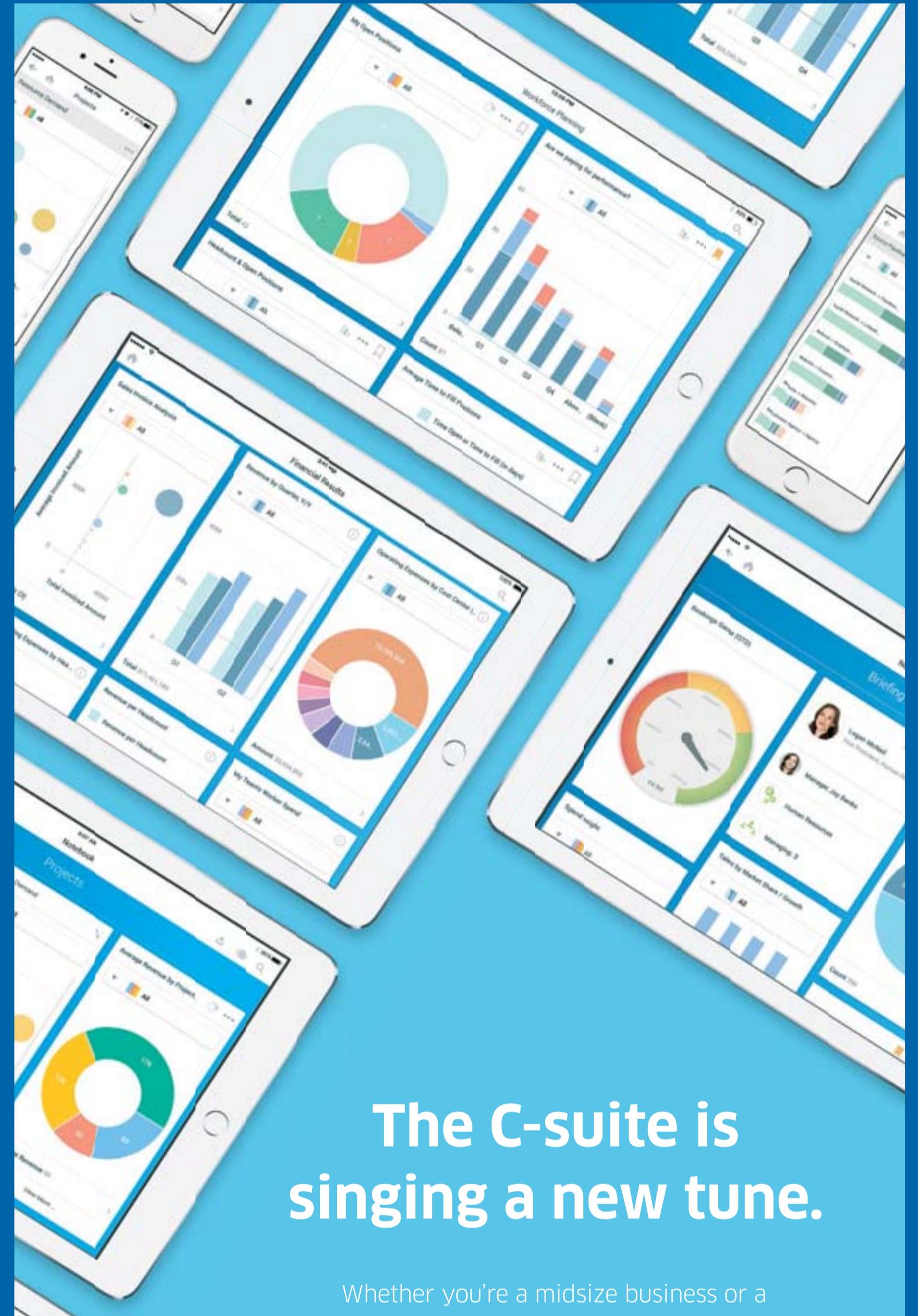
game devices. One major obstacle is a legal challenge by Western Digital, a U.S. company with which Toshiba jointly operates Japan-based factories making the NAND chips.

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.



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BUSINESS NEWS

Lego Replaces CEO After Eight Months

Appointment comes as the toy maker is taking aim at Mattel and digital offerings

BY SAABIRA CHAUDHURI

Lego A/S has 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 Lego's first non-Danish chief since its foundation in 1932.

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 previously, he said in an interview with The Wall Street Journal.

At the time, Mr. Knudstorp says, he was actively searching

Bricks vs. Barbies

Lego is closing in on Barbie maker Mattel as the world's biggest toy maker...



Source: the companies

...despite last year's sharply slowing sales.

for new CEO candidates since Mr. Padda's appointment was never intended to be long-term because of 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.

Mr. Knudstorp liked Mr. Christiansen's global experience and Danish roots, his focus on social responsibility and his reputation for having transformed Danfoss—which has customers in more than

100 countries and employs more than 25,000 people—into a more digitally focused company.

"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," said Mr. Knudstorp of Mr. Christiansen.

The appointment comes as Lego, which employs 18,500 people, grapples with slowing sales growth and competition from smartphone apps and



SCANPIX DENMARK/REUTERS

Niels B. Christiansen will join the Danish toy maker as its head.

videogames. It is locked in 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 big marketing push in the U.S. failed to lift stalled sales there.

On Thursday, Mr. Knudstorp denied the leadership change was motivated by weak performance, 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 intensely 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 reshuffle comes as Mattel has also sharpened its focus on technology. Earlier 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 Kristiansen family's 75% stake in the toy maker, as well as interests in Legoland theme parks and in an education 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.

—Dominic Chopping contributed to this article

News Corp Posts a Loss on U.K. Asset Write-Down

BY LUKAS I. ALPERT

News Corp swung to a loss in the quarter ended in June because of a \$464 million charge to write down the value of assets at its U.K. newspapers.

The company reported a loss of \$429 million, or 74 cents a share, compared with net income of \$90 million, or 16 cents a share, in the same period a year earlier. The 16 cents doesn't include the im-

pact of a penny loss from discontinued operations. Excluding the write-down, adjusted earnings came in at 11 cents a share.

News Corp—which publishes The Wall Street Journal, the New York Post and major newspapers in the U.K. and Australia—reported a 7% decline in revenue to \$2.08 billion for the fiscal fourth quarter.

Analysts polled by Thomson Reuters had forecast adjusted

earnings of 9 cents a share on revenue of \$2.1 billion.

The news and information-services business, which accounts for just under two-thirds of the company's top line, reported a 10% decline in revenue to \$1.28 billion, driven by a 12% drop in ad revenue, currency fluctuations and the fact that the year-earlier quarter had an extra week compared with this year's quarter.

Circulation revenue at Dow

Jones, the unit that includes the Journal, rose 10%. The Journal's digital subscriptions climbed to 1.27 million at the end of June from 1.198 million subscribers at the end of March.

Many media companies, including newspapers and cable news outlets, have seen a boost in subscribers and viewers that they attribute in part to keen interest following the tumultuous 2016 presidential election and the start of Presi-

dent Donald Trump's administration. In late July, the New York Times reported a gain of 93,000 new subscribers in the latest quarter, a slowdown from the record growth of the prior quarter.

Revenue in News Corp's book-publishing segment totaled \$407 million, a 6% decline compared with the year-earlier period, with the impact of currency fluctuations and the shorter accounting period offset by strong sales of

"Dragon Teeth" by Michael Crichton and J.D. Vance's "Hillbilly Elegy."

The digital real-estate business reported a 10% gain in revenue to \$251 million.

The company reported a 40% decline in earnings before income, taxes, depreciation and amortization to \$215 million compared with \$361 million, due to the absence of a one-time pretax \$122 million legal settlement with Zillow in the prior-year quarter.



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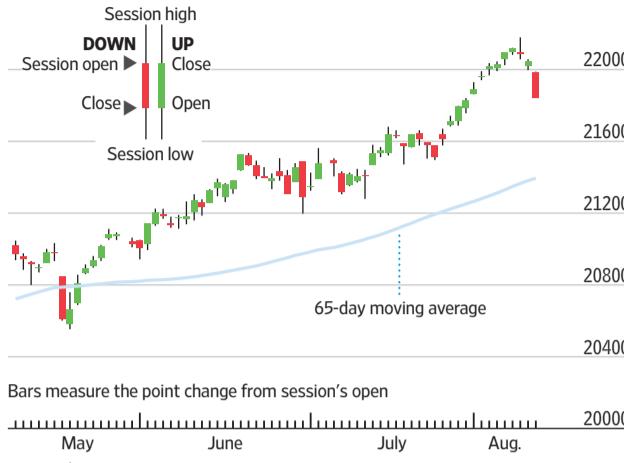
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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21844.01 ▼204.69, or 0.93%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

May June July Aug.

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2438.21 ▼35.81, or 1.45%
High, low, open and close for each trading day of the past three months.



May June July Aug.

Nasdaq Composite Index

6216.87 ▼135.46, or 2.13%
High, low, open and close for each trading day of the past three months.



May June July Aug.

6140 6020 5900 5780 5660

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	21988.20	21843.94	21844.01	-204.69	-0.93	22118.42	17888.28	17.4	10.5	9.7
Transportation Avg	9218.11	9118.51	9119.74	-115.67	-1.25	9742.76	7755.40	16.2	0.8	4.1
Utility Average	736.57	730.48	734.65	1.76	0.24	737.51	625.44	6.2	11.4	10.6
Total Stock Market	25447.79	25163.05	25165.60	-379.57	-1.49	25692.25	21514.15	11.5	8.1	7.7
Barron's 400	642.75	634.01	634.02	-11.82	-1.83	661.93	521.59	15.5	5.4	6.8

Nasdaq Stock Market

Nasdaq Composite	6318.28	6214.41	6216.87	-135.46	-2.13	6422.75	5046.37	18.9	15.5	12.5
Nasdaq 100	5887.27	5783.36	5788.19	-131.20	-2.22	5950.73	4660.46	20.5	19.0	14.2

Standard & Poor's

500 Index	2465.38	2437.75	2438.21	-35.81	-1.45	2480.91	2085.18	11.5	8.9	8.1
MidCap 400	1730.52	1707.79	1707.83	-28.11	-1.62	1791.93	1476.68	9.5	2.8	7.4
SmallCap 600	841.25	831.24	831.33	-12.67	-1.50	876.06	703.64	11.6	-0.8	8.4

Other Indexes

Russell 2000	1396.60	1372.54	1372.54	-24.40	-1.75	1450.39	1156.89	11.7	1.1	6.7
NYSE Composite	11889.28	11770.48	11771.60	-157.86	-1.32	12000.02	10289.35	8.6	6.5	3.3
Value Line	518.85	510.26	510.26	-8.59	-1.66	533.62	455.65	5.5	0.8	1.7
NYSE Arca Biotech	3897.74	3786.60	3787.56	-131.38	-3.35	4075.95	2834.14	13.8	23.2	10.8
NYSE Arca Pharma	522.51	518.32	518.39	-4.58	-0.88	549.20	463.78	-3.9	7.7	1.2
KBW Bank	96.00	94.35	94.38	-2.17	-2.25	99.33	69.05	36.1	2.8	11.1
PHLX® Gold/Silver	84.50	83.73	84.08	1.23	1.49	112.29	73.03	-25.1	6.6	-6.0
PHLX® Oil Service	126.89	123.28	123.55	-2.58	-2.05	192.66	123.55	-23.7	-32.8	-24.7
PHLX® Semiconductor	1084.25	1059.65	1060.02	-30.47	-2.79	1138.25	768.37	36.6	16.9	20.5
CBOE Volatility	16.17	11.56	16.04	4.93	44.37	22.51	9.36	37.3	14.2	0.6

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours High	Low
iPath S&P 500 VIX ST Fut	VXX	17,103.6	13.75	0.46	3.46	13.82	11.98
SPDR S&P 500	SPY	14,933.1	243.68	-0.08	-0.03	247.34	243.39
iShares MSCI Emg Markets	EEM	14,381.1	42.78	-0.04	-0.09	43.94	42.75
Snap	SNAP	13,689.7	11.60	-2.17	-15.76	14.00	11.31
Van Eck Vectors Gold Miner	GDX	9,737.5	23.19	0.11	0.48	23.19	23.02
NVIDIA	NVDA	6,607.9	154.17	-10.57	-6.42	171.77	151.46
iShares Russell 2000 ETF	IWM	5,231.3	135.98	-0.29	-0.21	138.77	135.70
PwrShrs QQQ Tr Series 1	QQQ	4,559.1	140.68	-0.35	-0.25	144.21	140.39

Percentage gainers...

Amyris	AMRS	47.5	3.01	0.32	11.90	3.15	2.75
Aegean Marine Petroleum	ANW	5.7	4.65	0.40	9.41	4.80	4.40
Trade Desk CIA	TTD	213.4	54.50	4.44	8.87	54.99	50.03
22nd Century Group	XXII	110.4	2.39	0.19	8.64	2.41	2.20
VS 2x VIX Short Term	TVIX	1,080.6	23.64	1.39	6.25	24.00	21.99

...And losers

Snap	SNAP	13,689.7	11.60	-2.17	-15.76	14.00	11.31
Aaron's Inc							

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,923.5	2,923.5	2,900.0	2,906.0	-0.0240	1,780		
Aug	2,928.0	2,939.0	2,893.5	2,903.0	-0.0240	143,728		
Gold (CMX) -100 troy oz.; \$ per troy oz.	1,276.60	1,287.40	1,274.90	1,283.70	10.70	1,274		
Oct	1,280.20	1,290.40	1,277.20	1,286.70	10.70	47,504		
Dec	1,283.20	1,293.80	1,280.30	1,290.10	10.80	361,906		
Feb'18	1,286.70	1,297.30	1,286.00	1,293.60	10.80	18,257		
June	1,293.90	1,304.00	1,292.50	1,300.80	10.80	9,193		
Dec	1,306.40	1,312.30	1,306.40	1,311.60	10.80	7,721		
Palladium (NYM) -50 troy oz.; \$ per troy oz.	885.00	885.00	885.00	902.05	5.20	4		
Sept	891.30	905.00	890.40	897.05	5.20	29,029		
Dec	886.35	899.00	885.50	891.70	5.15	5,587		
Platinum (NYM) -50 troy oz.; \$ per troy oz.	962.60	965.30	962.60	983.40	10.10	1		
Oct	979.70	988.60	975.70	985.90	9.80	62,906		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	16,945	17,210	16,945	17,036	0.202	92		
Sept	16,940	17,240	16,850	17,065	0.202	116,344		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	49.68	50.22	48.35	48.59	-0.97	364,643		
Oct	49.79	50.35	48.51	48.75	-0.97	338,138		
Nov	49.97	50.47	48.63	48.88	-0.99	162,864		
Dec	50.10	50.56	48.74	49.00	-1.01	316,424		
June'18	50.32	50.65	49.06	49.30	-1.06	156,029		
Dec	50.25	50.45	49.00	49.25	-0.98	176,464		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1,656.0	1,6797	1,6256	1,6213	-0.0220	106,256		
Sept	1,661.5	1,6814	1,6288	1,6344	-0.0213	67,952		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,6223	1,6494	1,5930	1,6028	-0.0172	105,372		
Oct	1,5927	1,5535	1,4995	1,5091	-0.0197	84,517		
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.	2,877	2,995	2,872	2,985	.102	239,796		
Sept	2,916	3,027	2,911	3,017	.097	240,426		
Oct	2,988	3,096	2,983	3,076	.083	104,001		
Jan'18	3,231	3,323	3,231	3,306	.069	135,757		
March	3,179	3,258	3,179	3,244	.060	82,161		
April	2,863	2,899	2,862	2,898	.029	106,438		

Contract

Open High hilo Low Settle Chg Open interest

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

Sept 371.75 375.50 ▼ 356.50 357.25 -15.00 359,909

Dec 385.50 389.00 ▼ 370.25 371.00 -15.25 624,066

Oats (CBT)-5,000 bu.; cents per bu.

Sept 271.25 278.75 265.00 266.00 -4.50 573

Dec 276.25 284.00 266.00 267.00 -8.50 5,642

Soybeans (CBT)-5,000 bu.; cents per bu.

Sept 963.75 974.75 934.00 930.75 -32.25 198

Dec 973.25 988.50 938.50 940.25 -33.00 348,041

Soybean Meal (CBT)-100 tons; \$ per ton.

Sept 305.90 308.80 294.60 294.20 -12.40 598

Dec 312.90 316.90 299.90 300.20 -12.70 168,295

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

Sept 34.38 34.61 33.49 33.74 -39 276

Dec 34.51 35.15 33.89 34.16 -37 191,137

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

Sept 123.00 123.60 122.00 122.50 -6.00 6,764

Nov 125.00 126.00 124.80 125.00 -6.00 2,926

Wheat (CBT)-5,000 bu.; cents per bu.

Sept 459.50 462.00 439.25 440.50 -19.00 136,359

Dec 486.75 489.50 467.25 468.75 -18.00 184,412

Wheat (KCI)-5,000 bu.; cents per bu.

Sept 464.25 466.25 446.00 448.25 -15.50 70,298

Dec 492.00 493.75 473.75 475.75 -15.25 93,138

Wheat (MPLS)-5,000 bu.; cents per bu.

Sept 734.00 741.75 702.50 703.25 -30.75 24,580

Dec 746.00 753.75 715.00 715.50 -30.00 37,910

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Aug 141.475 142.175 140.600 141.175 -3.50 11,507

Sept 141.700 142.400 140.750 141.300 -8.50 17,655

Cattle-Live (CME)-40,000 lbs.; cents per lb.

Aug 110.000 110.450 108.600 108.850 -11.50 13,426

Oct 107.900 108.600 106.400 106.600 -14.50 166,165

Hogs-Lean (CME)-40,000 lbs.; cents per lb.

Aug 84.175 84.500 84.050 84.450 .325 13,990

Oct 68.150 68.500 67.625 67.975 -.275 119,142

Lumber (CME)-110,000 bd-ft.; \$ per 1,000 bd-ft.

Sept 368.50 368.50 363.20 365.50 -2.50 3,105

Nov 354.90 355.10 350.30 352.40 -2.40 1,268

Contract

Open High hilo Low Settle Chg Open interest

Milk (CME)-200,000 lbs., cents per lb.

Aug 16.43 16.45 16.36 16.39 -.04 5,174

Sept 16.82 16.91 16.75 16.86 -.08 5,452

Cocoa (ICE-US)-10 metric tons; \$ per ton.

Sept 2,004 2,016 1,944 1,967 -.35 43,763

Dec 2,005 2,019 1,942 1,965 -.40 112,602

Coffee (ICE-US)-37,500 lbs.; cents per lb.

Sept 142.35 143.40 137.70 138.50 -.415 60,171

Dec 146.00 146.95 141.20 142.00 -.415 73,912

Sugar-World (ICE-US)-112,000 lbs.; cents per lb.

Oct 13.62 13.72 13.20 13.42 -.40 393,966

March 14.49 14.59 14.10 14.24 -.36 139,878

Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.

Nov 24.96 24.96 ▼ 24.80 24.86 -.11 2,950

Cotton (ICE-US)-50,000 lbs.; cents per lb.

Aug 71.61 71.61 68.85 69.26 -.256 175

Dec 71.04 71.19 68.11 68.11 -.300 151,753

Orange Juice (ICE-US)-15,000 lbs.; cents per lb.

Sept 134.25 137.90 134.25 135.55 2.10 6,673

Nov 133.95 136.75 132.50 133.70 1.30 4,299

Contract

###

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISSE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with its issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes: i-New 52-week high. ii-New 52-week low. dd-Indicates loss in the most recent four quarters. FD-First day of trading. h-Does not meet continued listing standards. If-Late filing. q-Temporary exemption from Nasdaq requirements. t-NYSE bankruptcy. v-Trading halted on primary market or v-Bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. on the previous day.

Thursday, August 10, 2017

Net

Stock Sym Close Chg

BANKING & FINANCE

SoftBank Fund Takes Extra Risk

Falling
Yield on 10-year Treasury note
2.6%
2.5
2.4
2.3
2.2
2.1
1 J F M A M J J A
Note: Bond yields decline as prices rise
Source: Tullett Prebon

THE WALL STREET JOURNAL.

Filings offer clues into the workings of the Japanese group's new investment vehicle

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 **Roviant 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 Fund are included on SoftBank's books.

The earnings report said 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.

The report says ¥44 billion of that gain, or 41%, belonged



SoftBank's Pepper robot on display in Tokyo. SoftBank's new fund has lined up investments in ARM Holdings, Nvidia and WeWork.

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 about 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 com-

mitting \$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, which it has agreed to transfer to the Vision Fund, represents 4.9% of Nvidia's total shares. The stake was valued at ¥483.3 billion on SoftBank's balance sheet as of June 30.

Mr. Son told analysts and reporters that the Vision Fund's aim was to create a community of technology companies that can find ways to work together.

"We do not want to take majority ownership, neither are we investing purely for profit," he said.

Babcock Buyback Preceded Plunge

By DAVID BENOIT

A private-equity firm that three months ago took a 10% stake in power-generating company **Babcock & Wilcox Enterprises Inc.** struck a deal to sell its position back to the company, dodging by one day a 72% plunge in the stock.

Lightship Capital LLC, an affiliate of \$4 billion private-equity firm **American Industrial Partners**, agreed Wednesday to lend Babcock & Wilcox \$176 million, according to a company statement. As part of that deal, Babcock & Wilcox used \$50.9 million of the loan to repurchase Lightship's equity stake, roughly the same amount it was purchased for, according to filings.

On Wednesday along with announcing the loan-and-buyback deal, Babcock & Wilcox—whose biggest business is making and servicing parts for power plants—reported disappointing quarterly earnings that sent the stock into a tailspin. By Thursday, Lightship's stake would have only been worth \$13 million; shares closed down 72% to \$2.70 in Thursday trading, pulling the company's market value down to about \$132 million.

The deal saved Lightship \$34 million in paper losses on Thursday. It will collect a 10% annual interest rate on the loan, Babcock & Wilcox disclosed.

Neither Babcock & Wilcox nor Lightship responded to requests for comment Thursday.

Lightship had filed its stake as an activist position and signaled it had intended to talk to management and the board about improving the company.

A few activists have come under fire in recent years for deals to sell their stock back to a company directly, which can echo greenmail tactics of the 1980s, when the early activists took stakes and demanded to be bought out, often at premiums. The more recent deals didn't include an activist keeping exposure to the firm through debt, however, as Lightship is with the Babcock deal.

Barclays Names Card Unit CEO

By ANNAMARIA ANDRIOTIS

Barclays PLC's international credit card unit is getting a new chief executive.

Barclaycard International has hired longtime card industry executive Barry Rodrigues to run its operations, a position that he is expected to take over in November, according to an internal memo reviewed by The Wall Street Journal. Mr. Rodrigues joins from **Citigroup Inc.**, where he was the head of digital payments in the global consumer bank, in charge of new payment solutions and the team that manages the bank's partnerships with **PayPal** and **Apple** and its relationship with **Mastercard**.

He will replace Amer Sajed, who retired in July. Mr. Sajed became interim CEO in May 2015 and took on the role permanently in April 2016. Barclaycard announced his retirement in March, at the time saying the bank would look at internal and external candidates for Mr. Sajed's replacement.

Under Barclaycard International, Mr. Rodrigues will be in charge of U.S. credit cards and retail online deposits as well as business solutions and payment acceptance in the U.K. He will also oversee the company's credit card and unsecured lending in Germany.

The move takes Mr. Rodrigues to a smaller but growing

lender in the U.S. Barclaycard was the ninth-largest credit-card lender in the U.S. based on purchase volume and balances at the end of last year, according to trade publication the **Nilson Report**.

Its outstanding balances for general-purpose and co-branded cards totaled around \$26.4 billion at the end of last year, up from about \$6.5 billion in 2007 when the bank's ranking by this measure was 14th. Citi has remained among the top five U.S. credit card lenders during this period.

Mr. Rodrigues spent more than two decades at **American Express** before joining Citi in 2011. He followed Jud Linville,

also a longtime AmEx executive, who joined Citi in 2010 and is the bank's chief executive of cards.

Barclaycard is most well known in the U.S. for its co-branded cards. The bank said in July that it will be the issuer of a new Uber credit card that is set to roll out later this year. It is also the issuer of the **JetBlue** credit cards, an account that was previously with American Express. Barclaycard is also one of the issuers for the **American Airlines** co-branded credit card program that it shares with Citi.

Mr. Rodrigues will be based in New York and will report to Tim Throsby, Barclays International president.



MARK KAUFMAN/BLOOMBERG NEWS

Barclaycard, issuer of JetBlue credit cards, had general-purpose and branded-card outstanding balances of \$26.4 billion at end-2016.

Why Are EU Banks Buying Loads of U.K. Debt?

By MIKE BIRD

After the U.K.'s vote to leave the European Union last year, some analysts worried about whether foreign investors would continue to hold British government debt.

But some foreigners haven't just held on—they have been buying, building up a considerably larger long position in the asset class.

Those acquisitive investors are the British subsidiaries of banks in the rest of Europe. They now have a £26.1 billion

(\$33.9 billion) net long position in the U.K.'s government bonds, according to Bank of England statistics.

That is almost twice the size it was at the time of the EU membership referendum, and almost four times the size it was a year before that.

It is possible that EU banks could be using the cheap loans available from the Term Funding Scheme—a program launched by the Bank of England after the Brexit vote—to buy low-risk government bonds. Faced with the uncer-

tainty of Brexit and how a new regulatory environment will affect their business, borrowing cheaply from the central bank and stashing the proceeds in low-risk gilts would make sense.

But U.K. banks, which face the same regulatory uncertainties as their European peers, haven't loaded up on British government debt. In fact, since the referendum, British banks' gilt holdings have declined by about £10 billion, to £99 billion in June.

The U.K. subsidiaries of U.S.

banks have also not changed their holdings much. Those institutions held £6.9 billion in gilts this June, compared with £6 billion recorded in the same month last year.

Likewise, European banks could just be searching for government bonds with higher returns. U.K. 10-year bonds offer a 1.1% yield, compared with 0.4% in Germany.

But U.K. subsidiaries of banks from Japan, which has even lower government bond yields, haven't accumulated gilts.

MARKETS

'Fear Gauge' Of Stocks Hits A High for 2017

BY GUNJAN BANERJI

A measure of stock volatility rose to its highest level of the year, spurring some traders and investors to wager that turbulence will return after a prolonged period of calm in equities.

The CBOE Volatility Index, or VIX, jumped 44% to 16.04, hitting its highest level since the U.S. election in November.

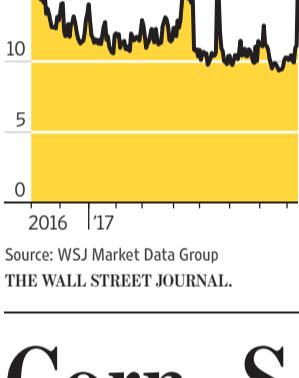
It was a dramatic shift for the index known as Wall Street's "fear gauge," which fell to a record low in recent weeks. The VIX uses S&P 500 index options to measure expectations of stock swings over the next 30 days and tends to rise when investors are anxious and stocks are falling.

Equity markets sank on Thursday as investor fears about geopolitical tensions intensified. Tensions between the U.S. and North Korea escalated this week after President Donald Trump spoke of bringing "fire and fury" to the Asian country. He said later in the week that such talk

Awoken

The CBOE Volatility Index rose to its highest close since November.

25



Source: WSJ Market Data Group
THE WALL STREET JOURNAL.

"maybe wasn't tough enough." The S&P 500 decreased 1.4% on Thursday.

Meanwhile, it was the busiest day ever for VIX options trading, according to Trade Alert data.

Volume of bullish call options on the VIX also hit a record, far outpacing the number of bearish options that changed hands, the data show. Some of the most active options would pay out should the VIX hit a level of 28, 75% higher than Thursday's close, Trade Alert data show.

"The move that we've seen in the VIX is one of the largest explosions in history," especially relative to the move in equity prices, said Christopher Cole, the Austin, Texas-based founder of Artemis Capital Management, which manages \$200 million in volatility strategies.

"This is an example of the dangerous effects" of the widespread popularity of the short-volatility trade, he said. "When everyone is on one side of a boat, it can easily tip into the sea."

Shorting volatility entails betting against the VIX through options and exchange-traded funds. It has been among the most popular and profitable trades on Wall Street this year.

The spot level of VIX rose higher than futures contracts tracking the gauge, climbing above the levels of contracts from August through December. This price relationship is a rare occurrence, since investors tend to price in greater uncertainty further out in time.

People could be buying shorter-dated VIX contracts to hedge, instead of longer-dated ones, said Peter Tchir, head of macro strategy at Brean Capital, which is based in New York. "To me that's an indicator that there really is actual fear," said Mr. Tchir.



An Iraqi refinery. Saudi Arabia has been pressuring other OPEC members for better compliance with an agreement to curb output.

OPEC Output Rose in July

Cartel's efforts to curb production fall short as Libya, Nigeria and Saudis pump more

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 increased 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 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 levels of October 2016, with the aim of alleviating a global oversupply and boosting depressed oil prices.

But the deal, which was extended in May through March 2018, 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.

Some deal participants convened in Abu Dhabi earlier this week to discuss compliance is-

sues, targeting both Iraq and the United Arab Emirates for not meeting their output reduction goals.

But those two countries showed production declines in July—even if short of their promised levels—according to the report. Iraq's output fell 33.1 thousand barrels a day, to 4.5 million barrels a day, while the U.A.E. pulled back by 6.7 thousand barrels a day, to 2.9 million barrels a day.

At the same time, Saudi Arabia, which exceeded its output limit of 10.058 million barrels a day again in July, committed this week to cutting exports to most buyers in Asia by up to 10% in September in an effort to comply with the deal, two Saudi oil officials said Tuesday.

The kingdom traditionally has high domestic oil demand in the summer that increases its output.

Nonetheless, a consistent increase in U.S. production, as well as weak conformity to the

output cut deal by some OPEC members, has kept prices between \$45 and \$55 a barrel for much of the past year.

Prices have rallied somewhat over the past month, though, in part due to falling U.S. stocks. On Wednesday, the U.S. Energy Information Administration reported that the country's crude oil inventories had fallen by 6.5 million barrels to 1.15 billion barrels for the week ended Aug. 4.

Brent, the international benchmark, gained 1% to \$53.22 a barrel on London's ICE Futures exchange in mid-morning trade Thursday. West Texas Intermediate, the U.S. benchmark, gained 0.65% to \$49.88 a barrel on the New York Mercantile Exchange.

OPEC's 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.

Corn, Soybeans Tumble on USDA Forecast

BY BENJAMIN PARKIN
AND JESSE NEWMAN

Corn and soybean prices fell on forecasts for another bumper U.S. harvest, extending a yearslong glut that has hurt farmers' incomes and helped pull down food prices.

The U.S. Department of Agriculture on Thursday unexpectedly raised its estimate for this year's soybean harvest to a potential record of nearly 4.4 billion bushels. The USDA's forecast for this year's corn harvest, 14.2 billion bushels, would be closer than expected to last year's record haul of 15.2 billion bushels.

Crop prices and agricultural stocks fell sharply on the report. September-dated soybean futures fell 3.3% to \$9.34 a bushel at the Chicago Board of Trade while September corn fell 4% to \$3.57 a bushel. Shares of farm-equipment company Deere & Co. and pesticide makers DuPont Co. and FMC Corp. dropped on the prospect of continued trouble for farmers.

"It's a pretty negative report all the way around," said Joel Karlin, an economist at Western Milling in Goshen,



Plains are enduring a severe drought. Others to the east are battling too much rain. Analysts say the full effect won't become clear until later this season.

"Just no uniformity in a lot of the U.S. crops this year," said Dave Marshall, a farm-marketing adviser at First Choice Commodities in Nashville, Ill.

Plentiful global supplies of grain and soybeans have so far restrained price rises. The USDA sees domestic corn stockpiles in 2017-18 near 2.3 billion bushels, more than analysts were expecting. Soybean stocks for the same season are forecast at 475 million bushels, also above expectations.

The USDA on Thursday cut its estimate for spring wheat production in 2017-18 to 402 million bushels, down from 534 million last year as a drought in the Dakotas decimates large swaths of the crop.

Steve Halverson, a farmer near Kennebec, S.D., is among those who have already decided to scrap their spring wheat crop, cutting it early to bale it into hay to feed livestock.

"We just decided that we needed to salvage what we could," said Mr. Halverson. "It was too dry."

Higher Prices Lift Glencore

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, posted a \$2.5 billion net gain for the first six months, compared with a \$369 million net loss in the same period a year earlier.

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

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. 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 division 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 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.

Lawmakers Raise Concerns Over Closing-Auction Plan

BY ALEXANDER OSPOVICH

Two members of Congress have written the head of the Securities and Exchange Commission to voice worries about an exchange's proposal to shake up the crucial 4 p.m. closing auctions that determine the final end-of-day prices of thousands of stocks.

The Wednesday letter from Rep. Sean Duffy (R, Wis.) and Rep. Gregory Meeks (D, N.Y.), shows how a dispute between exchange operators has become a high-stakes fight drawing in index giant S&P Dow Jones Indices and companies like Procter & Gamble Co.

Bats, a unit of Chicago-based **CBOE Holdings** Inc., is seeking to create an alternative to the closing auctions run by the New York Stock Exchange and Nasdaq Inc. Such auctions are an important source of revenue for NYSE and Nasdaq, which have both lobbied against their rival's proposal.

In June, NYSE President Thomas Farley attacked the Bats plan in testimony before members of the House Financial Services Committee. Messrs. Duffy and Meeks are both committee members.

Both have accepted donations from the political-action com-

mittee of Intercontinental Exchange Inc., owner of NYSE, according to OpenSecrets.org.

Bats's plan "could disrupt the closing auction process for determining the closing price of listed companies, which is viewed as an incredibly well-functioning part of the capital markets," they wrote in the letter to SEC chairman Jay Clayton, seen by The Wall Street Journal.

More than a dozen NYSE-listed corporations have criticized the Bats closing-auction plan in letters to the SEC, including P&G, FedEx Corp. and gas and electric utility Southern Co.

S&P Dow Jones Indices, which calculates indexes that underpin more than a trillion dollars' worth of exchange-traded funds, voiced skepticism about the Bats proposal in a letter filed with the SEC in July. The index provider relies on exchanges' closing prices to calculate its official closing index values each day. Bats is a major listing exchange for ETFs.

NYSE and other critics have said that allowing Bats to implement the proposal would introduce unnecessary complexity into the U.S. stock market and create new opportunities for market manipulation.

MARKETS

Stocks Decline as Global Tensions Rise

Rally halts as rhetoric heats up between U.S. and North Korea; some say selloff is overdue

By AKANE OTANI

Declines in U.S. stocks accelerated Thursday, a pullback that many investors and analysts said was overdue with indexes at highs and volatility at record lows.

The Dow Jones Industrial Average fell for a third consecutive session, shedding 204.69 points, or 0.9%, to 21844.01 in the index's biggest one-day decline since May 17.

Investors have enjoyed a global stock rally with few interruptions this year, something many have attributed to the improving health of U.S. companies and steady global economic growth. Before its slide, the Dow industrials climbed to nine consecutive records through Monday and topped 22000 for the first time Aug. 2.

But financial markets were jolted out of their period of calm this week after tensions between North Korea and the U.S. escalated and several earnings releases disappointed.

Investors have been pointing to a number of factors that could drive stocks lower, including valuations that are elevated relative to historical levels, and an uncertain outlook for monetary and fiscal policy.

The rhetoric around North Korea helped spark what many investors refer to as a healthy selloff in stocks, said Scott Wren, senior global equity strategist at Wells Fargo Investment Institute.

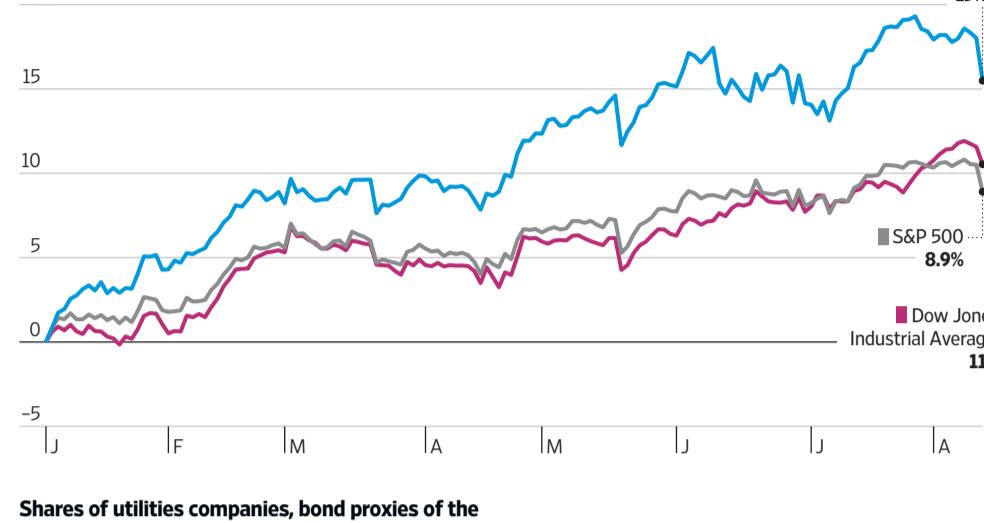
"I think the market was looking for an excuse to sell off, and this was a good excuse," Mr. Wren said.

Investors retreated from several of this year's top performers on Thursday, including shares of large U.S. tech-

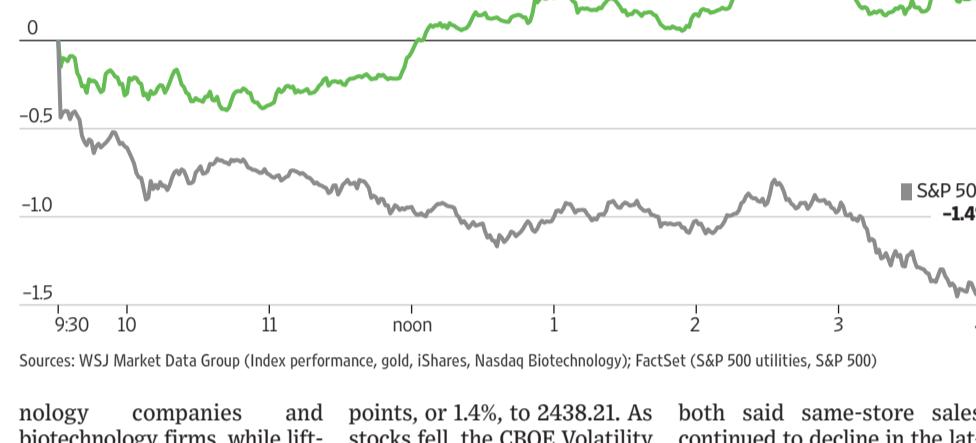
Seeking Safety

Investors pulled back from stocks again Thursday and gold prices rose, a spate of nervousness in a year when riskier areas of the market have generally performed well.

Index performance

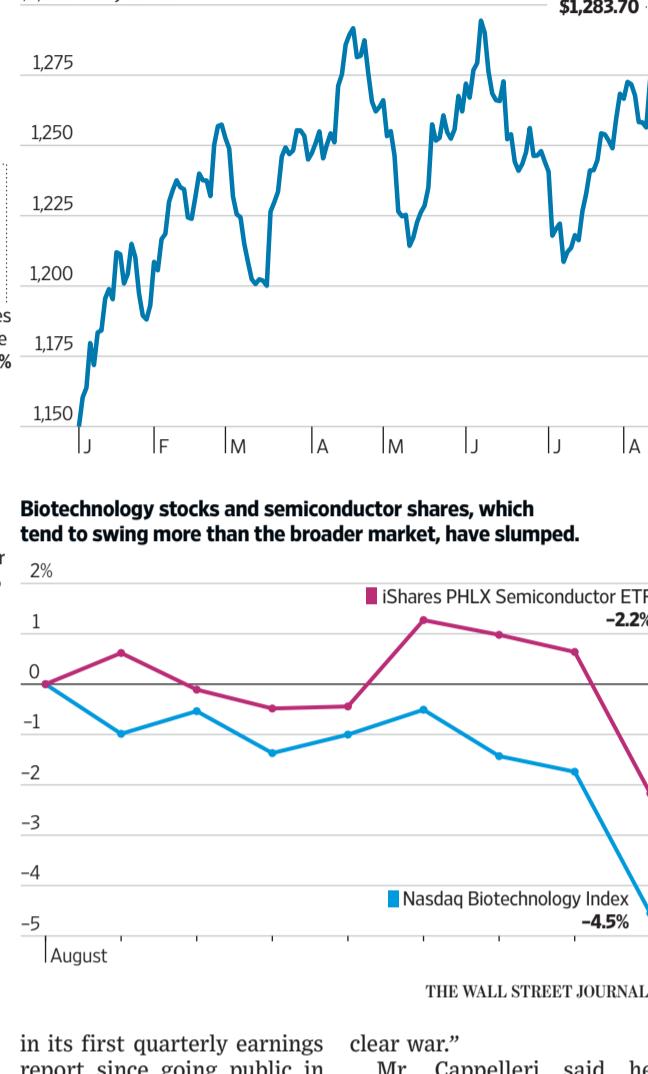


Shares of utilities companies, bond proxies of the stock market, rose as the S&P 500 slid Thursday.



Sources: WSJ Market Data Group (Index performance, gold, iShares, Nasdaq Biotechnology); FactSet (S&P 500 utilities, S&P 500)

Gold prices rose to their highest level in two months.



Biotechnology stocks and semiconductor shares, which tend to swing more than the broader market, have slumped.



THE WALL STREET JOURNAL.

in its first quarterly earnings report since going public in late June.

Some investors said it was too early to tell whether the week's moves marked the beginning of a deeper downturn.

Shares of Blue Apron Holdings fell \$1.10, or 17.6%, to \$5.14—its lowest close ever—after the company cited rising costs and increasing competition from other food, grocery and meal-kit delivery services

clear war."

Mr. Cappelleri said he would need to see more pullbacks of at least 1% before becoming worried about the stock market.

Havens such as gold have risen, with contracts for August delivery jumping 0.8% to \$1,283.70 on Thursday. It was gold's highest settlement since June 7.

—Corrie Driebusch contributed to this article.

HEARD ON THE STREET

Email: heard@wsj.com

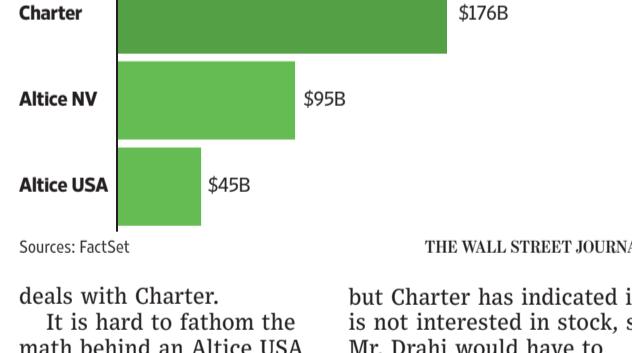
FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Altice-Charter Deal Isn't a Given

Crossed Wires

Enterprise value of cable groups



Sources: FactSet

points, or 1.4%, to 2438.21. As stocks fell, the CBOE Volatility Index, a measure of investors' expectations for swings in the S&P 500 over the next 30 days, surged 44% to 16.04—its highest level since Election Day. The VIX fell to a new intraday low in late July.

A series of downbeat corporate reports also weighed on U.S. stocks.

Retailers slid after department stores Macy's and Kohl's

both said same-store sales continued to decline in the latest quarter. Shares of Macy's lost \$2.36, or 10.3%, to \$20.67, their lowest close since 2010. Kohl's fell \$2.43, or 5.8%, to \$39.50.

Shares of Blue Apron Holdings fell \$1.10, or 17.6%, to \$5.14—it's lowest close ever—after the company cited rising costs and increasing competition from other food, grocery and meal-kit delivery services

OVERHEARD

"Bank of England decision on the future composition of polymer banknotes," reads the title of a paper about why money in the U.K. greases the palms of its users.

But it won't use grease from palm trees because it can't be procured sustainably or at low cost, so plastic polymer banknotes in Britain will continue to have just a little bit of livestock tallow byproduct, much to vegans' consternation.

The bank estimates 21 cows will be needed to produce a decade's worth of £5 and £10 banknotes.

The additional cost of retooling the banknote procurement process to use palm oil could add £16.5 million (\$21.4 million) in costs over 10 years.

However, pleasing those groups concerned about the sustainability of palm oil production could become an issue.

"Value for money was only one factor the Bank considered when making its decision."

Why Snap Got Another Stock Snip

Snap Inc. is good at making things disappear. Making them reappear is proving to be a much harder trick.

The company's popular Snapchat social network is premised on pictures and video that vanish once consumed. But the breakneck growth Snapchat enjoyed at this time last year also has been slipping away. Snap reported Thursday it added 7.3 million daily active users in the second quarter, down from the 8 million added in the previous quarter and well below the 21 million added in the same period last year.

That user growth came in below Wall Street's targets, which sparked the vanishing act that has proven most painful for investors. Snap's shares fell 15% after hours. Should that drop hold, it would mean the disappearance of nearly \$10 billion in market value in just six months for a social network once considered the most likely challenger to Facebook Inc.'s growing dominance.

Facebook's position—it now serves about one-quarter of the world's population—makes it difficult for challengers to catch up. Consider that Facebook's Instagram Stories, a service very similar to Snapchat, has added more than 50 million daily users per quarter since launching a year ago. That gives it a larger user base than Snapchat despite being seen as a late copycat.

Snap's investors need to keep adjusting their focus. Even with the stock's post-IPO slide, Snap trades at more than 12 times projected sales over the next four quarters—a 14% premium to Facebook. A difficult premium to justify when big growth has faded.

—Dan Gallagher

The Reason Department Stores Remain on a Down Escalator

Shop Till You Drop

Stock-price performance



Source: FactSet

Exceeding expectations isn't enough if you are a department-store chain. You also have to reverse the narrative of seemingly endless decline.

Macy's and Kohl's both beat analysts' expectations for their second-quarter sales and earnings Thursday. That was more than could be said for rival Dillard's, which reported a surprise loss amid deep discounting. Same-store sales declines moderated for all three companies, but it wasn't enough to convince investors that a fundamental improvement was afoot in the troubled industry. Shares of Macy's and Kohl's fell 10% and 6%, re-

spectively, on Thursday. Shares of Dillard's plummeted 16%.

For Macy's, which reaffirmed its full-year guidance, the fear is that it is running out of options as the initia-

tives it has taken to return to growth aren't having the desired effect. The company's plan to shut 100 stores, announced last year, is well under way with 70 already closed or slated to be closed. Those are theoretically the worst-performing ones, yet same-store sales still fell 2.8% in the quarter.

Macy's touted the fact that it is retaining 12% of the sales from closed stores at other locations, better than with previous closures. Backstage, the company's off-price offering, is adding 6% in incremental sales to the 38 department stores where it is operating. Macy's said its shoe business was up

mid-single-digits in the quarter as fine jewelry sales climbed by double digits, thanks to pilot programs in those areas. Still, these benefits seemingly weren't enough to offset weakness in cosmetics and housewares. Gross margin fell to 40.3% from 40.9% a year earlier.

Kohl's also maintained its full-year guidance and noted improving traffic in July. It said average transaction value increased in the quarter and it highlighted the success of its Under Armour partnership. But the company's gross margin fell as the benefits of better inventory management were more than offset by higher ship-

ping costs. While bricks-and-mortar retailers must bolster their online presences to compete with Amazon.com, the shift of sales from in-store to online tends to weigh on margins.

Shares of department-store chains are swimming against the dual tides of negative business trends and negative investor sentiment.

Short interest for Macy's and Kohl's is around 9% and 20% of their respective floats. That figure is 38% for Dillard's. Department stores won't be able to woo back investors until they can prove their efforts to boost sales are bearing fruit.

—Miriam Gottfried

Maroon 5's
Adam Levine buys
Los Angeles home for
\$18 million **M2**



MANSION

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

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, August 11, 2017 | **M1**



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 CZERWONKA 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 M6

SUMMER, FROZEN IN TIME

On the rocky peninsula of Prouts Neck, Maine, homes stay in the same families for generations; rising prices mean more public listings.

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,

Please turn to page M4



SHINGLE FILE On the market in June for \$3.5 million, this four-bedroom home is now under contract.

François Gagné

INSIDE

JUMBO JUNGLE
Mortgage closings take a leap into the digital age **M3**



MYSTERY MAN
A mystery editor's rocky road to a stone Tudor house **M7**



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MANSION

PRIVATE PROPERTIES | CANDACE TAYLOR

Maroon 5 Rocker Buys L.A. Home



NICK SPRINGETT; KEVORK DANSEZIAN/GETTY IMAGES (INSET)

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, and was 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.



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COMING SOON: KELOWNA, BC & KIawah, SC

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 be-

cause 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.



▶ See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com



2.2 ACRE SOUTHAMPTON SECRET GARDEN

Ox Pasture Road boasts some of the most glorious homes in the estate section of Southampton Village. This gem is no exception. Down a private drive you will find the most enchanting carriage house lovingly brought to life with the elegance and charm of days gone by. This home sits with quiet but stately presence on a private and expansive lot surrounded by cherry trees, apple trees, and more. The brand new pool off the Wisteria draped patio has plenty of room for the addition of a luxurious pool house. Update and expand the existing 3BR, 3BA home in this tranquil setting or start fresh with your own architect. One mile to beach. \$9.1M WEB# 5125228



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MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

CLOSINGS TAKE A BIG LEAP INTO THE DIGITAL AGE

A Chicago couple completes a fully digital mortgage closing in their kitchen, aided by new software, a webcam and a notary in another state

Borrowers used to closing on a mortgage in a conference room surrounded by other parties to the transaction may soon be in for a pleasant surprise. The ink-free, paper-free, meeting-free remote mortgage closing is finally here.

On July 28, Peter Mueller and his wife, Patty, refinanced the mortgage on their three-bedroom home in Chicago by signing all the required documents digitally on Mr. Mueller's MacBook. The closing heralds a new era that allows fully digital and remote mortgage transactions. The loan, from United Wholesale Mortgage in Troy, Mich., will soon be sold to Freddie Mac—also electronically.

"We've purchased thousands of what we call electronic mortgages or e-notes where it is paperless, but this is the first transaction that we're aware of where it was an entirely remote electronic online closing with all of the documents electronically signed," says Samuel E. Oliver III, vice president, single-family business transformation management, Freddie Mac.

So-called eMortgages have been around for years, but prior closings involved the execution of closing documents on a tablet with a stylus, and still required the physical presence of a notary public. Other closings took place remotely, with an online notary public, but those weren't fully digital because the borrowers "wet signed" some documents in ink.

The closing two weeks ago, however, allowed the Muell-



CHRIS GASH

lers to close a loan from a lender in Michigan from their home in Illinois, working with a notary public in Virginia—all completely online, using a webcam and executing all documents digitally. The transaction was made possible by digital technology created by Arlington, Va.-based Notarize, an online notary service, that bridges all necessary parties to the transaction. Other companies have developed similar technology.

"I'm on the computer or my phone all day every day, so the technical side of this transaction was intriguing," says Mr. Mueller, 56, a prop-

erty manager who previously refinanced his mortgage four times—all the old-fashioned way. "It turned out to be the easiest closing we've ever done."

The closing on the \$290,000, 30-year, fixed-rate mortgage took place at the Muellers' kitchen table, with the couple and their mortgage broker present. They began by logging onto Notarize's proprietary software and authenticating their identities by answering questions. Mr. Mueller, for example, had to identify a car he owned 20 years ago and the address of one of his children. After

completing the authentication process, they held up their driver's licenses to the webcam so the front and back could be recorded. Then they each provided a sample signature, which also was captured by webcam and digitized. That signature was then used to "sign" each closing document, with a click on the MacBook's touchpad.

The closing took a half-hour—about the same time it would have taken to sign the documents by hand, but minus the travel time.

Adam Pase, co-founder and chief operating officer of Notarize, says five states cur-

rently authorize remote notarization: Virginia, Texas, Nevada, Ohio and Montana.

While remote closings offer convenience to a borrower, they also help lenders operate more efficiently. The Mortgage Bankers Association says a lender's cost to produce a mortgage in the first quarter of 2017 averaged \$8,887, more than double the \$3,738 it cost in the first quarter of 2009.

"By having things digitized, a loan would be able to get to the secondary market much more quickly," says Mr. Oliver of Freddie Mac. He says in the future, mortgages

could be delivered to an investor in as little as one day—a process that takes a median of 29 days now.

Here are a few things to consider if you're interested in closing remotely:

Not every lender. There are still few lenders that conduct remote digital closings. Notarize launched with just nine lending partners. Ask upfront if your lender participates. "It's a novel concept," says Mat Ishbia, United Wholesale Mortgage's president and chief executive officer.

Not for everyone. Many borrowers are still uneasy about using technology to eliminate paperwork. According to a survey of 1,057 homeowners and 509 renters conducted between May 26 and June 2 by compliance firm Digital Risk, 70% of homeowners and two-thirds of renters stated they wouldn't be comfortable managing the mortgage process via a smartphone.

Review documents in advance. Disclosure forms and other mortgage documents are available for review before the actual digital closing.

Make sure you review them and get your questions answered. Notaries can't give legal advice, and while a representative of the lender or title company is just a phone call away during your closing, the best bet is to get questions answered before you sit down to close.

As for the dramatic moment during the closing when the keys to the house are passed to the new owner—that will likely be replaced by a visit from your real-estate agent.



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MANSION

PROUTS NECK SUMMER, FROZEN IN TIME

Continued from page M1
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-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 heart of 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. He tore down one house and built an 8,900-square foot, 19-room mansion with a guesthouse in 2013, according to the Maine pub-



ROCKY SHORES The Prouts Neck shoreline, above; New York-based interior designer Leslie Rylee, below with her daughters, recently bought a home in the area.



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.



lic 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 inspired him.

Several years ago, a group of 38



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 Neck 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."

They wanted to know who I was

related to," he jokes.

The Prouts Neck Association's building guidelines are strict. John Calvin Stevens, known for shingle-style homes, designed about 18 houses in Prouts Neck in the late 1890s and early 1900s. Today, Tim Bolton, 74, of Cambridge, Mass.-based firm Kenyon C. Bolton III & Associates, is the go-to local architect. In the 30 or so Prouts Neck houses he has worked on over the years, the only shift he has seen is fancier landscaping.

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.

BANKRUPTCY AUCTION

SEPT. 19



4 NEW TOWNHOMES

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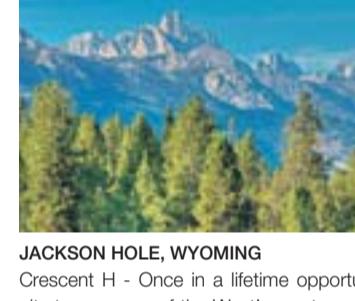
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MANSION

THE LIFT TO YOUR FRONT DOOR

Continued from page M1
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



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.



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 Markus Canter, luxury-property director at Berkshire Hathaway Beverly Hills, says that without the system the property would

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 Solutions 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.



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HOUSE CALL | OTTO PENZLER

Rocky Road to a Stone Tudor House

The mystery editor offers clues to his passion for dramatic tales; a home library in Connecticut

The scariest story I knew as a child involved my family. In the mid-1930s, my mother, an American, married a German who was in the States illegally. In 1936, they moved to Hamburg, Germany, where I was born in 1942. We were trapped.

I recall few events from our time there under Nazi control. I remember British planes dropping bombs. I also remember emerging from a bomb shelter to find that our house was gone. We moved in with a neighbor.

After 1944, there was little food available in Hamburg, and my mother, Jeanette, boiled tree bark to try to feed us. She told me later that my father, Otto Sr., was killed when I was 2. He was forced into the German army and sent to the Eastern front as a landmine sweeper.

In Germany, I always felt my mother's fear. One night, she was ordered to go on the rooftop and shine a beacon on Allied bombers so antiaircraft guns could shoot them down. She refused and the Gestapo detained her.

"Do you know what happens to people who refuse?" an officer asked. My mother was only 5-foot-1-inch tall and 98 pounds, but she took her best shot: "How dare you ask me to do this. I am pregnant with the future of the Reich." She was released with an apology.

After the war, in May 1947, we sailed to America on a freighter. My younger brother, Roland, was 2½ and I was nearly 5. It was an 11-day voyage. One morning, I looked out the porthole in our

cabin and saw the Statue of Liberty. I woke up my mom. As we looked together, she started to cry. So did I. My little brother saw us crying and he began to wail, too.

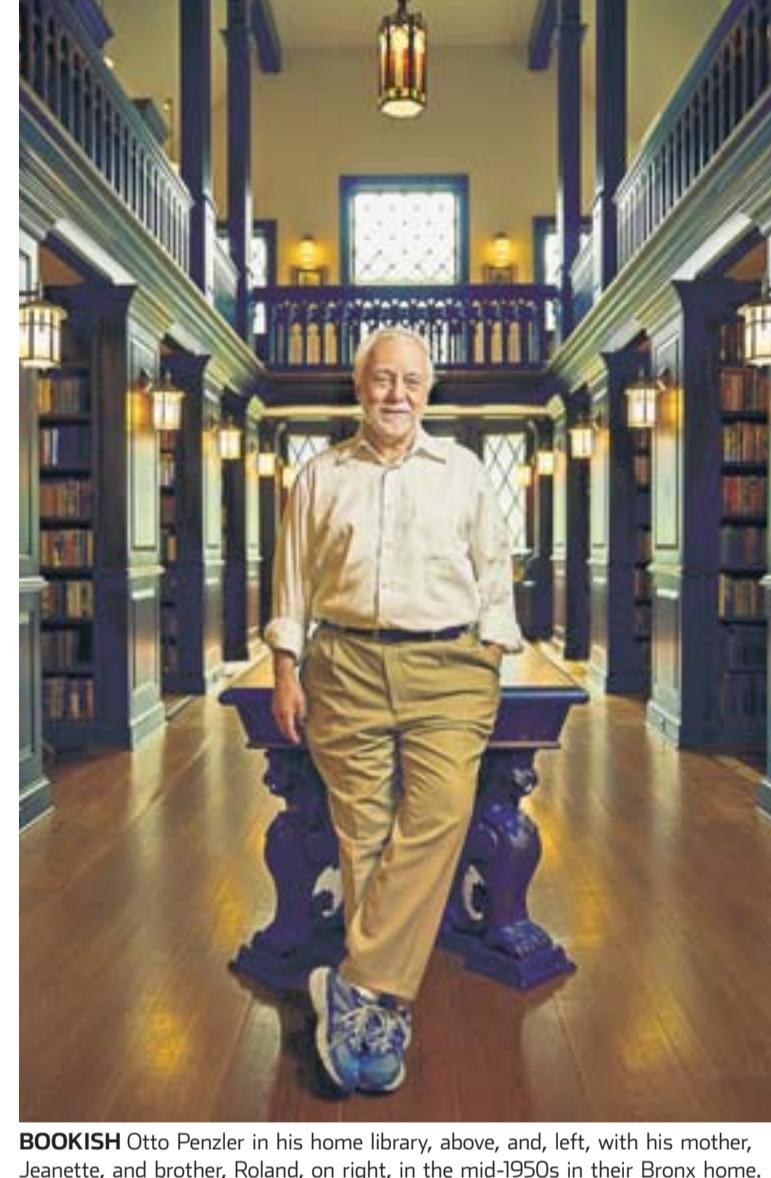
We moved into my grandmother's apartment in the Bronx. It was a railroad flat with just two bedrooms. My brother and I slept on the floor in my mother's room. Living with my

grandmother was horrible. She was cruel. We left in 1948 after my mother caught my grandmother hitting us. I thought my mother was going to kill her. That night we slept in the park.

The next day, she asked a relative in Jersey City, N.J., if we could move in. Her apartment was in a slum, and she was married to a drunk. We were isolated, and I had few friends.

My mother worked at a Woolworth's as a sales clerk. She also worked as a secretary and was a feet-legs-and-hands model. With the extra money, we moved into a rooming-house apartment nearby.

The woman who ran the place was vicious. When she baby-sat my brother and me, she put us on the fire escape and closed the window. She envied my mother's beauty and started sending her threatening mail.



MATT FURMAN FOR THE WALL STREET JOURNAL (PORTRAIT); OTTO PENZLER (HISTORICAL)

BOOKISH Otto Penzler in his home library, above, and, left, with his mother, Jeanette, and brother, Roland, on right, in the mid-1950s in their Bronx home.

In 1950, my mother met a guy named Johnny, and they married. We moved into his apartment in the South Bronx. It was on the top floor of a five-story walk-up in the same building as his German delicatessen.

My mother would never admit

it, but I think she sacrificed herself so we wouldn't go hungry again or be abused.

I was the smartest kid in my high school. I also was tall and became a good athlete, so I was popular. In the ninth grade, I discovered Sherlock Holmes and fell in

love with mystery fiction.

After high school, I went to the University of Michigan and my parents moved to a house in Yonkers. I had my own room there when I was home. After college, I worked as a sportswriter for the Daily News and soon began buying first editions of mysteries at used-book shops.

Then in the early 1970s, a friend, Chris Steinbrunner, asked me to co-write a book with him—the "Encyclopedia of Mystery and Detection." I realized mystery fiction was serious literature, and I wanted to elevate the genre. I started the Mysterious Press in 1975, sold it to Warner Books in 1989 and reacquired it in 2009. I also founded the Mysterious Bookshop in 1979 in Manhattan.

Today, I have a small apartment on Park Avenue and 63rd Street and a spacious four-bedroom country house in Kent, Conn. In Kent, I have a 60,000-book library that's attached to the house. When I walk into the library, I still can't believe I live there.

The house has an interesting story. When I was little, I spent nearly every day with a best friend named Ted Kvell. One day, when I was 11, I was leafing through a magazine and saw a stone Tudor home in a Scotch whisky ad. I told Ted, "Someday I'm going to live here."

My friend went on to become an architect. When I was 40, I began to make real money. I called Ted and said I wanted to build a house. He said, "The stone Tudor?" I said, "Yep." In 1989, Ted designed the house and the library.

—As told to Marc Myers

Otto Penzler, 75, is an editor of mystery fiction and owner of the Mysterious Bookshop in New York. He most recently edited "Biblio-mysteries" (Pegasus), a collection of short stories.

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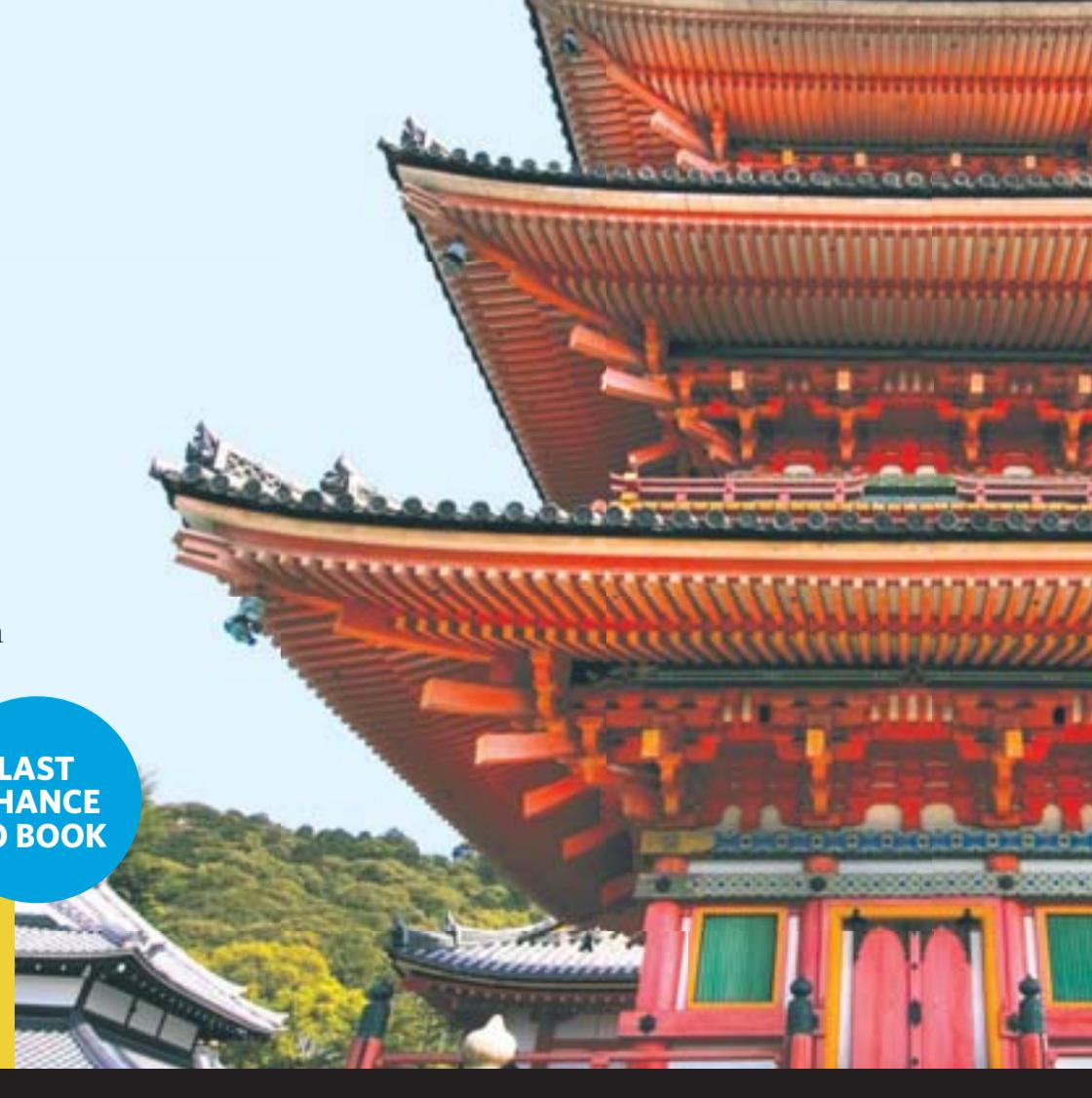


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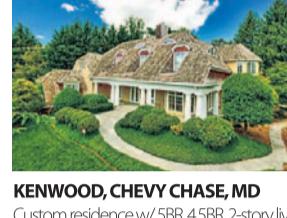
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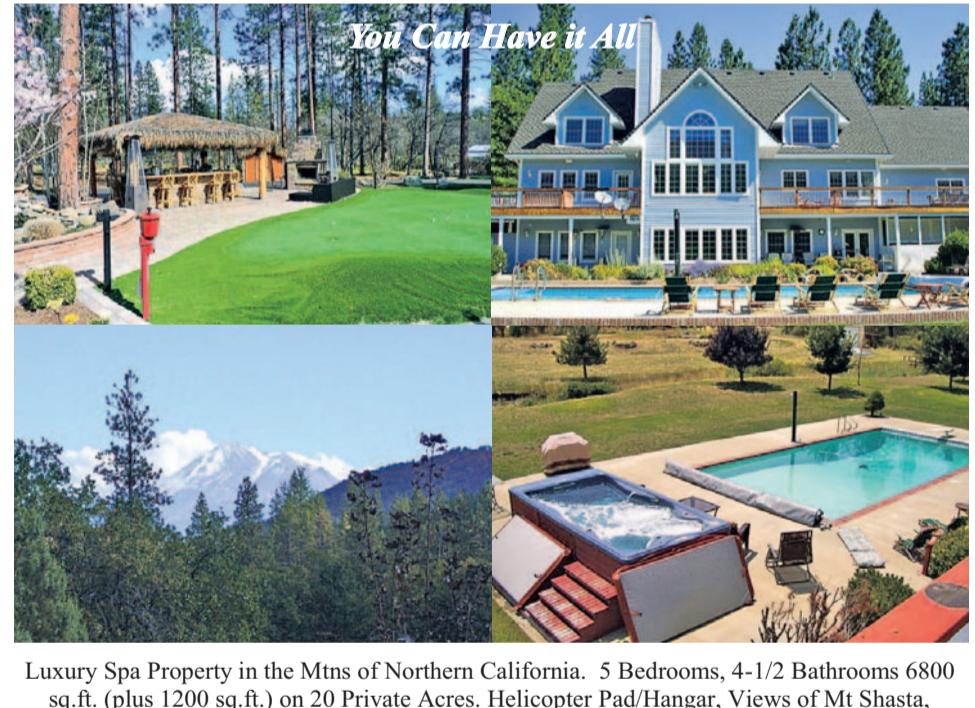
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Ghent, W.Va.

Four bedrooms, three bathrooms

FROM LEFT: MIAMI COFFMAN; BRUCE MCCAMISH; REBECCA LAVTHORN

**\$1.075 million**

Gatlinburg, Tenn.

Six bedrooms, 7½ bathrooms

Built in 2007, this 5,928-square-foot home is 12 miles from downtown Gatlinburg. The house, selling fully furnished, is on 2.76 acres. Large windows face Mount LeConte. The interior has a stone-inlay fireplace and a big kitchen. Outside is a two-level wraparound porch, a hot tub and a fire pit. Agents: Julia Jubran and Jenny Snodgrass, Alliance Sotheby's International Reality

**\$1.2 million**

Alvaton, Ky.

Five bedrooms, four full baths, two half-baths

The three-level, 8,700-square-foot home was built in 2006 on 11 acres. It has an exterior of reclaimed Canadian lodgepole pine. Amenities include a whole-house audio system and an elevator. A 980-square-foot guest apartment is attached to a workshop. Agent: Shawna Turner, Coldwell Banker Legacy Real Estate Group

—Stacey Alther

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Real Estate Trends



Why Cowtown is Hot — and Cool

North Texas real estate is red-hot. With major companies relocating their headquarters here, bringing with them thousands of employees, and an already-strong employment base, our area continues to blossom.

One of the areas getting attention — and for good reason — is Fort Worth. It's where the west begins, a region chock full of historical significance that also possesses a unique contemporary livability. Briggs Freeman Sotheby's International Realty agents in our Fort Worth offices — we're in the Cultural District and Mira Vista, and we have a ranch-and-land group, too — know it well. They represent Fort Worth's most beautiful, exclusive and architecturally significant homes, and the area's great ranches and property, from weekend getaways to working spreads.

Yes, Cowtown, as the locals affectionately know it, is a city of tremendous contrasts, an unconventional place that takes great delight in the distinctions that exist there. Fort Worth is world-famous for its cowboys and its culture, its black-tie and its boots. The sports are wildly varied, too, from football, baseball and basketball at Texas Christian University to NASCAR and Indy racing at the Texas Motor Speedway. And then there are the animal thrills: rodeos, cattle

drives and the famous livestock shows.

All of it contrasts beautifully with Fort Worth's world-class museums — the Amon Carter, the Modern, the Kimbell — and the spectacular Fort Worth Symphony Orchestra, led by its award-winning conductor and music director, Miguel Harth-Bedoya. (The symphony's performances inside the luxurious Bass Performance Hall downtown and during summers in the lush Botanic Gardens are particularly memorable.) There is Sundance Square, 35 blocks of living, shopping, entertaining and dining, all situated alongside rows of towering skyscrapers. The red-brick streets, elegant courtyards and an expansive plaza connect residents to great pocket neighborhoods throughout the city. It is a district filled with people, energy and opportunity.

As is all of Fort Worth. It's a special culture, as all those new residents are finding out — in their new high-rise homes, stately manors, comfortable houses and cool little bungalows. When are you coming to Cowtown?

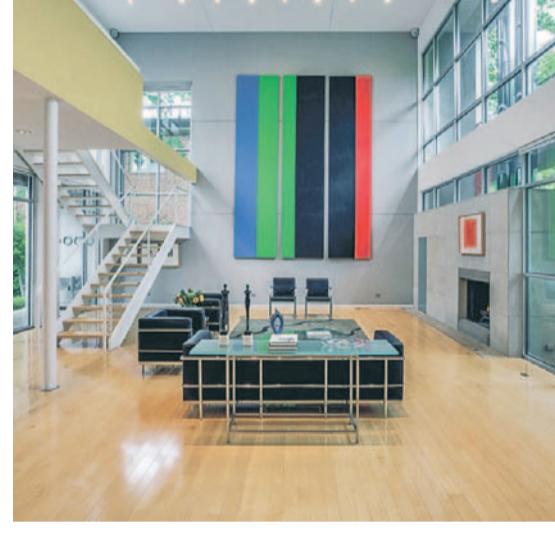
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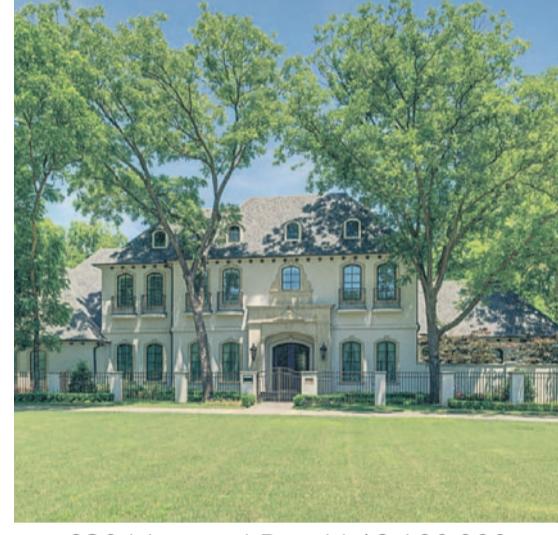
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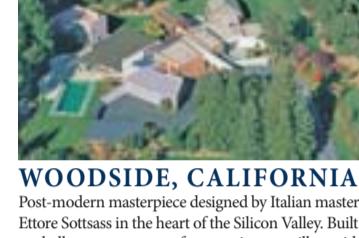
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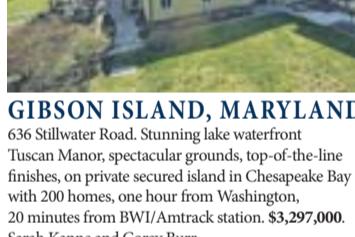
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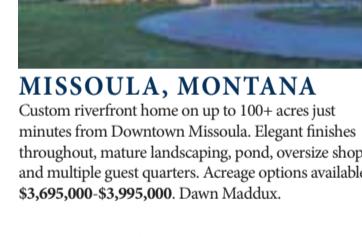
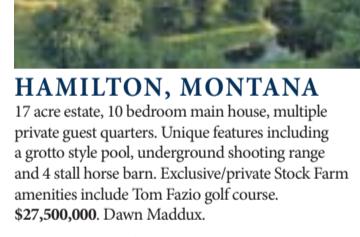
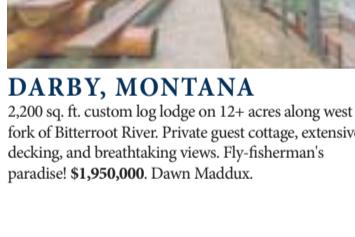
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