

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

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★★★★ \$4.00

DJIA 21783.40 ▼ 28.69 0.1% NASDAQ 6271.33 ▼ 0.1% STOXX 600 374.51 ▲ 0.2% 10-YR. TREAS. ▼ 7/32, yield 2.194% OIL \$47.43 ▼ \$0.98 GOLD \$1,286.60 ▼ \$2.30 EURO \$1.1800 YEN 109.56

What's News

Business & Finance

Tesla has moved rapidly in the race to develop autonomous vehicles, but the push has been tested by discord and departures at its Autopilot team. A1

◆ Amazon said it would begin slashing prices on grocery staples at its new Whole Foods unit right away. A1

◆ Questions about Yellen's future at the Fed will loom over the central bank's Jackson Hole retreat. A2

◆ Shares in the Swiss National Bank, one of the few central banks with a listed stock, have surged of late. B1

◆ Great Wall's possible bid for Fiat's Jeep division has retrained the spotlight on challenges facing Marchionne. B1

◆ Three prominent trade associations warned against efforts to weaken Nafta arbitration panels. A4

◆ SoftBank Group has completed a \$4.4 billion investment in the office-sharing company WeWork. B4

◆ Sears Holdings continued to lose ground in a tough retail environment during its fiscal second quarter. B2

◆ Two bankers were indicted in the U.S. on allegations they manipulated Libor while at Société Générale. B10

◆ Gold is on track to outperform stocks for the first time since 2011. B12

◆ U.S. stocks drifted lower, with the Dow losing 28.69 points to 21783.40. B10

◆ Wells Fargo and U.S. Bancorp signed deals with Blend Labs to move more of their loan applications online. B10

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◆ Early signs of concern about the federal debt ceiling are seeping into financial markets, as Trump pressures lawmakers over how to proceed on the issue. A1

◆ Qatar is sending its ambassador back to Iran, a move that risks inflaming a standoff between the tiny Gulf nation and a Saudi-led bloc of Arab neighbors. A5

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◆ Interior's Zinke is recommending changes to a few national monuments, which could mean reducing the size of some of those protected federal lands. A4

◆ Kushner and other U.S. officials met with Israeli and Palestinian leaders on the final leg of a Middle East diplomacy tour. A5

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◆ A judge said he would approve the government's request to get information about people who used a website to plan protests during Trump's inauguration. A3

◆ CareSource plans to offer ACA exchange plans in Ohio's Paulding County, filling in the last bare spot on the nation's coverage map for next year. A3

◆ South Texas is bracing for Hurricane Harvey, which is expected to reach the coast on Friday or Saturday. A3

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Calm Amidst Its Rage Didst Sleep



Kenneth Aaron Smith
Electronics Technician
3rd Class

Logan Stephen Palmer
Interior Communications
Electrician 3rd Class

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Electronics Technician
3rd Class

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2nd Class

Abraham Lopez
Interior Communications
Electrician 1st Class



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Electronics Technician
1st Class

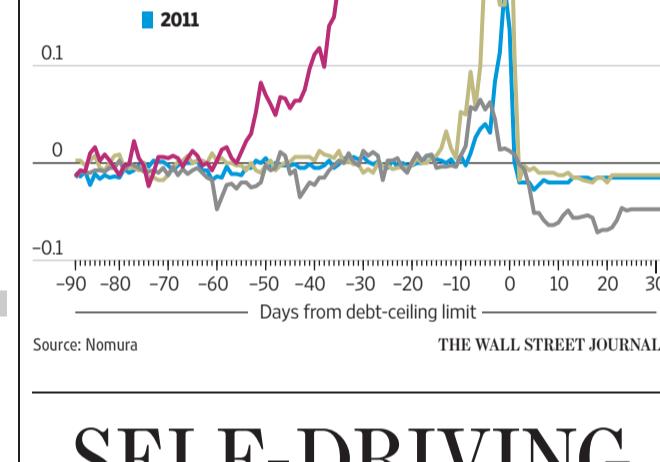
Corey George Ingram
Information Systems
Technician 2nd Class

WAITING FOR WORD

'He Wouldn't Want Us to Be Sad'
Families and friends remember their loved ones. See WSJ.com.



Debt-ceiling votes
■ 2017
■ 2015
■ 2013
■ 2011



Source: Nomura

THE WALL STREET JOURNAL.

Amazon Clobbers Grocers With Whole Foods Salvo

BY LAURA STEVENS
AND HEATHER HADDON

Amazon.com Inc. said it would begin slashing prices on grocery items from bananas to baby kale at its new Whole Foods Market unit right away, serving notice that the e-commerce giant plans to move quickly to shake up the supermarket industry with its \$13.7 billion acquisition.

The announcement Thursday, which sent stocks of traditional grocers into a fresh tailspin, said price changes for both staples and more high-end foods would go into effect as soon as Amazon closes the Whole Foods deal on Monday. The company also said its Amazon Prime program, which analysts estimate has more than 60 million members, will become Whole Foods's customer-rewards program and that new deals at the supermarket chain will be available through Prime.

"We're determined to make

stocks for six large food retailers, including Kroger Co. and Wal-Mart Stores Inc., lost around \$12 billion in value after the announcement. Shares of grocery-store companies had already been battered since the

Please see PRICES page A2

◆ Investors don't relish older food brands..... B1

Pakistan's Fears Fuel Afghan War

BY YAROSLAV TROFIMOV

The success of American efforts in Afghanistan has always hinged on a critical variable—whether neighboring Pakistan abandons its strategic hedging and comes full-bore against the Afghan Taliban.

That hasn't happened in the past 16 years despite exhortations by successive American administrations. Such a shift appears just as unlikely now, even after President Donald Trump's forceful appeal on Monday "for Pakistan to demonstrate its commitment to civilization, order and peace."

While providing logistical support to the U.S.-led coalition in Afghanistan, Pakistan's security establishment—despite official denials—has also long nurtured elements of the Afghan Taliban, particularly the

Haqqani network, according to U.S. officials. Many of Pakistan's generals and spies have described the Afghan Taliban, as distasteful as they may be, as a useful tool against an existential enemy that already dismembered their country once—

Indonesia.

It's this doctrine of Afghani-

Please see TALIBAN page A5

◆ Qatar defiantly restores its Iran envoy..... A5

Stolen Columbus Letter Recovered



DISCOVERY: U.S. officials in Atlanta found a centuries-old copy of a letter by Christopher Columbus about his first voyage to the New World that had disappeared from the Vatican Apostolic Library. A3

Stunning Plot Twist in Germany's Big Election: Wow, It's Boring

Merkel's huge lead and tepid speeches kill the expected drama; 'we prefer bikinis'

BY BERTRAND BENOIT

BERLIN—How dull is Germany's election? The hashtag for Angela Merkel's Christian Democrat campaign is #fedidwgugl. Roughly translated, the underlying slogan means "for a Germany in which we live well and happily."

It does not fit on a baseball cap. For weeks, Ms. Merkel's CDU party has towered

over the race, leading its closest contender by around 15 points in many polls. On the trail she has shunned controversy, giving mundane speeches in rural towns far from the capital.

The highlight of Ms. Merkel's campaign so far came during a live interview last week with four German YouTube stars. The main takeaway: Ms. Merkel's favorite emoji is the

Please see BORING page A9

TOMORROW



WSJ.
MAGAZINE

WOMEN'S STYLE

U.S. NEWS

At Fed Retreat, Yellen's Future Unresolved

Trump has talked of reappointing her to a second term but may opt for new chairman

By NICK TIMIRAO

The prospect of a second term for Federal Reserve Chairwoman Janet Yellen isn't on the agenda at the central bank's annual retreat this week in the mountain resort of Jackson Hole, Wyo., but the question of whether she could be asked to stay on—and whether she would accept—will be hanging over the confab.

Ms. Yellen hasn't said whether she would want a second term if it was offered. Still, some friends and former colleagues say her long record of public service and her devotion to the Fed are clues that she would be disposed to accept a nomination.

The Fed has outlined plans to slowly begin shrinking its \$4.2 trillion holdings of mortgage and Treasury securities this fall and to raise rates one more time this year after that. Policy decisions beyond December are clouded by the succession question, and that uncertainty could increasingly weigh on markets, especially because President Donald Trump has indicated he is considering a wide range of potential candidates.

Ms. Yellen's term as chairwoman expires in early Febru-



ZACH GIBSON/BLOOMBERG NEWS

Fed Chairwoman Janet Yellen hasn't said whether she would want a second term if it were offered.

ary. Mr. Trump has said he is considering asking her to serve a second term, though he may not announce his nominee until late this year.

Mr. Trump has said his economic policy director, Gary Cohn, is also in the running for the Fed job. The president has declined to name other

possible candidates, but they are likely to fall into two camps—conservative economists such as John Taylor of Stanford University, or nonacademics with a business background, such as Fed governor Jerome Powell or former Fed governor Kevin Warsh.

Ms. Yellen sidestepped questions about the matter when asked by lawmakers recently. "I really haven't had to give further thought at this point to this question," she said at a July congressional hearing. She declined an interview request for this article.

People who know Ms. Yellen say even if she were ready to retire when her term as chairwoman ends, she could be persuaded to stay. Given the additional turnover coming among top Fed officials, "it would be a leadership challenge like she'd never had before, but my own instinct—whether she

wanted to do it or not—is she would," said Christina Romer, a friend of Ms. Yellen's and economics professor at the University of California, Berkeley.

Many of her colleagues at the Fed and other central banks say her record managing a gradual withdrawal of the Fed's extraordinary post-crisis economic support while nudging the economy closer to its goals of maximum, sustainable employment and stable prices warrants a second term.

In recent weeks, Mr. Trump has boasted about a range of economic benchmarks, which

What to Watch At Jackson Hole

Here's what to watch for during the central bankers conference, which wraps up Saturday afternoon.

The ECB taper: Analysts expect European Central Bank President Mario Draghi to lay out the case to start reducing a government-bond purchasing program some time next year.

Financial regulation: Fed Chairwoman Janet Yellen's speech on financial stability will mark nearly 10 years since the start of the 2007-09 financial crisis. The Trump administration has signaled its desire to roll back the postcrisis financial regulatory architecture

that the Fed helped establish.

Financial conditions: Ms. Yellen's speech could provide a chance for her to defend the basic architecture of the post-crisis system given new concerns over potential instability.

The lowflation dilemma: Fed officials initially dismissed weak inflation readings this spring as largely due to one-off factors, but subsequent readings also have shown softness, suggesting inflation isn't picking up despite continued tightening of the labor market.

Succession planning: Questions of whether Ms. Yellen will be asked to serve a second term by President Donald Trump, whether she would accept, and who might replace her if she doesn't return will hang over the confab.

—Nick Timiraos

helps explain why he would seriously consider asking Ms. Yellen to stay on.

Several political strategists are skeptical Mr. Trump would pick Ms. Yellen because some Republicans might fume at her reappointment.

During his campaign, Mr. Trump said he didn't plan to nominate her to a second term, in part because she wasn't a Republican.

But Mr. Trump told The Wall Street Journal last month that he thinks Ms. Yellen has done well. "I like her. I like her demeanor," he said.

Every president since Ron-

ald Reagan has asked the standing Fed leader to stay in the job at the start of his presidency.

If Mr. Trump doesn't follow that pattern, Ms. Yellen would be just the third Fed leader since 1934 to serve only one term.

One complication for Mr. Trump's selection is that unlike other high-profile appointments, such as a Supreme Court justice, there isn't a ready-made list of experienced candidates with broad appeal to conservatives that also could reliably satisfy Mr. Trump's stated preference for low interest rates.

A Fatal Shooting in Charleston



ON THE SCENE: Charleston, S.C., police on King Street after a fired restaurant worker killed a chef before being shot amid a hostage standoff.

PRICES

Continued from Page One
deal was announced in June, and analysts say they expect grocery stocks could fall further.

Grocers and investors say they are concerned that Amazon could start a price war as it works to broaden the reach of a chain that has long focused mainly on higher-income shoppers. Amazon has often sold items at break-even or a loss to gain market share in sectors it sees as a priority, a strategy that former Amazon executives said it is likely to replicate in groceries.

"The reality is that Amazon has done this with every part of their business to create customer loyalty," says James Thomson, a former Amazon executive who advises brands on their online strategies. "Yes, it's lower margins, but it's about the long term."

But grocers, suffering from lethargic growth, could struggle to compete. They already spar over price on the most commonly purchased items such as bananas and eggs, and would sacrifice already thin margins to go lower.

Even moderate drops in Whole Foods's more-expensive items could hurt traditional grocers given the high quality of Whole Foods's stores, said Rupesh Parikh, senior equity research analyst at Oppenheimer & Co. Inc.

Kroger, the largest U.S. grocery chain by stores and revenue, already dropped prices this year, and is closely watching competitors. "It's less expensive to keep your customers in your store with the crazy price than trying to get them back if they start shopping somewhere else for milk and eggs," Mike Schlotman, Kroger's chief financial officer, said in a recent interview.

Shares of Kroger fell by

more than 8% on Thursday, while those in Wal-Mart and Costco Wholesale Corp. also traded lower. Shares in United Natural Foods, Inc., Whole Foods's main distributor, fell by more than 5%.

Amazon "believes that lower prices drive traffic," says Eric Heller, a former Amazon executive who now works with brands selling to the company. "Products that have a higher-than-perceived quality, and a lower-than-expected price drive customer loyalty."

Other foods Amazon selected for price cuts—such as almond butter and organic salmon—tend to be pricier and more targeted to core shoppers.

Whole Foods once dominated the natural food market, but Wal-Mart, Costco and other mainstream retailers have rapidly expanded their organic offerings at cheaper prices. Kroger sold around \$16 billion in natural and organic products last fiscal year, roughly equal to

Whole Foods's total sales.

Now Whole Foods items will get a massive new distribution channel. Whole Foods's private-label items, such as the 365 Everyday Value brand, will be sold on Amazon.

There is a big overlap between the two retailers already. A Morgan Stanley survey shows about 62% of Whole Foods shoppers are members of Amazon's Prime service, opening the door for cross-selling to entice customers who shop at both to spend more.

Amazon's discussion of its plans in Thursday's announcement was brief, but it provided the first details of its intentions for a deal that will give the online retailer a network of more than 460 brick-and-mortar stores. Some of those stores

will soon have Amazon's in-store lockers for package pickups, Amazon said. The lockers could be a first step in reducing Amazon's delivery costs by offering customers more pickup or delivery options.

Prime, which costs \$99 annually and offers perks including unlimited two-day shipping, is a cornerstone of the integration. Prime will be incorporated into Whole Foods's point-of-sales system starting Monday, and membership benefits will be added later.

Amazon revealed its plans a day after it received Federal Trade Commission approval on the deal and Whole Foods shareholders voted in favor of it.

Whole Foods, based in Austin, Texas, began lowering prices roughly two years ago to reverse a sales slump. It also

ran promotions and advertised on television for the first time in years.

Still, Whole Foods continued to lose sales and shopper surveys have shown that many customers believe the chain is too expensive. A Morgan Stanley survey earlier this month found that while Whole Foods prices were down slightly from last year, they still were roughly 15% higher on average than regional supermarkets.

Sarah Lustberg, 28 years old, shops at her nearby Whole Foods in New Orleans primarily for produce and "splurge meals," but she does the other half of her grocery shopping at a nearby regional chain. She says she plans to shop at Whole Foods more if prices go lower.

"We really do prefer going to Whole Foods, and the only reason we don't shop there more right now is because of the prices," said Ms. Lustberg, who works in customer service. She is also a Prime member who orders online frequently for her seven-month-old baby. "I think I am single-handedly keeping Amazon in business," she said.

—Austen Hufford contributed to this article.

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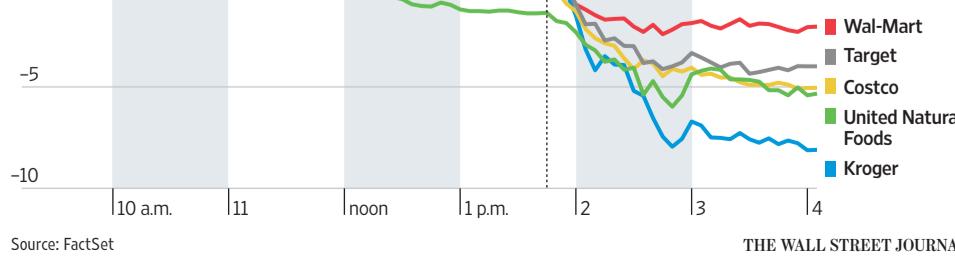
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Sticker Shock

Grocery sellers' stocks slid after Amazon's decision to lower prices of produce and food staples at Whole Foods stores starting next week.

Share performance, Thursday



Source: FactSet

CORRECTIONS & AMPLIFICATIONS

Malaysian search teams

this week found an unidentified body in waters near the site of a collision between the USS John S. McCain and a merchant ship. The U.S. Navy later in the week said the body wasn't a U.S. sailor. A photo caption with a U.S. News article Wednesday about Navy

plans to remove the commander of the Seventh Fleet after recent collisions incorrectly said the body was that of a missing U.S. sailor.

Whole Foods, based in Austin, Texas, began lowering prices roughly two years ago to reverse a sales slump. It also

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U.S. NEWS

All U.S. Counties To Have ACA Plan

BY ANNA WILDE MATHEWS

Health insurer CareSource plans to offer Affordable Care Act exchange plans in Ohio's Paulding County, leaving no place in the U.S. currently known to be at risk of lacking marketplace offerings under the law next year.

The decision by CareSource, a nonprofit that focuses largely on Medicaid, marks a victory for state regulators around the country, who have fought hard to fill potential bare patches in their coverage maps after insurers announced pullbacks over the past several months amid uncertainty about the law's future.

As many as 82 counties in states such as Tennessee, Nevada, Indiana, Missouri, Wisconsin and Washington had appeared at risk of lacking any exchange coverage in 2018 after expected withdrawals by insurers, according to a tally by the Kaiser Family Foundation.

CareSource's chief executive, Pamela Morris, said the decision "was the right thing to do as a mission-driven company." CareSource was able to agree to offer exchange plans

in Paulding County because it has a presence in a neighboring county in the adjacent state of Indiana and thus has a network of health-care providers there. Ms. Morris said CareSource, which offers exchange plans in four states, was "fully committed" to those marketplaces, despite uncertainty about federal decisions related to the health-law marketplaces.

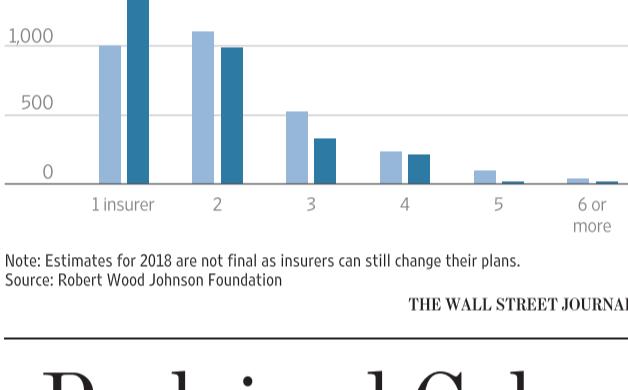
"There is a lot of uncertainty facing consumers when it comes to health insurance, and these announcements will provide important relief," said Jillian Froment, director of the Ohio Department of Insurance, in a statement.

Ms. Froment earlier said the state had filled 19 other counties that were left without a 2018 exchange insurer after Anthem Inc. and a smaller insurer said they would pull out.

The move by CareSource doesn't end concerns about the future of the exchanges. Insurers have said that if federal officials end key cost-sharing payments that are used to reduce costs for low-income exchange enrollees, other companies currently slated to offer exchange plans may pull back.

Counting Counties

Number of U.S. counties with a given number of insurers participating in their Affordable Care Act exchanges



Note: Estimates for 2018 are not final as insurers can still change their plans.

Source: Robert Wood Johnson Foundation

THE WALL STREET JOURNAL.



Texas Gov. Greg Abbott pre-emptively declared a state of disaster in 30 Texas counties. Above, Corpus Christi prepares for the storm.

Texas Braces for Hurricane Harvey

Harvey could pummel Houston and other Gulf Coast areas with 10 to 20 inches of rain

BY DAN FROSCHE

DALLAS—South Texas is bracing for the first hurricane to make landfall in the Lone Star State since Hurricane Ike careened into the Gulf Coast in 2008.

Hurricane Harvey was upgraded Thursday from a tropical storm by the National Weather Service, as it quickly gathered strength while moving across the Gulf of Mexico. The storm is supposed to reach the Texas coast sometime on Friday or Saturday.

Forecasters have warned

that the storm could cause widespread flooding across Texas' coastal cities, and drench parts of the region with up to 35 inches of rain.

Gov. Greg Abbott pre-emptively declared a state of disaster in 30 Texas counties—including heavily populated Harris County, which encompasses Houston.

Mr. Abbott also elevated the state's emergency operations readiness level as the threat from the storm increased.

Corpus Christi city officials said that people living in low-lying areas were being strongly encouraged to leave ahead of the storm, noting that voluntary evacuations were in place for now.

A mandatory evacuation was ordered for residents of

Calhoun County, a coastal region north of Corpus Christi.

Other coastal cities up and down the Texas Gulf Coast scrambled to make last-minute preparations.

Corpus Christi was distributing sandbags to residents—20 for each household or business—to safeguard against flooding, and numerous events planned for Friday were being canceled.

"Right now, there are two things that are most concerning," said Eric Berger, meteorologist and editor of Space City Weather, a website that tracks weather in Houston. "Harvey has been rapidly intensifying... And you could conceivably see parts of the coast receive 10 to 20 inches of rain, and that would cause widespread flooding."

Mr. Berger said the path of the storm once it makes landfall is uncertain, noting that South Texas could see several days of heavy rain next week as the storm hangs over the state.

Houston officials said the city "is preparing for significant impacts" from the hurricane—mostly in the form of heavy rains that could swamp the city. The Houston area in particular has been prone to deadly flooding in past years because it is low lying, sees a large amount of rain and has poor drainage.

In April 2016, a storm poured more than a foot of rain across the area and left eight people dead.

♦ Refiners in Harvey's path scramble to shut down..... B11

Purloined Columbus Letter Found

Copy of explorer's centuries-old missive recovered in Atlanta, to be returned to Vatican

BY JOE PALAZZOLO

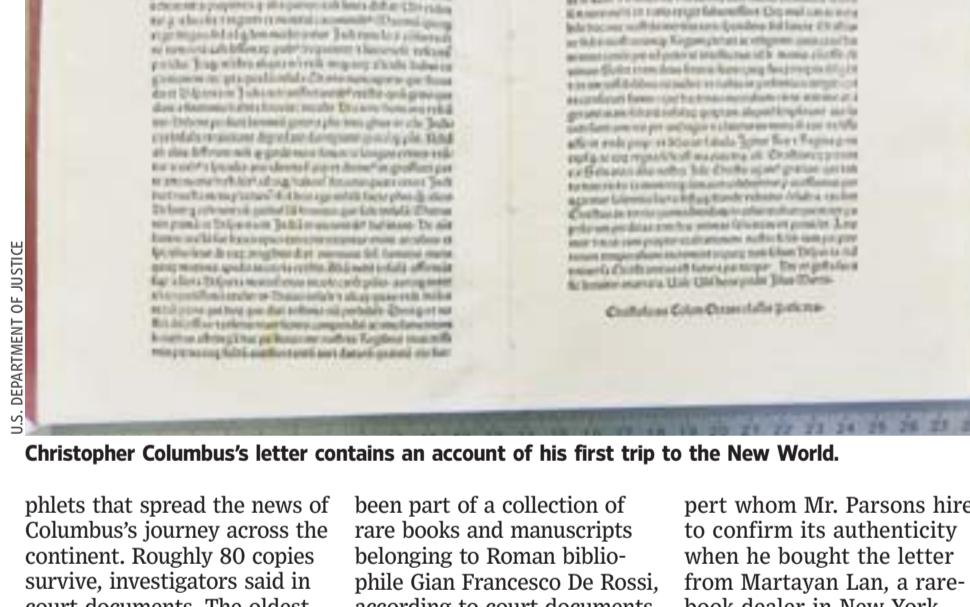
Robert Parsons spent \$875,000 for the crown jewel of his collection of rare books about early exploration of the Americas, a centuries-old copy of Christopher Columbus's account of his first voyage to the New World.

Meanwhile, a forgery of the Columbus letter sat inside the Vatican Apostolic Library, keeping company with some of history's most important texts.

Investigators at the U.S. Department of Homeland Security, acting on a tip, tracked the letter to the collection of the late Atlanta actuary, who unwittingly purchased the stolen document from a New York rare-book dealer in 2004, according to documents filed in federal court this week. Mr. Parsons died in 2014, and his widow has agreed to return the letter to the Vatican.

Columbus wrote the letter for his Spanish patrons after he returned to Europe in 1493, telling of lands with "large flowing rivers" and "trees of endless varieties," and of timid natives who "are so unsuspicious and so generous with what they possess, that no one who had not seen it would believe it," according to a translation of the letter from the Independence Hall Association, which runs ushistory.org, an educational website that focuses on Revolutionary and Colonial eras of American history.

European printers converted the letter into pam-



Christopher Columbus's letter contains an account of his first trip to the New World.

plets that spread the news of Columbus's journey across the continent. Roughly 80 copies survive, investigators said in court documents. The oldest, including the copy purchased by Mr. Parsons, date to 1493, according to the documents.

The letter has resurfaced as cities debate the explorer's legacy and whether his brutal treatment of indigenous people warrants removing statues of Columbus and severing his name from landmarks that bear it, a controversy stoked in recent weeks by the displacement of Confederate statues.

The Catholic church came into possession of the copy in the mid-19th century. It had

been part of a collection of rare books and manuscripts belonging to Roman bibliophile Gian Francesco De Rossi, according to court documents.

Mr. De Rossi's wife donated the collection to the Jesuits, a Catholic religious order, after her husband's death in 1854, according to the Bookman's Journal and Print Collector catalog of 1922. The superior general of the Jesuits gave the collection to Pope Benedict XV in 1921. The letter was stolen from the Vatican Library "at an unknown time and date," the Justice Department said in court documents.

Agents traced the letter to Mr. Parsons's collection this year, possibly through an ex-

pert whom Mr. Parsons hired to confirm its authenticity when he bought the letter from Martayan Lan, a rare-book dealer in New York City, said Mark Marani, an attorney for Mr. Parsons's widow, Mary Parsons.

Assistant U.S. Attorney Jamie McCall said in court documents that Mr. Parsons acquired the letter in good faith without knowing of the theft.

Richard Lan, owner of Martayan Lan, said he was unaware of the theft and investigation. He declined to say how he came by it. "I had no previous knowledge of this," he said in an email.

—Francis X. Rocca contributed to this article.

Judge Grants Access To Protesters' Data

BY ARUNA VISWANATHA

WASHINGTON—A judge on Thursday said he would approve the government's request to get information about people who used a website to plan protests during President Donald Trump's inauguration but added restrictions he said were necessary to protect free-speech rights.

Chief Judge Robert Morin of Superior Court of the District of Columbia said he tried to balance the government's need to investigate an Inauguration Day riot during which some stores were vandalized and more than 200 people arrested, with the First Amendment rights of innocent protesters who visited the website and didn't engage in violence.

"It's a troubling issue," Judge Morin said at a Thursday hearing on a warrant prosecutors obtained to force the web company, DreamHost Inc., to provide information about users of the website disruptj20.org.

DreamHost had challenged the warrant, saying the Washington, D.C., U.S. attorney's office's request for the content of emails within the disruptj20.org domain and related email-membership lists was too broad and could stifle legal political activity.

Judge Morin said he would uphold the warrant but would require the government to submit to the court a detailed explanation of how it would segregate information not relevant to the criminal investigation. He also asked for details on which law-

enforcement officials would have access to it. He said prosecutors would need to submit under seal all information it deemed irrelevant so it can be restricted from further government access. Prosecutors will be required to provide the court with all information pertinent to its investigation and justify its use, Judge Morin said.

About 20 alleged rioters have pleaded guilty, and another 20 have had their cases dismissed.

About 190 other defendants are continuing to fight their cases. Prosecutors secured the initial warrant in July from another Washington judge, but DreamHost challenged it, arguing that a request to provide all information about the website and its 1.3 million visitors was illegal, overbroad and appeared to be an effort to "identify the political dissidents of the current administration."

Earlier this week, prosecutors narrowed their request and said they only sought documents through Jan. 20 and excluded visitor logs and draft blog posts. They also outlined a two-step process under which they would obtain the information from DreamHost and then review it for information relevant to their investigation.

A lawyer for DreamHost argued that such a process still infringed on Americans' rights of association and political expression, since it would require the company to turn over mailing lists and the contents of multiple email accounts.

White Nationalist Cantwell in Custody for Felony Charges From Charlottesville Rally

BY VALERIE BAUERLEIN

White nationalist Chris Cantwell turned himself in to police to face three felony charges related to violence at the deadly white supremacist rally in Charlottesville, Va.

Mr. Cantwell—the focus of a widely watched documentary on the rally—was denied bond when he appeared Thursday before an Albemarle County

injury by a "caustic substance," explosive or fire during the evening of Aug. 11, when white nationalists marched on the university's campus and faced off against counterprotesters.

In a Tuesday blog post, Mr. Cantwell said he would willingly turn himself in on charges that he said appeared to stem from "pepper spraying a guy in a brawl at UVA." He

said he had hired a lawyer but wouldn't identify him, out of safety concerns.

Mr. Cantwell had described the altercation at the rally in an earlier video in which he appeared to fight back tears.

A widely viewed documentary by the HBO series Vice News featured Mr. Cantwell at the rally, which turned deadly when a driver with Nazi sympathies rammed his car into

counterprotesters, killing a woman.

As with other white nationalists, Mr. Cantwell's use of social media has come under scrutiny by online sites, some of which have moved to block content they have deemed hateful or illegal.

Dating site OkCupid said it banned Mr. Cantwell within minutes of learning he used the service.



Chris Cantwell at the rally.

U.S. NEWS

Navy Halts Sea Search for Sailors

Efforts shift to damaged ship's flooded interior; one body is identified

BY JAKE MAXWELL WATTS

SINGAPORE—The U.S. Navy called off a multinational search at sea Thursday for sailors still missing from the USS John S. McCain and will instead focus efforts on the flooded interior of the damaged warship.

The Seventh Fleet said in a statement that it had identified the body of one sailor, whose remains were found in the stricken destroyer, as Kenneth Aaron Smith, 22 years old, of New Jersey, who served as an Electronics Technician 3rd Class. Nine other crew members were identified and are still missing.

The Navy ordered a one-day pause, to be carried out at various times in coming days, in its global operations to improve seamanship and prac-



ALEXANDER A. VENTURA II/US NAVY/AGENCE FRANCE PRESSE/GETTY IMAGES

Sailors aboard the USS America looked on this week as the ship arrived in Singapore to assist the damaged USS John S. McCain.

tices in the wake of the McCain's collision with a 30,000-ton oil-and-chemical tanker Monday east of Singapore, the latest in a series of accidents.

The Navy's troubled Seventh Fleet, to which the McCain belongs, began rolling out the pause Wednesday at its headquarters in Yokosuka, Japan.

The impact from the collision Monday tore a gash into the warship's side and flooded sleeping berths and other areas. U.S. divers have been recovering remains on board.

Ships and aircraft from five countries had scoured 2,100 square miles of water near the collision without success. Malaysian search-and-rescue ves-

sels discovered a body at sea Tuesday, but the Navy determined it didn't belong to a McCain crew member.

The nine crew members still missing were identified by the Navy as junior-ranking electronics and information-systems technicians aged between 20 and 39.

The McCain's collision is the fourth such incident to affect surface Navy vessels in the past year, three of which were from the Seventh Fleet.

It is home to between 50 and 70 ships at any given time, making up the bulk of the Pacific Fleet, which accounts for about 60% of the Navy. It is composed of about 20,000 sailors.

The fleet has to contend with North Korea's nuclear threats, Beijing claims over disputed waters in the South China Sea and East China Sea; and manage the Navy's interactions with 36 countries including the world's five largest foreign militaries.

The McCain collision has shaken this pillar of American

military power. Its commander, Vice Adm. Joseph Aucoin, was relieved of command due to loss of confidence after the McCain collision.

Maritime security experts say the McCain collision resurfaced concerns about whether the Navy is overstretched in Asia. A Government Accountability Office report in 2015 found that the high frequency of operations conducted by Navy ships with non-U.S. home ports "limits dedicated training and maintenance periods, which has resulted in difficulty keeping crews fully trained and ships maintained."

The report found that ships with home ports in the U.S. spent an average of 69 days at sea between 2004 and 2012, compared with 111 for those based overseas.

As of February 2015, cruisers and destroyers based in Japan, like the McCain, had a third of their time scheduled for maintenance and two-thirds for deployment, with no planned crew training time, the report found.

Businesses Lobby for Nafta Panels

BY BOB DAVIS

WASHINGTON—Three of the nation's most prominent trade associations warned that any efforts to weaken arbitration panels at the heart of the North American Free Trade Agreement "will serve to undermine business community support" for Nafta renegotiations.

The letter to the Trump administration from the U.S. Chamber of Commerce, National Association of Manufacturers and Business Roundtable comes in response to a proposal by the U.S. Trade Representative to make U.S. participation in the panels voluntary. The panels are called the Investor-State Dispute Settlement system.

ISDS is a form of international arbitration in which corporations can sue governments for damages if they believe governmental decisions improperly diminish the value of their foreign investments.

The arbitration panels, which operate as alternatives to domestic court systems, have been criticized by labor and environmental groups as giving corporations—and only corporations—a way to circumvent domestic laws and regulations.

The USTR plan, as reported by The Wall Street Journal earlier this week, would essentially make the ISDS system voluntary in the future.

Representatives of the U.S., Canada and Mexico kicked off talks to renegotiate Nafta last week in Washington. The talks resume in Mexico on Sept. 1.

Critics of ISDS have long argued that the arbitration panels infringe on U.S. sovereignty.

The business groups disagree that it infringes on sovereignty, saying the system "upholds the same fundamental due process and private property guarantees protected by our Constitution, and it obligates other countries to uphold these precepts as well."

ISDS can't overturn U.S. laws or regulations, the groups said, and they noted that few cases have been filed against the U.S. and that the U.S. government has never lost an ISDS dispute.

WASHINGTON WIRE

POLITICS

Trump and Clapper Exchange Criticisms

President Donald Trump traded barbs Thursday with James Clapper, a former national-intelligence chief, who has questioned Mr. Trump's fitness to be in the Oval Office.

"James Clapper, who famously got caught lying to Congress, is now an authority on Donald Trump," Mr. Trump tweeted. "Will he show you his beautiful letter to me?"

Mr. Clapper has denied lying to Congress. He said he mis-spoke a few years ago when he said the U.S. wasn't collecting Americans' data. Documents leaked by former National Security Agency contractor Edward Snowden later indicated widespread domestic surveillance.

Mr. Clapper told CNN that the "beautiful" letter referred to notes he wrote to both Mr. Trump and 2016 Democratic presidential nominee Hillary Clinton the night before the election.

—Associated Press

DEATH PENALTY

High Court Doesn't Halt Florida Execution

The U.S. Supreme Court declined on Thursday to block Florida's first execution in 18 months.

The court denied without comment the final appeal of Mark Asay, who was put to death Thursday evening. Mr. Asay, 53 years old, was convicted by a jury of two 1987 Jacksonville murders that prosecutors said were racially motivated.

Mr. Asay, a white man, fatally shot Robert Lee Booker, 34, a black man, after making multiple racist comments, prosecutors said.

—Associated Press

DEBT

Continued from Page One
end of September.

Lawmakers would have to deal with both issues in relatively short order, as the House and Senate have only 12 days during which they are both in session following the August recess.

Forecasters in The Wall Street Journal's monthly survey of economists this month saw, on average, a 22% chance of the government shutting down at the end of next month and a 17% chance that the U.S. Treasury would, at least temporarily, skip making payments on obligations to manage funding challenges.

Some bond investors are shrugging off the noise. Longer-term Treasury bond prices have been steady, with the yield on the 10-year note holding to its tightest 90-day range since 1972, according to WSJ Market Data Group.

Marques Mercier, a senior portfolio manager for Invesco, said he doesn't expect a default on government debt. Even so, he is light on Treasury bills that mature around October.

"Because of the DNA of this administration, and Congress's inability to pass some of the policies anticipated this year, that may increase the uncertainty of a resolution passing swiftly," Mr. Mercier said.

Mr. Trump laid out his sentiment on the issue early Thursday.

"I requested that Mitch M & Paul R tie the Debt Ceiling leg-

Hit the Ceiling

The federal debt limit has been raised more than 20 times since 1993. Most increases were included as part of bills that contained other provisions.

Figures in trillions

How much the debt limit was raised each time

Increase passed Congress as a standalone measure

Periods when limit was suspended

Control of Congress

■ Democrats ■ Republicans ■ Split

1993 '95 2000 '05 '10 '15 '17

Limit reset March 16 at around \$19.8 trillion. Treasury is using emergency measures to avoid breaching the limit until mid-October.

Total debt limit

\$20

18

16

14

12

10

8

6

4

2

0

Sources: White House Office of Management and Budget (debt limit); Treasury Dept. (debt subject to limit); Congressional Research Service; U.S. House and Senate (bills, control)

THE WALL STREET JOURNAL

isolation into the popular V.A. Bill (which just passed) for easy approval," the president tweeted, referring to Senate Majority Leader Mitch McConnell (R., Ky.) and House Speaker Paul Ryan (R., Wis.). "They didn't do it so now we have a big deal with Dems holding them up (as usual) on Debt Ceiling approval. Could have been so easy-now a mess!"

In particular Mr. Ryan will be in the hot seat because House Republicans in recent years have often balked at raising the debt limit. He must

work to prevent a partial government shutdown or even the threat of a debt crisis that could spook global markets.

In an interview with CNBC Thursday afternoon, Mr. Ryan said he didn't see Mr. Trump's tweet as an attack, and that Congress would raise the debt ceiling before it defaults on its debts.

"I know we will get this done," he said. "I'm really not worried about this."

A spokesman for Mr. McConnell declined to comment.

Businesses that benefit from tourism, have said the removal of protections would open up land and water to uses including oil and gas development.

"These are vital wildlife habitats, important strongholds for animals dealing with climate effects and other threats," said Mark Salvo, vice president of landscape conservation for Defenders of Wildlife, an environmental group

based in Washington, D.C.

Rep. Rob Bishop (R., Utah), chairman of the House Committee on Natural Resources, plans to push legislation based in part on Mr. Zinke's findings.

He said he expected the recommended changes to highlight what he considers flaws in how different monuments were outlined and designated.

—Timothy Puko

contributed to this article.



JIM LO SCALZO/EPA/SHUTTERSTOCK

publician Study Committee, a group of more than 150 conservative House Republicans.

Most lawmakers expect Congress to pass a short-term spending measure keeping the government funded for a couple more months while they hammer out a longer-term budget deal.

House Republicans in recent years have often refused to approve government spending or lift the debt limit, forcing GOP leaders to rely on Democratic votes. "I can't see a number of our right-wing conference members voting under any circumstance to raise the debt ceiling," said Rep. Dennis Ross (R., Fla.).

At the same time, Democrats have found almost no common ground with Mr. Trump, and many say Republicans would shoulder the blame if the government is shut down.

"With a Republican House, Senate and administration, Republicans have absolutely no excuses for threatening America's families with a destructive and pointless government shutdown," House Minority Leader Nancy Pelosi (D., Calif.) said this week.

Treasury Secretary Steven Mnuchin has called for a "clean" debt-limit bill—which would lift it without any other conditions—but his presentation on fiscal matters before the Republican Study Committee earlier this year wasn't well received, according to lawmakers.

—Gunjan Banerji,
Sam Goldfarb
and Natalie Andrews
contributed to this article.

WORLD NEWS

Qatar Defiantly Restores Its Iran Envoy

Decision threatens U.S. efforts to resolve dispute between Doha and its Arab neighbors

Qatar said Thursday it is sending its ambassador back to Iran, a move that risks inflaming a diplomatic standoff between the tiny Gulf nation and a Saudi-led bloc of Arab neighbors just as the U.S. steps up attempts to heal the rift.

By Nicolas Parasie
in Dubai and
Felicia Schwartz
in Washington

The move appeared aimed at signaling Qatar's displeasure with Saudi Arabia over the standoff, which began when Riyadh and three other nations severed ties with Doha in early June to protest its close relations with Tehran and its alleged support for regional extremist groups. Qatar denies the allegations.

Doha's decision threatens Washington's efforts to resolve the dispute between pivotal Mideast allies. Qatar is home to a base from which the U.S. oversees the military campaign against Islamic State. On Saudi Arabia's side are the United Arab Emirates, Egypt and Bahrain, where the U.S. Navy's Fifth Fleet is based.

Washington has emphasized trying to ease tensions and bring the feud to an end, and officials urged calm on Thursday. "We really want all sides to exercise restraint and to really tone down the rhetoric because it's not helpful and it's not leading to any productive conversations," a State Department official said.

Earlier this month, Secretary of State Rex Tillerson tapped retired Gen. Anthony Zinni to work on resolving the dispute. Gen. Zinni and Timothy Lenderking, the deputy assistant secretary of state for



Secretary of State Rex Tillerson, right, with Qatari Foreign Minister Sheikh Mohammed bin Abdulrahman al-Thani in Washington last month.

Arabian Gulf affairs, spent several days recently traveling to Kuwait, Saudi Arabia, Qatar, Bahrain, Oman, the U.A.E. and Egypt to meet with the parties to the conflict.

State Department spokeswoman Heather Nauert said Thursday the U.S. is concerned about the dispute and that "it's gone on for far too long."

People familiar with the matter said the sides continue to exchange ideas about demands from the Saudi-led bloc and Mr. Tillerson has been in close contact with officials from all sides.

Another U.S. official said Qatar told Washington that its decision to restore diplomatic relations with Iran wasn't intended to signal increased cooperation with Iran, but rather to show displeasure with Saudi Arabia.

Qatar's Foreign Ministry said the step reflected its desire to "strengthen bilateral relations with the Islamic Republic of Iran in all fields." It gave no other details.

Saudi Arabia had no immediate comment on Qatar's decision, but a U.A.E. official said it showed Doha hadn't altered course.

Qatar withdrew its ambassador from Iran in the beginning of 2016, in a move aimed at showing solidarity with Riyadh after two of its diplomatic properties in Iran were attacked. Those attacks followed Saudi Arabia's execution of a prominent Shiite cleric.

Qatar's decision to send its ambassador back to Tehran comes after an episode that appears to haveirked the country's ruling family. Saudi Crown Prince Mohammed bin

Salman met last week with an obscure Qatari prince to discuss easing access for Qatari citizens in the coming hajj pilgrimage to Mecca. Doha denied the prince, Sheikh Abdullah bin Ali al-Thani, was a government envoy. Some political commentators speculated the Saudi royal family was touting the prince as an alternative to the current ruler, Sheikh Tamim bin Hamad al-Thani.

The Saudi-led bloc has issued demands for lifting its economic and diplomatic sanctions on gas-rich Qatar. Those demands include curbing relations with Iran.

Qatar, which shares control of the world's largest offshore natural-gas field with Iran, hasn't relented.

The closing of all Qatar's air, land and sea borders by its

Arab neighbors has spurred Doha to rely more heavily on Iranian food imports and to use Iranian airspace to bypass the embargo.

Tehran has called publicly on the countries to resolve their differences through dialogue. Iranian Foreign Ministry spokesman Bahram Ghasemi said Tehran welcomed the return of Doha's ambassador, calling it a "logical move," according to the official Islamic Republic News Agency.

"As we have always said, Iran's principled and permanent policy is based on mutual respect, maintaining bilateral interests, and promoting all-out relations with every neighboring state," he said.

—Asa Fitch and Margherita Stancati contributed to this article.

Ties Are Cut, And Then Revived

Key moments in diplomatic relations between Qatar and Iran since Doha recalled its ambassador last year:

Jan. 6, 2016: Qatar follows Saudi Arabia and other Persian Gulf countries in isolating Iran by recalling its envoy to the country. The move is in response to the storming of Saudi diplomatic compounds in two Iranian cities by people angry over Saudi Arabia's execution of a prominent Shiite cleric.

Dec. 19: The secretary-general of Qatar's foreign ministry meets with the Iranian ambassador to Doha, one of the first significant publicly disclosed diplomatic contacts between the two sides in nearly a year.

March 8, 2017: Iranian Foreign Minister Javad Zarif holds talks in Doha with Qatar's emir and foreign minister.

May 27: Qatari emir Sheikh Tamim bin Hamad Al-Thani has a phone call with Iranian President Hassan Rouhani and expresses support for dialogue with Iran, according to Qatar.

June 5: Saudi Arabia, the United Arab Emirates, Bahrain and Egypt sever ties with Qatar, alleging it nurtures extremists and has close ties with their enemy—Iran. Qatar denies helping extremists.

June 29: Qatar's foreign ministry releases a statement declaring that because Iran is a neighboring country, "we must have constructive relations with it, something that cannot be achieved without communicating with Tehran."

Thursday: Qatar announces return of its envoy to Tehran.

—Asa Fitch

U.S. Talks in Mideast Seek to Restart Negotiations

BY RORY JONES

TEL AVIV—White House senior adviser Jared Kushner and other U.S. officials met with Israeli and Palestinian leaders on the final leg of a Middle East diplomacy tour, as President Donald Trump attempts to revive dormant peace talks between the adversaries.

Mr. Kushner, who is also the president's son-in-law, spoke first on Thursday with Israeli Prime Minister Benjamin Netanyahu in Jerusalem before sitting down with Palestinian Authority President Mahmoud Abbas in Ramallah.

The White House had indicated that it would present a strategy for negotiated peace to both sides on Thursday. But details of such a plan weren't immediately released following the meetings.



Jared Kushner, center left, with Palestinian President Abbas

Mr. Trump has made reaching peace between Israelis and Palestinians a key foreign-policy priority, calling it the "ultimate deal."

A brief statement from Mr. Netanyahu's office called their meeting "constructive and substantive," and expressed his appreciation to the Trump

administration for its "strong support of Israel." The Israeli leader looked forward to talking further with U.S. officials in the weeks ahead, the statement said.

"Things are difficult and complicated," Mr. Abbas said in a statement released as he met with Mr. Kushner. "But

nothing is impossible in the face of good efforts."

Mr. Kushner was joined on the trip by Jason Greenblatt, the White House's special representative for international negotiations, and Dina Powell, the deputy national security adviser.

The group also met with officials from Saudi Arabia, the United Arab Emirates, Qatar and Jordan to discuss the peace process. It was unclear when the delegation would leave Israel.

Mr. Trump's attempts to advance peace talks are unlikely to yield progress in the short term, according to Western diplomats and analysts.

Mr. Netanyahu's coalition government is reluctant to agree to enter negotiations for a Palestinian state that right-wing hawks believe will

risk Israel's security. Palestinian officials, meanwhile, aren't willing to enter peace talks that don't entertain the notion of statehood.

"There are likely to be a lot of ups and downs on the way to peace and making a peace deal will take time," a White House official said ahead of Thursday's meetings.

Mr. Trump has shifted from the long-held U.S. policy of supporting a two-state solution to the conflict, saying he would instead support a solution on which both Israelis and Palestinians agree.

His administration has said supporting Palestinian statehood would bias negotiations.

The stance has surprised Palestinian officials who question what solution the U.S. might support.

Israel is unwilling to absorb millions of Palestinians

into the country, as that would jeopardize its Jewish majority.

Some Israeli lawmakers have called for the establishment of Palestinian autonomy in their cities and towns in the West Bank with land, borders and security controlled by Israel, an proposal widely rejected by Palestinians.

Palestinian officials have said they worry that Messrs. Trump and Kushner are too close to Mr. Netanyahu, and that their policies reflect the Israeli government's thinking.

Israel has announced a significant increase in settlements in the West Bank this year, frustrating Palestinians.

Mr. Trump has made mending relations with Israel an important goal, following strained ties between Mr. Netanyahu's government and the prior Obama administration.

TALIBAN

Continued from Page One
stan as "strategic depth" versus India that has prompted Pakistani intelligence to back the rise of the Afghan Taliban all the way since the 1990s, according to U.S. officials. Even now, the fear that India may use Afghanistan as a backdoor to destabilize Pakistan remains a key factor in Islamabad's geopolitical calculations.

Already, Pakistani officials blame Indian saboteurs operating out of Afghanistan for fanning the separatist insurgency in Pakistan's Baluchistan province, an allegation denied by New Delhi. Afghanistan has long refused to recognize its border with Pakistan, and many Pakistani officials worry that a stable Afghan government allied with India could aggressively pursue those territorial claims.

In this context, Mr. Trump's parallel appeal in his Monday speech for India to play a larger role in Afghanistan is all but guaranteed to fuel Pakistan's sense of paranoia—making any meaningful cooperation with American goals politically fraught and therefore less likely.

"If you want to get the best possible out of Pakistan, you have to go about it with some recognition of what they are after and try to meet your interests and theirs. Obviously, embracing India and asking India to get involved in Afghanistan in a larger way is the opposite of that," said Jarrett Blanc, former acting U.S. special representative for Afghanistan and Pakistan in the Obama administration who is now a senior fellow at the Carnegie Endowment for International Peace in Washington.

In the past, the U.S. had attempted to restrain India's Afghanistan presence as a way of soothing Pakistan's fears and securing cooperation against the Taliban. That approach, however, has ended in failure as far as American interests are concerned, spurring Mr. Trump to choose a more confrontational tack, said Husain Haqqani, Pakistan's former ambassador to Washington who is now director for South and Central Asia at the Hudson Institute, a Washington think tank.

"What President Trump is trying to say to Pakistan is that your policies will result in your nightmare coming true—a U.S.-India tie-up which may not be

in your interests," Mr. Haqqani said.

Pakistan's government reacted cautiously to Mr. Trump's speech, pointing out the sacrifices made by Pakistan itself against Islamic extremists and rejecting the notion that it harbors militants. Yet it is clear the relationship between Washington and Islamabad will come under strain in coming months.

At stake, at a minimum, is American aid and military cooperation between the two countries.

"There are very difficult choices to be made for the Pakistani security establishment. They will have to be very careful. There are some dark and dangerous clouds hovering over Pakistan's security environment," said Rasul Bakhsh Rais, a professor of political science at Lahore University of Management Sciences, referring to tensions between the U.S. and Pakistan.

Cross-border U.S. military action in pursuit of the Taliban and intensified U.S. drone

strikes inside Pakistan, if they occur, are likely to become a major issue, especially in the context of the power struggle that has developed after last month's forced dismissal of Prime Minister Nawaz Sharif.

Mr. Sharif's key rival, former cricket star Imran Khan, led protests against the U.S., shutting down supply routes to the American-led troops in Afghanistan, back in 2011.

"We must reject being made scapegoats for the policy failures of the U.S. and India," Mr.



A security official stood guard in May in Chaman, Pakistan, at the border with Afghanistan.

AKIFER GULAM/EUROPEAN PRESSPHOTO AGENCY

Khan tweeted after Mr. Trump's speech.

There is only so much that the U.S. can do to force Pakistan's hand. Islamabad enjoys important leverage. With Central Asian former Soviet republics now increasingly returning under Moscow's sway, Pakistan provides an indispensable land and air corridor to American troops in landlocked Afghanistan.

A nuclear power in its own right, Pakistan has also heavily invested in forging an "all-weather" friendship with China, another strategic rival of India. Pakistan also maintains friendly ties with Iran, refusing to join the Saudi-led "Sunnī axis" against Tehran.

And, as of late, it has greatly improved its relationship with Russia.

"The countries of the region see the U.S. military presence in Afghanistan as a threat to them and not as a credible counterterrorism force," said Barnett Rubin, a former State Department adviser on Afghanistan in the Obama administration and a senior fellow at the Center on International Cooperation at New York University. "Pakistan is not isolated. They now have alternatives: China and Russia."

WORLD NEWS



A man, above left, gives a finger impression for an identification card in New Delhi, while a retina scanner is used for a boy's ID card.

Australia Reviews A Ban on Dual Citizens in Office

By ROB TAYLOR

BRISBANE, Australia—The country's highest court began deliberations on whether to disqualify from office several lawmakers who hold dual citizenship, in a constitutional case that threatens to bring down the government of one of the U.S.'s closest allies.

Prime Minister Malcolm Turnbull's conservative coalition faces weeks of uncertainty over its one-seat majority after the High Court of Australia said it would take until October to examine a 116-year-old rule that bars a person from election to Parliament if he or she is a "citizen, or entitled to the rights or privileges of a subject or a citizen, of a foreign power."

The obscure clause in Australia's constitution, drafted when the country was still a collection of far-flung British colonies, has already ensnared three ministers including the country's deputy prime minister.

"There is a real risk of losing even safe seats like Mr. Joyce's," said Andrew Hughes, a political expert. "This case has the potential to even force an early election, and one they may not win. So the high court could actually bring down the government."

Lawyers for five of the lawmakers already caught up in the issue told Chief Justice Susan Kiefel that the government would ask judges to set a "clear demarcation" on Section 44 that would bar its application against lawmakers who had no idea they qualified for citizenship under foreign laws.

Drafted in the 1890s before globalization and postwar multicultural immigration policies, the constitution could potentially preclude millions of modern Australians from ever seeking office, said Mr. Canavan's lawyer, David Bennett.

The scandal also raised fresh questions over Mr. Turnbull's leadership after he allowed Mr. Joyce and another government minister to remain in their posts.



Prashant Bhushan, a senior lawyer, speaks after the privacy verdict at the Supreme Court in New Delhi.

NEW DELHI—India's top court said citizens have a fundamental right to privacy, a ruling that could restrict Prime Minister Narendra Modi's ambitious plans for a biometric identification program.

ADRIAN ARBIB/REUTERS

A nine-judge bench of the Supreme Court on Thursday ruled that privacy was an intrinsic part of the constitutionally guaranteed right to life and liberty.

The verdict is expected to shape the outcome of a pending lawsuit filed in 2012 concerning the validity and scope of the identity-card system, the largest in the world.

Under the initiative, known as Aadhaar, or foundation in Hindi, the government has collected iris scans and digital fingerprints of a vast majority of India's 1.2 billion people and provided them with IDs that are being widely used to distribute government benefits.

The program, hailed by some as a potential game-changer in solving governance problems and stemming graft in the world's largest democracy, raised concerns among others about data protection, surveillance and privacy infringement.

Mr. Modi's government argued in court that, while some aspects of privacy were protected, giving it the status of

an all-encompassing fundamental right would impede efforts to improve social welfare and poverty eradication through the ID program.

Casting privacy as an elitist construct, the government said the broad demands of activists from the field couldn't prevail "in a developing country where millions of people are devoid of the basic necessities of life."

The Supreme Court didn't uphold those arguments. It said, however, that like all other rights, privacy too was subject to "reasonable restrictions," say for national security, criminal investigations or securing welfare benefits, that involve the "balance between individual interests and legitimate

concerns of the state."

The Modi administration said it welcomed the court decision and expressed confidence the ID program would prevail in the current case examining its validity. The government is likely to argue Aadhaar restricts privacy to serve legitimate state interests and has safeguards.

Law Minister Ravi Shankar Prasad said citizens' data was secure and defended the government's efforts to make India a "robust digital power."

The biometric-enabled identification program was conceived in 2009 as a tool for better delivery of government services, such as subsidized food and cooking fuel, that for decades had suffered from large-scale

corruption and leakages.

Since then, the government has moved to make once-voluntary enrollment in the initiative mandatory for access to certain services. Mr. Modi also has sought to expand its use.

But critics say the Aadhaar program doesn't have enough safeguards against its abuse by the government or its protection from leaks or theft. They fear a centralized database linked to a growing number of services risks creating a surveillance state.

Those hearings on the validity and future of the program will now resume. Lawyers and analysts said that while the initiative itself isn't likely to be scrapped, it could be curtailed.

A bigger shock came this month when Deputy Prime Minister Barnaby Joyce, who leads the junior Nationals in Mr. Turnbull's coalition, discovered from diplomats that he was a New Zealander because his father was born there. His disqualification by the court would trigger a by-election, potentially imperiling the government's thin majority in the crucial lower house.

The turmoil has triggered a new bout of soul searching over the integrity of the country's political system. Australia has churned through six leaders since 2007 and no prime minister has served a full three-year term in that period, in a country where political stability was previously the norm.

"There is a real risk of losing even safe seats like Mr. Joyce's," said Andrew Hughes, a political expert. "This case has the potential to even force an early election, and one they may not win. So the high court could actually bring down the government."

Lawyers for five of the lawmakers already caught up in the issue told Chief Justice Susan Kiefel that the government would ask judges to set a "clear demarcation" on Section 44 that would bar its application against lawmakers who had no idea they qualified for citizenship under foreign laws.

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The scandal also raised fresh questions over Mr. Turnbull's leadership after he allowed Mr. Joyce and another government minister to remain in their posts.

Angola Ruling Party Claims Win in Presidential Vote



BY NEANDA SALVATERRA AND GABRIELE STEINHAUSER

LUANDA, Angola—The ruling party claimed victory in a national election after preliminary results were announced, setting the stage for João Lourenço to become the country's first new president in 38 years.

The two largest opposition parties, however, disputed the preliminary vote count, saying their tally showed different results.

The ruling People's Movement for the Liberation of Angola won 64.6% of the vote in Wednesday's elections, the electoral commission said on Thursday.

Unita said it was certain that the margin between the

two leading parties in the national vote was smaller than announced by the electoral commission and that an Unita victory was still in play.

The opposition National Union for the Total Independence of Angola, or Unita, received 24.04% of the vote in Wednesday's elections, while the Broad Convergence for the Salvation of Angola-Electoral Coalition, or CASA-CE, got 8.6%, the commission said.

"These results are false," said José Pedro Kachiungo, a representative for Unita. "We won Luanda."

The electoral commission said the MPLA won 50.2% of the vote in the capital, while Unita got 34.3%.

Neither the European Union nor the U.S. sent formal observer teams for the election, which was monitored by the South African Development Community and the African Union.

Mr. Lourenço, a former general and defense minister who rose through the ranks of the MPLA, will take over from José Eduardo dos Santos, who became president of Angola in 1979.

Many Angolans credit Mr. dos Santos with ending Angola's 27-year civil war, which lasted until 2002 and killed 1.5 million people, and with the decade-long oil-fueled boom that followed.

That boom went bust in 2014, with the drop in oil prices, which brought into focus allegations of mismanagement of the country's resources and of rampant corruption among top government officials.

WORLD WATCH

THAILAND

Arrest Warrant Issued For Ex-Prime Minister

The Thai Supreme Court issued an arrest warrant Friday for former Prime Minister Yingluck Shinawatra after she failed to appear for a hearing in a case stemming from a botched rice subsidy program during her premiership that cost the country billions of dollars.

The warrant empowers police to arrest Ms. Yingluck but can be appealed, her lawyer said. Driven from power by a military coup in 2014, she could have faced a sentence of up to 10 years in prison for mismanagement of the subsidy program.

Ms. Yingluck's whereabouts weren't known. She had urged in a Facebook posting Thursday for her supporters to stay away from the court to avoid provocations and clashes. About 1,000 nonetheless appeared, as did a heavy police presence.

Ms. Yingluck's lawyer, Norawit Lalaeng, told journalists she had informed him an hour before the hearing was to start that she was suffering a medical problem. The court noted that no medical certificate had been presented to support the claim in issuing the warrant.

The court scheduled a new hearing for Sept. 27. Even if sentenced to prison, she would still have 30 days to appeal.

—Warangkana Chomchuen



BALANCE OF NATURE: A penguin's weight is checked during the London's Zoo's annual collection of its animals' vital statistics.

CUBA

U.S. Tallies Sick Embassy Workers

At least 16 Americans working at the U.S. Embassy in Havana have experienced hearing

loss or other symptoms from some unknown cause that could be deliberate or accidental, the State Department said Thursday.

Some officials have attributed the ailments to sonic waves from covert listening devices, but spokeswoman Heather Nau-

ert said Thursday that the State Department hasn't determined an official source or cause for the variety of symptoms that diplomats have reported.

The State Department evacuated some of the American officials from Havana for medical

treatment, while others remained in Havana and received treatment there. Reports of health problems began in December. Washington ejected two Cuban diplomats in May in response.

—Felicia Schwartz

MEXICO

Bank Minutes Show Concord on Inflation

The Bank of Mexico hit pause this month after a string of seven interest-rate increases.

The central bank's five board members voted unanimously on Aug. 10 to keep the overnight interest rate at 7%, a level they thought adequate for inflation to return next year to the bank's 3% target.

Board members mostly agreed that inflation is near a peak and should begin to ease toward year end, according to bank meeting minutes published Thursday.

Broad expectations for interest-rate cuts in mid-2018 among analysts and market participants are based on "risky assumptions," one member said.

He urged the bank to avoid the appearance of supporting that view, though he said more rate rises shouldn't be ruled out.

The minutes gave no hint that members were thinking about lowering interest rates.

"The discussion among directors was biased towards the need to remain vigilant and ready to protect the integrity of the inflation-targeting framework, rather than laying out the case for near-term rate cuts," Goldman Sachs economist Alberto Ramos said in a note.

—Anthony Harrup

WORLD NEWS

In a U-Turn, Merkel Criticizes Car Makers

Scandal dims industry's relations with German politicians vying for September election

By WILLIAM BOSTON

BERLIN—After decades of cozying up to car makers, German politicians are turning their backs on a scandal-ridden industry many voters now see as an embarrassment rather than a source of national pride.

In the first public speech of her campaign to win a fourth term in next month's election, Chancellor Angela Merkel lambasted the country's leading auto makers and their top management this month for their response to a now two-year-old diesel-emission scandal.

The comments came a day after her main rival, Social Democratic Party chairman Martin Schulz, pledged to implement a mandatory quota for electric vehicles—a technology German manufacturers have been slow to embrace—on new car sales if elected.

The criticism is a departure for a political class that, for years, was happy to advance the interests of some of the country's best-known manufacturers, whose coveted products stood for engineering excellence, design flair and economic might.

But when the diesel emissions scandal broke out with Volkswagen AG's 2015 admission of having rigged millions



CEOs of German auto manufacturers attended a diesel-car summit in Berlin this month.

of cars to cheat environmental regulators—a scandal that later engulfed other German manufacturers—the once-admired corporate giants turned into political liabilities.

A recent poll published by ARD public television showed that two-thirds of German voters thought the government was too lenient with car makers and nearly 60% of those polled said they had lost confidence in the auto industry, a sharp rise from two years ago. The same poll showed that Ms. Merkel's approval ratings plunged 10 points in a single month to a still-robust 59% in August.

Also this month, the European Union confirmed a pre-

liminary investigation of German auto makers on suspicion of acting as a cartel to control costs of diesel-emissions equipment and other technology.

It isn't clear if there is any connection between unrelenting bad press over the diesel scandal and the drop in the chancellor's approval ratings, but Ms. Merkel isn't taking any chances.

Broad sections of the automotive industry have gambled and lost incredible public trust, and only the industry can win it back," she told a rally of party members in Dortmund to kick off her re-election campaign on Aug. 12. "And when I say the industry, I mean primarily the

corporate management."

While she rejected Mr. Schulz's proposed electric-car quota, she devoted nearly half the more than one-hour speech to discussing the state of the industry, demanding more responsibility from top car executives and standing up for Germany's 800,000 auto workers.

At a high-profile "diesel summit" hosted by the government this month, car makers agreed to update the software on millions of diesel cars to make them pollute less and offer discounts of as much as €10,000 (\$11,800) on new car purchases if owners traded in diesels.

Ms. Merkel said those actions were "the least" the in-

Car Trouble

Confidence in Germany's car makers has fallen and dissatisfaction with Chancellor Angela Merkel and her main rival has grown ahead of the country's Sept. 24 election.

Germans who have lost confidence in auto industry

After Volkswagen emissions scandal

October 2015 31%

After diesel cartel allegations

July 2017 38

Election campaign begins

August 2017 57

Satisfaction with political party leaders

70%

60

50

40

30

20

10

0

April May June July August

Source: ARD-Deutschlandtrend telephone polls, most recent of 1,505 eligible voters conducted Aug. 4-8; margin of error +/- 3.1 pcts. THE WALL STREET JOURNAL.

car makers now, Ms. Merkel was "trying to neutralize the issue by addressing it early on in order to erase any differences between her and her political opponent," said Jürgen Falter, a professor of political science at the University of Mainz.

While the government isn't about to drop all support to the car industry, experts say in the current environment it likely won't lend manufacturers as friendly an ear as in the past without more concessions on advancing alternative-energy vehicles. Ms. Merkel said she would meet German mayors in coming months to discuss incentives to boost use of electric vehicles.

Detainee Questioned In Spanish Attacks Is Freed

By JEANNETTE NEUMANN

BARCELONA—A second suspect among the four men arrested for the attacks in Spain last week was freed Thursday after a judge ruled there wasn't enough evidence to tie him to the terror cell that killed 15 people.

The move had been expected after Judge Fernando Andreu said this week that he planned to detain Salh El Karib for at most three days while police finished gathering evidence at the internet cafe where he works in Ripoll, the Catalan town where most of the alleged terrorists have lived.

As prosecutors press ahead with the investigation into Spain's deadliest terror attack in more than a decade, Islamic State released a video Wednesday night saying it planned more attacks in the country. It had previously claimed responsibility for the attacks in Spain.

Mr. Karib had been detained one week ago in Ripoll for alleged ties to two of the other suspects. Mr. Karib bought an airline ticket several days before the attacks for one of the suspects, Driss Oukabir, to fly to Morocco and return the next day. He also purchased an airline ticket to Belgium in mid-October for Abdelbaki Es Satty, a former imam in Ripoll who investigators believe was the leader of the terror cell that killed 14 in Barcelona and one in the Catalan town of Cambrils.

Judge Andreu said in court documents Thursday that Mr. Karib, who runs the internet cafe, received cash from the two suspects to buy the airline tickets but appeared to have no relationship beyond that with them. As a condition of his release, Mr. Karib will have to appear in court weekly and hand over his passport.

Mr. Oukabir, who flew to Morocco for a day, is being held without bail along with another suspect on preliminary charges of causing death and injury and being part of a terrorist organization. Court officials have declined to identify the suspects' lawyers.

Es Satty, the former imam in Ripoll, is believed to have died in an explosion the day before the attacks in a house where the suspects were compiling large quantities of explosive material.

Another suspect, Mohamed Aalla, was freed this week due to a lack of evidence linking him to the terror cell.

Mattis Vows Support, Not Arms, for Ukraine

By JAMES MARSON

KIEV—U.S. Defense Secretary Jim Mattis said Russia had failed to abide by peace agreements meant to end the conflict in eastern Ukraine and pledged U.S. support to Ukraine's government, but made no promise to provide arms.

"Have no doubt," Mr. Mattis said at a joint news conference with Ukrainian President Petro Poroshenko on Thursday. "The United States stands with Ukraine." He added that nuclear-armed Russia, which borders Ukraine, was "seeking to redraw international borders by force."

Mr. Mattis's visit to Ukraine—the first by a U.S. defense secretary in a decade—comes amid unresolved conflict in the eastern part of the country between government forces and Russia-backed separatists. The fighting, which has lasted more than three years and cost at least 10,000 lives, continues at hot spots along the front lines. Almost no progress has been made on reintegrating the affected areas into Ukraine, as mandated by two peace agreements signed in Minsk, Belarus, in 2014 and 2015.

The U.S. and Europe imposed sanctions on Russia after it annexed Crimea and intervened in eastern Ukraine with its military in 2014. Russia denies sending in regular troops.

The U.S. currently supplies Ukraine with nonlethal military equipment such as lightweight counter-mortar radar and night-vision goggles, but not arms.

Mr. Mattis said the U.S. was reviewing the possibility of providing Ukraine with arms



U.S. troops marched in a parade in Kiev to mark the anniversary of Ukraine's independence Thursday, as President Poroshenko looked on.

and he would take his recommendation to the White House on his return, without elaborating on his position.

Russia has said it would view the U.S. arming Ukraine as inflammatory, an interpretation Mr. Mattis rejected.

"Defensive weapons are not provocative unless you're an aggressor," he said.

On Thursday, Mr. Mattis attended a military parade in In-

dependence Square in Kiev to mark the 26th anniversary of Ukraine's independence. The parade included for the first time a small number of troops from the U.S. and other members of the North Atlantic Treaty Organization.

Mr. Poroshenko said his army was prepared for any attack. "Ukraine is ready to give a tough military response to the aggressor in its attempt to

advance."

On a visit to Kiev last month, U.S. Secretary of State Rex Tillerson traveled with Kurt Volker, the Trump administration's new point man on the Ukraine crisis.

Like Mr. Tillerson, Mr. Mattis raised Russia's 2014 annexation of the Black Sea peninsula of Crimea from Ukraine.

"We do not, and we will not, accept Russia's seizure of

the Crimea," Mr. Mattis said, adding that the government of Russian President Vladimir Putin was trying to redraw international borders by force.

Asked about the possibility of the U.S. providing lethal defensive weapons to Ukraine, Mr. Mattis said Washington is "actively reviewing it."

—Gordon Lubold
in Washington
contributed to this article.

Brexit Raises Supply Concerns Within U.K. Economy

By PAUL HANNON

Since the financial crash, central banks around the world have taken extraordinary measures to buoy demand and ease a slump. At the Bank of England, officials are growing increasingly concerned about the other side of the equation: supply.

They worry the U.K. economy is being held back not just by weak demand, but also by fresh limits on its capacity to produce more goods and services.

An important part of the reason: Brexit. The U.K.'s plan to leave the European Union has lowered the numbers of workers available to British businesses and stalled investment plans.

That could mean the British economy's speed limit—how fast it can grow without overheating and spurring higher inflation—is lower than they previously thought. That would force the bank to increase interest rates sooner

than they otherwise would.

There are signs that the June 2016 vote to leave the EU has weakened growth. Figures released Thursday showed the economy grew 0.3% in the three months through June, making it the second straight quarter in which the U.K. was the most sluggish of Europe's four large economies. This month, even as the BOE lowered its forecasts for growth this year and next, it warned it may have to raise its key interest rate.

"These things are all very uncertain, but I think the important point is that one should not think that the economy, at the moment, can grow at the sort of rates we used to enjoy, certainly before the crisis, before running into inflationary pressure," said Ben Broadbent, the BOE's deputy governor.

The BOE cited a shortfall in investment by businesses as one reason for the lower speed limit.

It now expects the level of investment in 2020 to be 20%

below the level projected just before the Brexit referendum in June 2016. Figures on Thursday showed business investment made no contribution to second-quarter growth.

As the clock ticks toward Brexit, evidence is mounting that companies are postponing investments because they are unsure about their future access to the bloc's markets.

In a recent survey of nearly 360 businesses, conducted by the Confederation of British Industry, 40% of them said their investment decisions had been affected by Brexit. Of those, practically all said the impact had been negative.

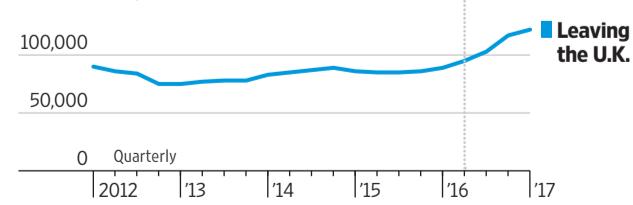
While the BOE has highlighted the threat to potential growth from weaker investment, it could also be lowered by a reduced supply of workers.

Immigration to the U.K. by citizens of other EU countries declined 7% in the year through March, compared with the previous year, to 122,000, while the number of EU citizens leaving jumped more than a third.

Brexit advocates say that scarcity has a silver lining: Labor shortages could help boost productivity if firms respond by investing in new machinery and training. But the sluggishness of investment suggests that isn't yet happening even as unemployment has fallen to 4.4%, its lowest level since 1975.

Waning Appeal

The number of EU citizens moving to the U.K. has declined since the Brexit vote, while the number of those leaving has increased.



*First estimate after the Brexit vote Note: Data are for rolling 12-month periods

Source: U.K. Office for National Statistics

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IN DEPTH

TESLA

Continued from Page One

months, the team has lost at least 10 engineers and four top managers—including Mr. Anderson's successor, who lasted less than six months before leaving in June.

Tesla said the vehicle hardware unveiled in October will enable "full self-driving in almost all circumstances, at what we believe will be a probability of safety at least twice as good as the average human driver." The self-driving feature is subject to software development and regulatory approval, and "it is not possible to know exactly when each element of the functionality described" will be available, Tesla noted.

A Tesla spokeswoman attributed the turnover in the Autopilot group—which has more than 100 people developing hardware and software—to fierce competition for talent at large technology companies, conventional auto makers and startups. Tesla has hired more than 35 people to join its Autopilot group so far this year, and brought on more than 50 in 2016.

In an email, Mr. Musk said he was unhappy with previous Journal articles on the company. "While it is possible that this article could be an exception, that is extremely unlikely, which is why I declined to comment," he wrote.

Potential rewards

The hurdles to putting self-driving cars on the road on a mass scale are huge, but so are the potential rewards. Advocates say autonomous cars will help minimize congestion and pollution—and would likely make automobile travel much safer. Human error causes 94% of crashes, according to government statistics.

Companies working on self-driving technology—ranging from Ford Motor Co. and GM to Alphabet Inc.'s Waymo LLC and ride-hailing firms such as Uber Technologies Inc.—are dealing with a tricky balance. If they make their technology too proficient, drivers may be tempted to stop paying attention or take their hands off the wheel. Automobiles that drive themselves under all circumstances face more testing and government review.

Tesla decided to introduce semiautonomous technology rather than wait because "when used correctly, it is already significantly safer than a person driving by themselves and it would therefore be morally reprehensible to delay release simply for fear of bad press or some mercantile calculation of legal liability," Mr. Musk said last year.

Mr. Musk has positioned himself as a disruptive force across industries. The South African-born engineer, who made more than \$100 million on an early investment in PayPal Inc., is chief executive of Space Exploration Technologies Corp., or SpaceX, which aims to colonize Mars. He said he is building a "Hyperloop" that will whisk commuters from New York to Washington in 29 minutes. In July, Mr. Musk announced Tesla is building the world's largest lithium-ion battery storage project in Australia.

"Elon's world is a tough world, and that's fine with me," said Ross Gerber, chief executive at Gerber Kawasaki Wealth & Investment Management in Santa Monica, Calif. "They're hard-charging, trying to change the world. That's why I invest in them."

Tesla's board includes James Murdoch, the chief executive of 21st Century Fox, which shares common ownership with Wall Street Journal parent News Corp.

The Six Stages of Automation

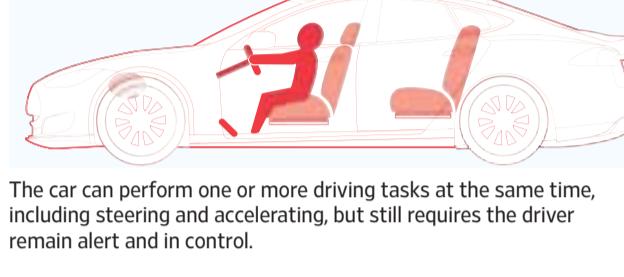
Tesla and other companies are working on automated-driving systems that would eventually allow cars to drive themselves.

Level 0: No Automation



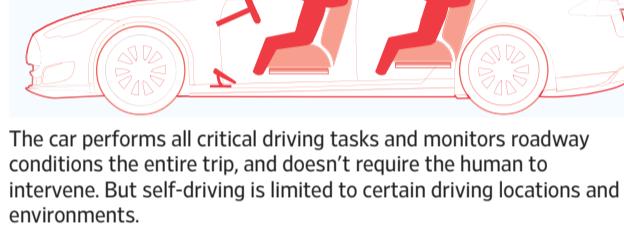
A human controls all the critical driving functions.

Level 2: Partial Automation



The car can perform one or more driving tasks at the same time, including steering and accelerating, but still requires the driver to remain alert and in control.

Level 4: High Automation



The car performs all critical driving tasks and monitors roadway conditions the entire trip, and doesn't require the human to intervene. But self-driving is limited to certain driving locations and environments.

Sources: SAE International; National Highway Traffic Safety Administration

Mr. Musk, who is 46 years old, became chief executive of Tesla in 2008, the year the startup produced its first electric sports car, the Roadster. He gained a reputation for working around the clock, sometimes spending the night on the factory floor.

In October 2014, Tesla introduced hardware and later added software updates that enabled capabilities such as automatic emergency braking and a collision-warning system—features some rival car makers had also begun incorporating.

Tesla engineers were already hard at work on a breakthrough intended to propel the company closer to the industrywide Holy Grail: putting a driverless car on the road.

Tesla dubbed its project "Autopilot," after the technology that aids airplane pilots. In 2015, Tesla hired Robert Rose, a former software engineer at SpaceX, to run the Autopilot group.

The pressure was high to get testing done. In a 2015 email, Mr. Rose urged engineers to get started on validating the technology, or to prove it works in tests, "RTFN"—right the f—now.

Some engineers and suppliers pushed back. Issues they debated included the amount of time a driver would be given to retake the wheel if a car's autonomous driving features stopped working; mechanisms to keep drivers engaged; and whether the technology should be allowed on all roads.

Weeks before the October 2015 release of Autopilot, an engineer who had worked on safety features warned Tesla that the product wasn't ready, according to a resignation letter circulated to other employees and reviewed by the Journal.

Autopilot's development was based on "reckless" decision making that has potentially put

Level 1: Driver Assistance



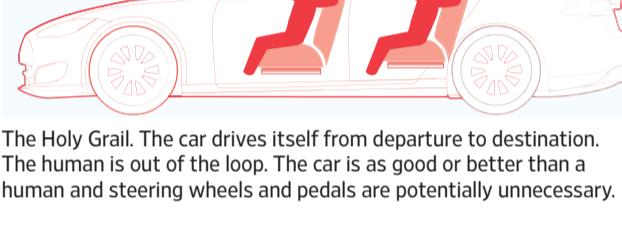
The vehicle can perform some driving functions, often with a single feature such as cruise control. The driver maintains control of the vehicle.

Level 3: Conditional Automation



The car drives itself under certain conditions but requires the human to intervene upon request with sufficient time to respond. Here, the driver isn't expected to constantly remain alert.

Level 5: Full Automation



The Holy Grail. The car drives itself from departure to destination. The human is out of the loop. The car is as good or better than a human and steering wheels and pedals are potentially unnecessary.

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tion, Autopilot was rolled out in late 2015 with a hands-free activation mode."

Tesla said drivers were "responsible for, and ultimately in control of, the car," when it rolled out Autopilot.

Tesla owners' manuals describe Autopilot as a collection of "driver assistance features" and note that motorists are responsible for staying alert, maintaining control of the vehicle and driving safely. The initial version of Autopilot warned drivers to retake the wheel if their hands weren't detected.

Debates raged industrywide, as car makers and tech companies balanced technological advances that boost safety with the potential for dangerous misuse by drivers.

"This is the worst subject in the world to be adventurous with," said Scott Keogh, Audi AG's top U.S. executive, in an interview.

Alphabet's Waymo decided its autonomous system should be free from human interaction partly after its own employees using automated-driving technology became overconfident, engaging in dangerous behaviors such as taking their eyes off the road.

"They were just human," said John Krafcik, Waymo's chief executive, speaking at a January automotive conference. "They began to trust the technology."

Shortly before the release of Autopilot in October 2015, Mr. Rose left the company. Tesla said Mr. Rose's departure wasn't due to any disagreement involving Autopilot but declined to elaborate further.

Mr. Anderson stepped into the job. A Ph.D. from Massachusetts Institute of Technology with a string of patents on autonomous technology, he had helped launch the Model X.

In May 2016, Joshua Brown, a former Navy SEAL, activated the Autopilot system in his Tesla



Tesla CEO Elon Musk appears at a news conference in Australia.

customer lives at risk," the engineer, Evan Nakano, wrote.

Tesla declined to comment specifically on Mr. Nakano. "We actively encourage development teams and suppliers to highlight concerns and issues so that they can be comprehensively addressed during development," a spokeswoman said.

Tesla said it based its design on millions of miles driven by employees and other early testers, followed by performance validation. It said Autopilot has been tested over more than 1 billion miles.

Harrowing test

At least one early test drive was harrowing. In May 2015, Eric Meadows, then a Tesla engineer, engaged Autopilot on a drive in a Model S from San Francisco to Los Angeles. Cruising along Highway 1, the car jerked left toward oncoming traffic. He yelled and steered back on course.

On the same trip, he said police pulled him over for suspected drunk driving. He said he was sober and shot an email warning colleagues, "Do not use Autopilot this weekend."

Mr. Meadows said he was later dismissed for what he was told were "performance issues."

Tesla declined to comment on Mr. Meadows but noted that the incident happened months before the release of the technology, giving the company plenty of time to work out problems that had been discovered during test drives.

As the team ironed out the technology, some enlisted the help of suppliers to settle disagreements. One engineer contacted Mobileye NV, the Israeli-based company that made Autopilot's cameras, and expressed fear that the equipment could be unsafe if used by drivers who weren't fully engaged, according to people familiar with the matter. Mobileye Chairman Amnon Shashua contacted Tesla in May 2015 and was reassured that the technology would be deployed safely, according to a Mobileye securities filing.

As the release approached in October 2015, however, a Tesla engineer reported to Mobileye that the product was being released in a way that would allow the car to drive itself without hands on the wheel. Mr. Shashua flew to California and suggested precautions, a person familiar with the matter said.

Mr. Musk said "activation of Autopilot would be 'hands-on,'" Mobileye said in the securities filing. "Despite this confirma-

tion, Autopilot was rolled out in late 2015 with a hands-free activation mode."

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GREATER NEW YORK

Flap Over Rikers Heats Up

Gov. Cuomo and Mayor de Blasio spar over how quickly to close city jail complex

By MIKE VILENSKY

Gov. Andrew Cuomo and Mayor Bill de Blasio tussled Thursday over when to close Rikers Island, a day after 29 reputed gang members were indicted for attacks on inmates and officers at the jail complex.

Mr. Cuomo's counsel, Alphonso David, in a statement to news media on the indictments, said Mr. de Blasio's 10-year plan for closing Rikers is "tantamount to saying we have no real plan to close it," aligning with critics to Mr. de Blasio's left who have ratcheted up pressure for a quicker closure.

Mr. David expressed concerns that future mayors and city councils could cancel the plan to close the corrections complex altogether. "Gov. Cuomo, for example, is not 10 years later implementing Gov. Spitzer's plans," he said. Gov. Eliot Spitzer resigned in 2008.

Mr. de Blasio's office shot back with a heated statement of his own saying Mr. Cuomo oversees a state prison system—which does not run Rikers—"marred by abuse," and a court system that indicts too many individuals.

"As attorney general, Andrew Cuomo was silent on Rikers Island," said Eric Phillips, Mr. de Blasio's press secretary. "His new-found concern is welcome, but unless the governor is willing to reform his own embattled state prison system and court system, it's impossible to see his outburst as anything but political theater."



Gov. Andrew Cuomo contends Mayor Bill de Blasio's 10-year plan for closing Rikers is too slow.

The war of words highlights how closing Rikers has moved to the fore as a political issue for New York's Democratic officials.

The indictments Wednesday against the 29 current and former inmates for brutal beatings of inmates and officers led to new rounds of questions about the facility.

Mr. de Blasio at the start of his term put anti-violence measures in place to stem problems at the jail but faced pressure from city council members and criminal-justice activists to close it. In March, he agreed to do so on a 10-year timetable that also re-

quires the jail population to be cut nearly in half. But he has faced growing calls to speed up the plan or adopt another put forth by Jonathan Lippman, the former Chief Judge of the New York Court of Appeals.

Mr. Cuomo has joined the chorus of criminal-justice advocates who want quicker action from the mayor, his longtime political adversary, but he hasn't offered plans for how the state might help speed it along. The issue is expected to arise when the legislative session begins again in January.

Conservatives have expressed concerns about closing the facility at all. Assem-

blywoman Nicole Malliotakis, the Republican running against Mr. de Blasio for mayor this year, has said the jail should become more humane but be kept open because the alternative, smaller jails in New York City neighborhoods, could be dangerous.

Criminal-justice advocate Glenn Martin said Thursday that while he is glad politicians are fighting over how quickly to close Rikers, Messrs. de Blasio and Cuomo should do more than that.

"They both have the power to move this forward and should be doing it in collaboration," he said.

Columbus Talk Sparks Outcry

By MARA GAY

City Council Speaker Melissa Mark-Viverito's call to include Christopher Columbus among figures under consideration in a 90-day review of statues and monuments overseen by Mayor Bill de Blasio has touched off a backlash from Italian-American elected officials, conservatives and cultural groups in the city.

Ms. Mark-Viverito's bid comes amid a contentious debate that has gripped the country about whether to remove Confederate statues from the nation's parks, universities and public spaces.

In New York City, the most intense conversations have centered on a statue of Columbus.

The explorer is respected by New York's Italian-American community, while others believe he ushered in a period of conquest that resulted in the deaths of Native Americans.

In a show of force Thursday that included more than half a dozen New York elected officials, a rally was held outside City Hall demanding that the statue continue to stand tall at Columbus Circle in Midtown Manhattan.

"It is a monument to, for and by Italian-American immigrants, Italian-American immigrants that came to this country with nothing," Republican Assemblyman Ron Castorina said.

Councilman Vincent Gentile, a Brooklyn Democrat, said: "We Italian-Americans say, 'Basta!' Enough is enough," he said to cheers. "The statue stays where it is."

Mr. de Blasio, whose mother was Italian-American, has said he won't comment on specific monuments until the committee's work is further along. "There are no plans to remove the Columbus statue," said Natalie Grybauskas, a de Blasio spokeswoman, adding that the statue likely would be included in the review.

Yet, even the suggestion of removing the Columbus statue has touched a nerve in New York City, once home to the largest Italian-American community in the country, according to historians.

At Thursday's event, emotions ran high. One speaker called Ms. Mark-Viverito "a

terrorist."

Others shouted derisively when it was noted that Mr. de Blasio is of Italian-American heritage, shouting, "Wilhelm!" in reference to the mayor's original surname.

Mr. Gentile spoke of "dangers" Columbus had endured along his travels from Europe to the New World in 1492. "There were Native Americans that were not welcoming to him, so he had to be not only an explorer but a warrior too," he said.

Ama Dwimoh is running for Brooklyn district attorney against Mr. Gentile. She described her mother as Sioux Native American and her father as Ghanaian.

"It is dismaying to me that someone running to be responsible for justice in Brooklyn would so wrongly recast history and defend oppression so cavalierly," she said, referring to Mr. Gentile.

A Gentile campaign spokesman didn't immediately respond to a request for comment.



The rally outside City Hall

Some speakers said Mr. de Blasio would face political consequences for including Columbus in his review. Whether that is the case is unclear. While Italian-Americans once made up sizable block of the city's residents, their numbers have waned during the past century, as many moved to the surrounding suburbs, historians say.

Still, Italian-Americans have maintained a visible presence in New York City, from the annual Columbus Day parade to the city's reputation as a destination for Italian-American cuisine.

Collecting Recycling Costs More Than Trash

By MELANIE GRAYCE WEST

New York City, which produces roughly 24,000 tons of garbage daily, spends more on collecting and exporting a ton of recycling than it does for the same amount of regular trash, according to a new report released Thursday.

The findings from the New York City Independent Budget Office come as the city hits the halfway point in a two-decade strategy for how the Department of Sanitation deals with the 12,000 tons of waste it handles daily. The other half of the city's refuse is handled privately.

The report finds that the city planned for the total amount of solid waste to grow over a period of 20 years as the population increased. As the waste grew, according to the plan, so too would the amount of recycling. To save money, the city enters into long-term contracts based on those predictions.



Bottles awaiting recycling after the 2015 U.S. Open in Queens.

Can I Take Them Home?



SAYING HELLO: Alba Crivello, 7, admired puppies on Thursday at Animal Haven in Manhattan. The dogs were among more than 200 canines shipped to the mainland U.S. from shelters in Puerto Rico, where a financial crisis has led many people to abandon pets.

Malloy Wants Towns to Contribute More Money

By JOSEPH DE AVILA

Connecticut Gov. Dannel Malloy said Thursday it is time for a new relationship between the state and its 169 cities and towns as he defended his proposal to close a yawning budget gap by shifting more costs from the state to municipalities.

State funding for cities and towns reached \$5.1 billion for the fiscal year that ended in June, a 21% increase over the past five years, according to a report from Mr. Malloy's budget office released Thursday.

Funding for cities and towns has outpaced spending on transportation, Medicaid and debt service during that same time period, according to the report.

In the face of a two-year deficit of \$3.5 billion, the governor said that can't continue.

"Unfortunately, holding towns harmless and even increasing aid while we make excruciating cuts across state government is not sustainable in the long term," said Mr. Malloy, a Democrat and former mayor of Stamford.

"It's clear that if we want to put Connecticut's budget on stable footing, we must modernize the relationship between the state and local municipalities," he said.

Since the legislature failed to pass a budget by the June 30 deadline, the state has funded operations through an executive order signed by Mr. Malloy. State lawmakers continue to negotiate on a spend-

ing plan and say the earliest a vote could take place is in September.

Elizabeth Gara, executive director of the Connecticut Council of Small Towns, said towns are worried they will have to bear the brunt for bad fiscal management by the state.

"We are concerned the report sets the stage for cuts to municipal aid that will lead to property tax increases," Ms.

Gara said.

Funding teacher pensions is one of the biggest drivers of spending increases in municipal aid, the report said. The state pays about \$1.2 billion annually in teacher pension costs, and that figure is expected to peak at \$6.2 billion in 2032.

Mr. Malloy has called for making cities and towns pay a total of \$400 million annually to help bring teacher pension costs down. Currently, they don't pay into the system.

Ms. Gara said making towns pay for teacher pension costs is a mistake.

"It's unfair to saddle taxpayers with the costs of a problem that has festered because of the state's mismanagement," she said.



Gov. Dannel Malloy says municipalities must do more to help the state close its budget deficit.

GREATER NEW YORK

Calorie-Count Under Legal Fire

BY MARIANA ALFARO

The U.S. Food and Drug Administration and city restaurant and convenience store organizations will attempt to have a New York City law requiring calorie counts on menus for certain food establishments overturned during a Friday hearing in federal court.

The New York City calorie-labeling law was first established in 2008, making the city the first in the country to require restaurant calorie counts. Under current city provisions, chains with 15 or more stores must provide for patrons calorie counts and nutritional information on their products.

New York City was sued in July by an industry group after the law was changed to include calorie counts for prepared foods such as hot dogs and salads sold at convenience and grocery stores.

Under the new provisions, food establishments also must let consumers know the recommended daily intake of calories—2,000.

The 2015 updates to New York City code were meant to comply with new federal regulations, which were expected to go in effect at the same time. That changed in May, when the Trump administra-

tion postponed the changes to federal law for a year.

Doug Cantor, a counsel for the National Association of Convenience Stores, one of the groups suing the city, said his organization favors giving customers calorie counts and nutrition information but it sued the city because it is trying to enforce its regulation nine months before the Federal regulation goes into effect.

Mr. Cantor said there are still many unanswered questions about the Federal regulations, making it a problem for the city to enforce its own rule.

"They might make different decisions than the FDA ... those things are an issue with them going early before the FDA can enforce their law and clarify things," he said.

The "FDA believes that local governments are expressly preempted from adopting conflicting menu-labeling requirements," an agency said.

"If hundreds of different municipalities set their own rules, it would lead to added costs and confusion that would ultimately disadvantage consumers. That is why Congress created a single, national system."

The city's health department didn't respond to a request to comment.



Charles Kang, left, answers questions in front of Vermeer's "Mistress and Maid," in the West Gallery during a First Friday at the Frick.

Museums Turn to Freebies

Goal is to attract more diverse and younger visitors who will pay on return visits

BY CHARLES PASSY

On a recent Friday at the Frick Collection, the scene was more reminiscent of a social hot spot for young New Yorkers than a museum devoted to works by the great masters.

The crowd, which included many in their 20s and 30s, nibbled on light bites and enjoyed the sounds of a jazz duo. Some on hand also decided to do a little drawing, using materials provided by the museum. And for those who wanted to take in the art, by masters ranging from Rembrandt to El Greco, the Frick staff offered talks on selected works.

Perhaps best of all for the

attendees was the price for the event. Instead of charging its standard \$22 adult admission, the museum opened its doors for free.

The Frick, a stately Upper East Side museum that formerly served as the palatial home of the industrialist Henry Clay Frick, is the latest New York art institution to offer such a regularly scheduled no-cost bash as a way to draw a more diverse and, yes, younger base of patrons, with the hope that many will return as paying customers. The Frick calls the nearly year-old program First Fridays—it takes place on the first Friday of most months—and attendees say it is putting the museum-going experience in a new light.

"It feels like a different atmosphere," said Lizzie Kammler, a 30-year-old Manhattan resident.

More than two dozen museums and other cultural institu-

tions that regularly charge admission or ask for suggested donations offer similar free events, according to NYC & Co., the city's official tourism organization. The list includes some of the city's most prominent museums, such as the Solomon R. Guggenheim Museum and the Museum of Modern Art, alongside smaller, niche-oriented ones, including the Noguchi Museum and the Museum of Jewish Heritage.

By some accounts, the trend started in the late 1990s with the Brooklyn Museum and its First Saturday program, an ambitious monthly affair that incorporates everything from films to dance performances to gallery talks and features pop-up bars that serve alcoholic drinks (the booze isn't free).

Brooklyn Museum officials say the event attracts an average crowd of 9,000—or five times the number of attendees

on a regular Saturday.

Not that any of this comes cheap for the institutions. The Frick, for example, says its First Fridays program runs the museum tens of thousands of dollars. Moreover, such programs could potentially affect paid attendance by creating a culture of patrons who only come to the museum when it is free, say some insiders in the museum world.

"It's appropriate to have a healthy skepticism," said Elizabeth Zeigler, president and chief executive officer of Graham-Pelton Consulting, a firm based in the New York area that advises nonprofit institutions, including museums.

Still, the museums often get funding to offset the costs of the programs. And institutions say they are seeing results in terms of visitors coming back and forking over the standard admission, if not becoming members.



A city law requiring calorie counts on menus faces a hearing Friday.

Mapping Project Would Provide Help for Growing 'Green' Rooftops

BY MARIANA ALFARO

Hundreds of acres of green roofs have sprouted in New York City in recent years, and now a group is mapping their locations.

The Nature Conservancy of New York, an environmental group, began the work last year and hopes to complete the project in the spring. There is no direct record of all the green roofs in New York City, so the group is using information from publicly available sources and remote sensing technology to pinpoint the green roofs.

"This information can help others, in particular with research and management involving green roofs," said Michael Treglia, an urban spatial planner at the Nature Conservancy.

By overlapping imagery and wavelengths gathered from known roofs with specialized maps of the city, the conservancy and its partners hope to identify unrecorded roofs and figure out how to build more green spaces, he said.

Putting a few potted plants on a roof doesn't make a green roof. It must be covered by a waterproof membrane to form an actual meadow or garden with integrated plants.

The city's green roofs range from the 6.75-acre expanse atop the Javits Center in Manhattan to tiny plots of one-third acre or less on public schools.

There are about 36,700 acres

of rooftop in New York City, according to Emily Maxwell, program director for the Nature Conservancy. But only a fraction—some 2,700 acres—are known to have "key ingredients" that make them ready for green roof development: They are in private hands, they are flat and they are structurally sound, she said.

"We have a lot of space, and it's what I would refer to as an underutilized asset," she said. "Our interest is in how we can utilize this asset better."

In addition to offering aesthetically pleasing views for high-rise residents and places for migratory birds to rest, green roofs help lower the environmental footprint of buildings by reducing energy use and

collecting millions of gallons of rainwater, Ms. Maxwell said.

One of the largest green roofs in the city sits atop Barclays Center in Brooklyn. On Thursday morning, gardeners treated the plants and pulled weeds. The sloping hill over the arena is home to a variety of succulents, set down over planters. Richard Vartigian, senior director of arena operations at Barclays Center, said the roof was built in part to help buffer the noise from events at the arena and provide a nice view for area residents.

A study projected that the field could collect nearly two million gallons of rainwater a year, Mr. Vartigian said, helping reduce the building's environmental footprint.



A maintenance crew weeds the green roof on Barclays Center.

GREATER NEW YORK WATCH

RIKERS ISLAND

Inmate Indicted On Escape Charges

A Rikers Island inmate who sparked a massive search when he attempted to flee the jail complex has been indicted, the Bronx district attorney said.

Nanau Hill, 24 years old, pleaded not guilty Thursday to multiple counts of escape. His attorney declined to comment.

Prosecutors said that on July 26, two other inmates distracted officers guarding the yard of a Rikers Island jail. Mr. Hill climbed

over a barbed-wire fence and was found running down a street on the island hours later, according to prosecutors.

—Corinne Ramey

NEW JERSEY

District Denies It Ignored Bullying

A New Jersey school district said Thursday it didn't ignore the concerns of a family that says their 12-year-old daughter's suicide was caused by bullying.

The family of Mallory Grossman filed a notice of intent to

sue the Rockaway Township School District last week.

Dianne Grossman said she and her husband repeatedly contacted school officials to tell them of the bullying, but that their response was inadequate.

In Thursday's statement emailed by Superintendent Greg McGann, the school district said it wouldn't comment on the legal notice, but said: "The allegation that the Rockaway Township School District ignored the Grossman family and failed to address bullying in general, is categorically false."

—Associated Press

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—Associated Press

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LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

Dirty Money

AS ANY REGULAR VIEWER of Investigation Discovery can attest, the wealthy constitute a huge proportion of the amoral, criminally deranged, and otherwise loathsome characters who populate its seductive case histories. The rich tend to be a doomed lot in the highest-rated true-crime network. In its new series, bluntly titled "Guilty Rich," we first meet Andrew Luster, who has, like all the subjects of these stories, some claim to fame. In this case, it's the fact that his great-grandfather was Max Factor, the cosmetics king who showed Hollywood's stars how to make themselves more beautiful.

Mr. Luster is the face and character of all that the spoiled rich are supposed to represent in these sagas or, more precisely, morality tales. He grew up in Malibu and Brentwood, Calif., surrounded by the wealthy. As an adult, he had just two interests—surfing and sex. Handsome, living on family money, he's free, in his early 20s, to enjoy a life on endless vacation at his beach shack, and he has plenty of beautiful women, numbers of whose pictures cover the walls of his house—so many they seem ominous to a visitor.



Andrew Luster, convicted for sexual assaults

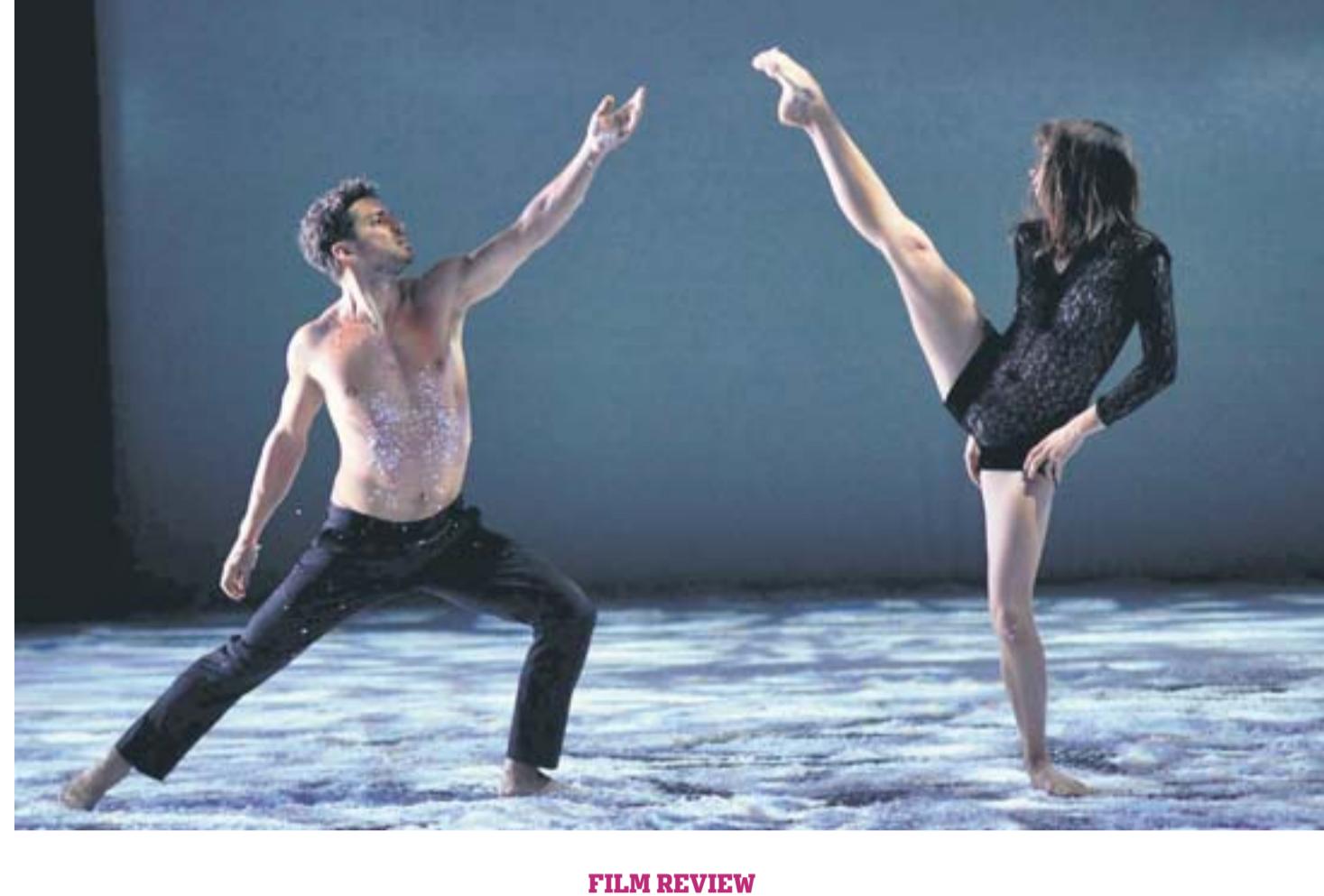
Still, none of it is enough—he needs the excitement that comes with the use of sex, drugs and connected illicit activities, the kind that lead to his ruin, which is inevitable. He was convicted in 2003 of sexual assaults using a date-rape drug. Mr. Luster, a witness says, looked astonished that he could be in the position in which he now found himself. Translation—the rich, protected by their money, coddled all their lives, think they can get away with everything. But they can't, this quintessential ID series is here to say, in characteristically dark, triumphant tones—one of the essentials that make these stories irresistible.

But every rich rotter meets doom in his own way. In the next episode (Sept. 7), there's Florida lawyer Scott Rothstein, who wasn't born with any silver spoon in his mouth. He was a boy from the Bronx, N.Y., whose tuition for law school came from his grandmother's savings—a boy who found his way to wealth and membership in Florida's elite circles by virtue of his conspicuous success as an attorney specializing in sexual-harassment cases.

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For a long time, all seemed to go swimmingly for Scott, shown photographed with luminaries from the political and sports worlds. He grew richer by the day, it seemed, and the evidence was on display—the owner of more than 20 luxury cars, he was also writing million-dollar checks to charities. It occurred to some people to wonder how he came by such wealth—he didn't get that kind of money by practicing

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OSCILLOSCOPE LABORATORIES

FILM REVIEW

'Polina': Risky Leaps, Moving Odyssey

An emotionally compelling, brilliantly acted film about a Russian dancer

BY JOHN ANDERSON

GIVEN THE customary fate of beautiful, talented, self-possessed Russian heroines, a sense of foreboding might accompany viewers into the voluptuous world of "Polina," despite its gorgeous dancing and people. And passion. And art. And Slavic melancholy. Well, no one ends up under a train. But it's certainly an epic. And it's certainly cinema.

Directed by the wife-and-husband team of Valérie Müller and Angelin Preljocaj, "Polina" could provide some of that good P.R. Russia sorely needs, even as Stalinist repression echoes through the movie's dance halls and Putin-esque corruption molders in the cracks of its storyline. Ms. Müller has directed only one previous feature-length film; her husband is a prominent choreographer and founder of the contemporary dance company Ballet Preljocaj. It doesn't matter. The French couple's film is not only emotionally compelling and brilliantly acted, it's a finely calibrated clockwork of movement, dreams, romance and reality that incorporates in its storytelling everything from a bar fight to the architecture of Berlin.

Adapted from the graphic novel by Bastien Vives, "Polina" begins in Moscow, with a tiny, perfect piece of ballet physiognomy named Polina (Veronika Zhevnytska) being pushed, pulled, pinched and measured for a spot with the fearsome, Balanchine-like Bojinski (Aleksey Guskov). He betrays an in-



Jérémie Bélingard and Anastasia Shevtsova, above, and Niels Schneider and Anastasia Shevtsova, left, in 'Polina'

terest in her. What is dancing about, he asks the 8-year-old. "It happens by itself," she says; he responds, "You think so." It isn't really a question.

There's a deliriously beautiful sequence of little Polina leaving the dance school and improvising a routine that is a hybrid of jazz and classical, but mostly just free and, like so much of what happens in the movie, a harbinger of things to come, a clue to who she is and what will happen. The accomplished older Polina—played by the former Mariinsky Theatre ballerina Anastasia Shevtsova, who acts as well as she dances—Polina will leave the Bolshoi to follow a male colleague (Niels Schneider) to France, become part of a contemporary troupe led by the Twyla Tharpish choreographer Liria Elsaj (Juliette Binoche), injure an ankle, leave the theater, and become a barmaid in

Belgium, all the while searching for a means of expression that's entirely her own. We believe it all, emotionally, because the world of the film makes sense, because the stakes are made real—her parents have given up everything for her—and because Ms. Shevtsova is simply so good: In one scene, as she watches two other dancers perform, the tears well up in her eyes, but never quite spill out; she's too Russian for tears. It's breathtaking.

Elsewhere, we can read both the canniness and exploration in those eyes: She sees a fight in a bar and you know she's digesting the movement amid the violence, intending to

make art out of it; she sees a homeless man in the subway who begins crawling across the floor (is it in her mind?), and there's a startling synthesis of her process and her fears:

She's intrigued by the motion, but she's also lost her job—will she lose her home? She

watches as two old friends embrace and wants to translate their movements into dance. And will she lose her friends? The creative process is always an elusive thing for filmmakers to capture, but amid all the startling visuals and the splendid acting, "Polina" rises, gloriously, to the challenge.

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

THEATER REVIEW

A BROADWAY ICON PAYS TRIBUTE TO HIMSELF

New York

ANYONE WITH a more than casual interest in theater needs no reminding that Harold Prince directed the original Broadway productions of "She Loves Me," "Cabaret," "Follies," "A Little Night Music," "Sweeney Todd," "Evita," "The Phantom of the Opera" and "Kiss of the Spider Woman." That's a staggering track record by any conceivable standard. Nevertheless, he isn't exactly a household name west of the Hudson and hasn't had a hit since the 1994 revival of "Show Boat," so you can't help but wonder how savvy a commercial proposition it was for the 89-year-old legend to put together a tribute to himself and call it "Prince of Broadway."

On the other hand, "Prince of Broadway" is not a budget-pulverizing extravaganza à la "Jerome Robbins' Broadway" but a nine-singer revue at the 650-seat Sam

J. Friedman Theatre, a thousand seats smaller than the nearby house where "Phantom" has been minting money for the past 29 years. That Mr. Prince tried and failed to raise the money to put on a bigger, starrier show is no secret. Instead, he and Susan Stroman, his choreographer and co-director, have settled for a modestly scaled, slickly staged 2 1/2-hour greatest-hits medley of numbers from 16 of the shows that Mr. Prince has directed and/or produced since 1955. Modest though it is, "Prince of Broadway" looks and sounds fabulous: Beowulf Boritt's sets are handsome and Jason Robert Brown's brand-new orchestrations for the 15-piece pit band are fresh and bright. As for the cast, it's a mix of beloved old pros like Chuck Cooper and Karen Ziemba and up-and-comers who mostly lack in-your-face star quality—though not Tony Yazbeck, lately of

"On the Town," and Janet Dacal, both of whom very clearly have great things ahead of them—but who still put their songs across the plate firmly and satisfactorily.

The weak link is David Thompson's book, in which Mr. Prince's cliché-prone first-person reminiscences ("Luck is being born at the right time in the right place") are placed in the mouths of the actors, always to unilluminating, momentum-killing effect. For the most part, though, "Prince of Broadway" adds up to pleasingly intimate musical revue full of shining moments, albeit one that feels rather more like a pledge-week TV special than a full-fledged Broadway show. Unlike "Jerome Robbins' Broadway," it can do no more than hint at the overwhelming impact of the grandiose productions that made Mr. Prince a giant of the stage, but take it for what it is, a

Please see THEATER page A11



MATTHEW MURPHY

Janet Dacal in a number from 'Evita' in 'Prince of Broadway'

LIFE & ARTS

FILM REVIEW

Self-Discovery On the Boardwalk

BY JOHN ANDERSON

IF "GET OUT" was the black-horror-meets-Hitchcock response to the myth of a post-racial America, "Beach Rats" is a cleverly delivered gut punch for anyone still too optimistic about the state of gender politics. Shooting on 16mm, with a hit-and-run sensibility and the kind of visual intimacy that marked early, Cassavetes-influenced Sundance films, director Eliza Hittman goes for a visually nostalgic look that matches her *Land That Time Forgot*, aka present-day south Brooklyn—where, if your buddies are droogs and your family blue-collar, it might not matter at all what the Supreme Court says about gay marriage.

Ms. Hittman's main character, the laughably good-looking Frankie (newcomer Harris Dickinson), is introduced almost coyly, shyly, with smarmy sidelong glances at his barbells, his hat, his posing, his primping, as he preps for what seems to be one of his first visits to a gay chat site. "I don't do that," he tells one older man, who wants to meet in person. But as Frankie is also quick to say, he doesn't know what he wants. Or what he likes. But he certainly isn't gay. Oh no.

With his father dying at home in Sheepshed Bay and his mother (Kate Hodge) casting a concerned glance at everything he does ("What drugs are you on?" "The good ones!"), he escapes to the Coney Island boardwalk with his boys, three misfits his mother won't allow in her house and for whom gay-bashing would seem a reasonable way to spend a Friday night. Ms. Hittman, throwing us a curve, has the camera—operated by the mar-



Harris Dickinson as Frankie and Madeline Weinstein as Simone in 'Beach Rats'

velous Hélène Louvart ("Pina")—lock onto the shapely backside of Simone (Madeline Weinstein), one of a group of young women bumping up against Frankie and his friends, as the Wonder Wheel spins nearby. It's a male-gaze moment, but whose? Frankie's, apparently, because while he's less than enthused about Simone's overtures, he succumbs, thus involving her—unhappily, how else?—in his continuing effort to figure out who he is.

Frankie's adventures offline with the men he meets online—shot in a manner that can only be called furtive—grow more frequent and intimate. Complications, near disclosures and a public meltdown

follow. His relationship with Simone seems doomed from the start, but for all her brassiness, she's sympathetic, because she sees something worthwhile in Frankie. As do we. He's just a lost boy. Does his attraction to older men have something to do with his father? What's that look on his face when he spots a run in his mother's black stocking? Frankie doesn't have a clue, and it's hard to make a compelling movie about a character defined by indecision, Hamlet notwithstanding. Ms. Hittman, however, has done it.

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

THEATER

Continued from page A10

poignant souvenir of an incomparably great career, and you'll go home happy.

COMPANY

Pittsfield, Mass.

One of the first musicals that Mr. Prince directed was, of course, Stephen Sondheim's "Company," and Barrington Stage Company, which has emerged in recent seasons as one of America's top regional musical-comedy producers, is currently mounting a stirring revival of Mr. Sondheim's now-classic study of the problems of postmodern marriage. Directed by Julianne Boyd, it stars Aaron Tveit as Robert, the commitment-phobic New York bachelor whose role was created by Dean Jones in the original 1970 production. I doubt there's been a better Robert since Mr. Jones left the show. A true tenor with brilliantly gleaming high notes, Mr. Tveit is also a superior actor whose interpretation of the part is a volatile mix of charm, reserve and well-concealed fear. Not since Ben Platt opened in "Dear Evan Hansen" have I seen a musical performance as exciting as this one.



Paul Schaefer, Aaron Tveit and Lauren Marcus in Harold Prince's 'Company'

In a way, though, what's most surprising about Barrington Stage's production is that Mr. Tveit doesn't stand out nearly as much as you'd expect given the remarkable quality of his performance. Role for role, this is the best-sung "Company" I've ever heard—not just in regional theater, but anywhere. Dan Pardo, the music director, doubtless deserves a big slice of credit for the quality of both the singing and the playing of the nine-piece orchestra. As for Ms. Boyd and

Stage's 520-seat main stage fills the bill ideally. If you've never seen a scaled-down "Company," or one in which everyone is a first-class vocalist, come to Pittsfield and prepare to be dazzled.

Prince of Broadway

Manhattan Theatre Club, Samuel J. Friedman Theatre, 261 W. 47th St., New York (\$89-\$179), 212-239-6200/800-432-7250

Company

Barrington Stage Company, Boyd-Quinson Mainstage, 30 Union St., Pittsfield, Mass. (\$15-\$72), 413-236-8888, closes Sept. 10

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.

GUILTY

Continued from page A10

law, those who knew him tell the filmmakers. They were right: Mr. Rothstein came by his wealth another way, which we will leave undisclosed.

It's a tale of greed and delusion, gripping in its complexity, and one that proves you don't have to be born rich to be a scoundrel. Once he became wealthy he knew how to use his money to wield influence. Such was its power that he could arrange with the local police to arrest a woman who had given him cause to feel offended—an incident harrowing in its detail.

She's hauled off under arrest on a bogus drug charge. The evidence—

possession of her child's medication, which she carried in a non-prescription bottle. This rich rotter's story, needless to say, does not end well for him.

Forrest Hayes (episode of Sept. 28) was a rich married man with five children, guilty of no criminal wrongdoing worse than consorting with a high-end prostitute and maintaining a heroin habit. It was the heroin that killed him at age 51 and the prostitute who delivered the fatal injection. Camera surveillance in the room in which he died, in 2013, captured the action. Mr. Hayes is one of the subjects of "Guilty Rich" because he was a top executive at Google X, the company's secret development division, and with his style of life and his fancy yacht, the means to buy anything he wanted, as the



A photo of Martha Moxley. Michael Skakel was convicted of her killing.

film notes, a perfect representative of Silicon Valley's elite. One commentator suggests, solemnly, that the executive may have taken

up with the call girl because "there's no camaraderie in the tech world." Perhaps, but that wouldn't explain why he took up with *this* call girl, who takes off, after Mr. Hayes collapses, without even trying to place a call for help. Though not before reaching for a glass of wine.

Not surprisingly, no episode in the series can match Oct. 5's on Michael Skakel, convicted of the 1975 murder of 15-year-old Martha Moxley. In its social detail and sheer suspense, remarkable for a case whose ending is already known, the story of the Skakels and the Moxleys, who lived next door to one another in Greenwich, Conn., is never less than riveting. The Skakels, first cousins of the Kennedys, had plenty of money, more than enough to pay for a life of luxury dazzling to the

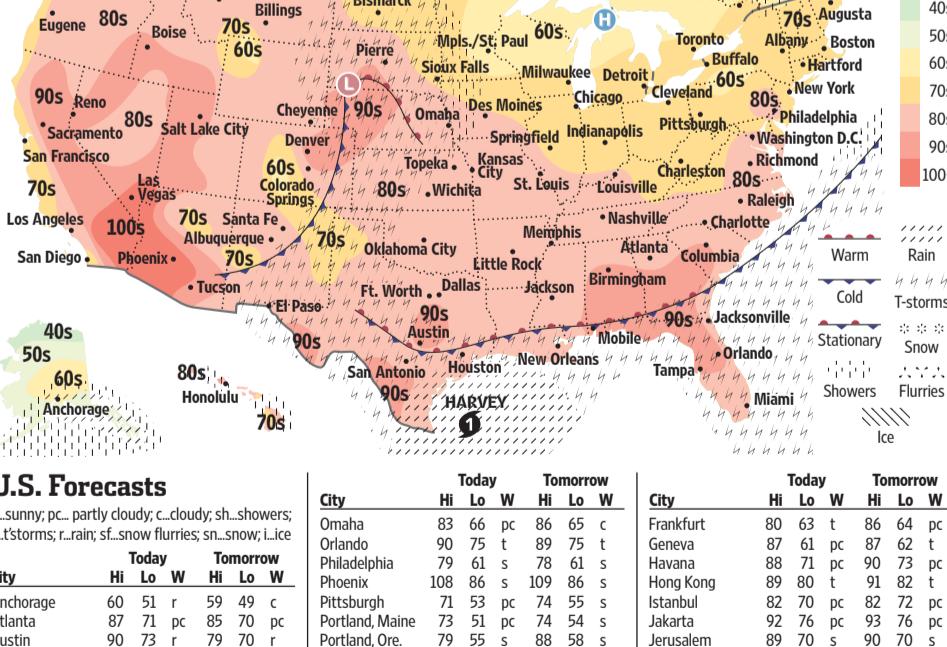
young live-in tutor who came to work with two of the Skakel boys—Tommy, 17, and Michael, 16—and who delivers a good part of the narrative. He's something of an authority on the case having been, himself, viewed as the prime suspect for the better part of a year. Connecticut's Supreme Court upheld Mr. Skakel's conviction in 2016.

The victim's body had been found just outside her house, an area described as "a leafy enclave"—ID shorthand for homes of the rich. No setting, no society, could have been a better fit for this series than those in this case of the murder of Martha Moxley. Murder instrument, a golf club.

Guilty Rich

Begins Aug. 31, 10 p.m., Investigation Discovery

Weather



U.S. Forecasts

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

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 60 51 r 59 49 c

Atlanta 87 71 pc 85 70 pc

Austin 90 73 r 79 70 r

Baltimore 78 58 pc 77 57 s

Boise 91 60 s 94 61 s

Boston 75 58 pc 72 60 s

Burlington 71 50 pc 74 51 pc

Charlotte 86 66 pc 84 64 pc

Chicago 74 58 s 78 62 pc

Cleveland 73 54 s 76 55 s

Denver 88 72 pc 86 72 t

Detroit 90 60 pc 93 60 pc

Detroit 75 54 s 77 54 s

Honolulu 87 73 pc 87 75 pc

Houston 84 75 r 80 73 r

Indianapolis 77 56 s 78 58 pc

Kansas City 81 62 pc 84 66 pc

Las Vegas 103 83 s 106 85 s

Little Rock 83 67 pc 84 68 pc

Los Angeles 83 67 pc 89 68 s

Miami 83 76 t 87 76 t

Milwaukee 71 59 s 73 64 pc

Minneapolis 68 59 c 70 62 t

Nashville 85 63 pc 85 62 pc

New Orleans 89 77 c 85 77 t

New York City 77 61 pc 76 61 s

Oklahoma City 81 66 pc 85 66 pc

Omaha 90 66 p 86 65 c

Orlando 70 57 t 89 75 t

Philadelphia 79 61 s 78 61 s

Pittsburgh 108 86 s 109 86 s

Portland, Ore. 71 53 pc 74 55 s

Portland, Maine 73 51 pc 74 54 s

Portland, Ore. 79 55 s 88 58 s

Sacramento 92 58 s 99 61 s

Seattle 71 60 s 96 67 pc

St. Louis 82 61 pc 84 63 pc

St. Paul 71 57 pc 75 58 s

San Antonio 80 55 pc 82 55 t

San Diego 74 54 s 79 58 s

San Francisco 79 65 t 78 61 t

Seattle 74 54 s 79 58 s

Sioux Falls 79 65 t 78 61 t

Tucson 80 64 pc 80 64 s

International

City Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 72 58 pc 73 57 pc

Athens 87 74 s 87 72 s

Bangkok 113 81 s 113 81 s

Beijing 90 80 t 91 79 t

Berlin 73 55 pc 74 61 sh

Brussels 77 62 t 79 60 pc

Buenos Aires 71 57 r 65 50 c

Dubai 103 89 s 105 90 s

Dublin 63 51 sh 66 53 pc

Zurich 64 52 sh 65 51 sh

Frankfurt 80 63 t 86 64 pc

Geneva 87 61 pc 87 62 t

Havana 88 71 pc 90 73 pc

Hong Kong 89 80 t 91 82 t

Istanbul 82 70 pc 82 72 pc

Jakarta 92 76 pc 93 76 pc

Jerusalem 89 70 s 90 70 s

Johannesburg 71 42 s 63 48 pc

London 74 58 pc 74 58 pc

Madrid 97 66 s 89 68 pc

Manila 87 79 t 88 79 sh

Melbourne 58 44 c 60 46 pc

Mexico City 77 59 pc 77 59 pc

Milan 90 68 s 92 69 t

Moscow 64 52 r 64 49 r

Nairobi 86 79 sh 86 79 sh

Paris 78 64 t 84 65 pc

Rio de Janeiro 77 60 s 76 61 s

Riyadh 108 82 s 109 81 s

Rome 84 64 s 87 66 s

San Juan 89 80 pc 89 79 pc

SPORTS

TENNIS

How Federer Got His Groove Back

Already one of the most successful players in history, Federer reconstructed his game. The results have been remarkable.

BY TOM PERROTTA

ROGER FEDERER'S miracle season began with an unplanned vacation.

Injured and disappointed midway through a rocky year, Federer last summer announced he would skip the Olympics and U.S. Open and take a long break to let his knee recover from a surgery that hadn't quite mended. He sulked for a few days and tried to figure out what to do with his time.

"I started making a list," Federer said in an interview this summer in Montreal. "What could I do? Where can I go for hikes? Where can we do rehab? Where does (Federer's wife) Mirka want to go? Where do you want to take the kids?"

When all that was done, one of the most successful players in the sport's history went back to work with his coach in Dubai—and reconstructed nearly everything about his game.

Federer had changed his tennis racket years before, but still had to master it—and so he experimented, especially with his backhand. He built confidence in his forehand and retooled his positioning on the court. He decided to rest more, skipping tournaments he couldn't win to prepare for the ones he could. And while away from competition, he went on a diet, so he wouldn't gain weight.

The results have been remarkable. At 36, Federer has defied age to win the Australian Open, Wimbledon and three other tournaments in 2017, piling up a record of 35-3. No one is more surprised than Federer himself.

"I never thought it was going to pay off this way," he said. "Maybe what it took was this moment of rejuvenation...of stepping away, then stepping back into the light."

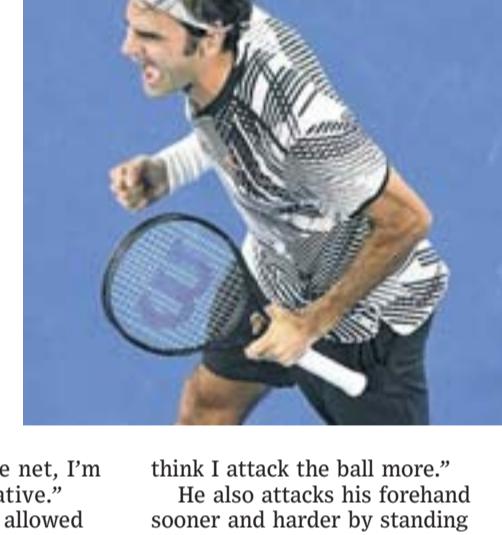
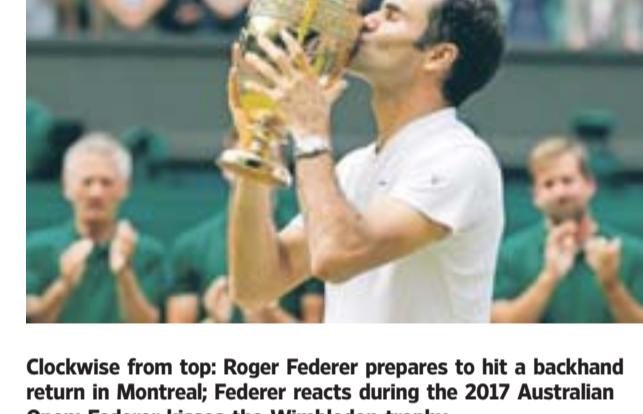
To cap this storybook season, Federer now faces one last showdown with his aging body. At a tournament in Montreal earlier this month, his back suddenly ached. For the first time this year, he felt his age. The question now is: Can he recover in time for next week's U.S. Open?

Guiding Federer on his road back to greatness was Ivan Ljubicic, his coach since late 2015. A wily former player with a beautiful one-handed backhand and crisp serve, Ljubicic and Federer played each other 16 times as professionals. Federer, who won 13 of those meetings, says Ljubicic knows his abilities inside out.

"It's the first time I have a coach who played against the guys I play



CLOCKWISE FROM TOP: MINAS PANAGIOTAKIS, QUINN ROONEY, ADRIAN DENNIS (GETTY IMAGES)



Clockwise from top: Roger Federer prepares to hit a backhand return in Montreal; Federer reacts during the 2017 Australian Open; Federer kisses the Wimbledon trophy.

against still today," Federer said.

One upside to Federer's downtime was that he could spend more time mastering his racket. In 2014, Federer switched for good to a new version of his signature racket, the Wilson Pro Staff RF97. It is 7% larger than his previous Wilson, which required more accuracy and had little forgiveness. The larger size made it easier for Federer to hit a ball that bounces high, because he doesn't have to hit it with the same precision as he did with his smaller frame.

"The new racket has helped me a lot on the backhand drive and on the serve, just getting more consistency, easier power," Federer said. "I enjoy my tennis more because I can dictate play

more, I can come to the net, I'm in charge, I can be creative."

Mastering the racket allowed Federer to refine his strokes. He began hitting his backhand with more topspin, speed and depth.

In the process, he transformed what used to be a backup shot—one that merely kept the ball in play until he could revert to his forehand—into a new weapon. Now Federer attacks his backhands sooner and stays more in the middle of the court with less stress. During serves, he often drills backhands right down the middle, at the server's feet. That leaves opponents with little time and no angles to hit winners.

"It was more of a setup shot, the backhand," he said. "Today I

think I attack the ball more."

He also attacks his forehand sooner and harder by standing closer to the baseline. "I've gone one step further by just really hugging the baseline, saying, I'm not moving back," Federer said.

Federer's new game made its debut at the Australian Open, his first tournament since Wimbledon in 2016. Brad Gilbert, the former coach of Andre Agassi and others, said he thought Federer looked rusty at first. And then boom—in the third round against Tomas Berdych, a new Federer emerged. He cruised and won in three sets.

"It all came together in one match," Gilbert said.

Federer was suddenly in gear, winning punishing matches to

The Swiss Maestro

A look at Roger Federer's recent record compared with his best season in 2006.

SEASON	W-L (PCT.)	SLAM TITLES	TOTAL TITLES
2017	35-3 (92.1%)	2	5
2016	21-7 (75%)	0	0
2015	63-11 (85.1%)	0	6
2014	73-12 (85.9%)	0	5
2013	45-17 (72.6%)	0	1
2012	71-12 (85.5%)	1	6
2006	92-5 (94.8%)	3	12

Source: ATP World Tour WSJ

reach the final against Rafael Nadal. In that match, he did the unthinkable, winning five straight games, and the title, after trailing 3-1 in the fifth set.

"I didn't know that...a break of six months was going to lead to such great things this year," Federer said. "If I would have known that, I would have taken the break earlier."

Federer decided to skip the French Open in Paris so he could prepare for Wimbledon, a rare move among pros and not known for success. But Federer's title at the Australian Open—won after so many months off—increased his confidence and that of his coaches. The result was dominance at Wimbledon: Federer didn't lose a set.

Federer's decisions to skip some tournaments and enter others have been perfectly designed so far. But now, his back troubles forced an unplanned decision to sit out the remaining hard-court tournament that preceded the U.S. Open.

Federer has been through this before and can recover quickly. At the Davis Cup final in 2014, when Switzerland played France, Federer and his aching back lost a straight-set match and the team looked doomed. With treatment, he recovered the next day and helped to win a doubles match. A day later he won in singles to give Switzerland its first victory.

If Federer is healthy enough to win the U.S. Open, he will have won three Grand Slam titles in a year for the first time since 2007. Federer has won the Open five times but none since 2008. His last final was in 2015, when he lost to Novak Djokovic. A tense back or not, Federer will do anything he can to get on court.

"It's my favorite part of the year almost, the end, the back end," he said. "It's where historically I've played so well."

BOXING

MAYWEATHER-MCGREGOR IS A DOUGHNUT

Have you ever tried to give someone a doughnut? Unless they're Homer Simpson on break at the nuke plant, it's very unlikely they'll say "Oooh! A delicious 475-calorie glazed doughnut! Thank you!"

No: In these health-conscious times, they'll act like you just dumped a bag of moldy garbage on their lap. They'll say something like: "Ugh! Get that doughnut away from me! Everyone knows that doughnuts are terrible. If I take one bite, I'll hate myself...I don't even like doughnuts."

They'll turn the doughnut down flat. And then, 20 minutes later, you'll find them in the kitchen...secretly munching on the doughnut.

"I couldn't help it! It's a delicious 475-calorie glazed doughnut! Don't hate me! I love doughnuts."

I feel the same way about the Floyd Mayweather Jr.-Conor McGregor fight, which happens Saturday night in Las Vegas.

For months, critics of this spectacle have made a great show of their revulsion. Maybe they despise boxing, Mayweather, or both. Maybe they despise mixed-martial arts, McGregor, or both. They're not the world's most likable duo—the abrasive, 10-taunts-a-minute UFC champ who has never boxed professionally; the undefeated, out-of-retirement 40-year-old boxer who in 2011 pleaded guilty misdemeanor domestic battery and later served 60 days. Purists are aghast. This is

strictly a boxing match—no cage fighting techniques allowed—so the boxing purists say it's one-sided hooey. The UFC purists worry it could damage a wildly popular star.

And mostly everyone agrees it's a money-grabbing stunt. Because it is a money-grabbing stunt.

It's going to be a car crash. A train wreck. It's an expedition up Bulls-t Mountain.

Still, come Saturday night, it's expected that a large and possibly record-breaking number of people will tuck away their skepticism, hug their hypocrisies and plunk down \$99.95 on pay-per-view. It's late August, and the only other thing on TV is dingbats on cable news hitting each other with folding chairs.

(Or maybe you'll coerce a neighbor into plunking down \$99 in exchange for bringing over three warm beers and a half-bag of pretzels. Try it! Your neighbor is a sucker.)

I may be protesting too much. There is genuine public fascination with this fight. The May/Mac cross-country/trans-Atlantic media tour was a bonkers, potty-mouthed sensation. I went to the news conference in Brooklyn and the arena was rowdy like a playoff game.

"Call it whatever you want to," Leonard Ellerbe, the CEO of Mayweather Promotions, said that night to the assembled media.

"This sh-t is big."

"It's going to be an incredible thing," Ellerbe told me the other day.

Dana White, McGregor's boss in the UFC, said the public basically



willed this fight into existence. "Everywhere I went, everywhere Floyd went, everywhere Conor went, it was all people would talk about," he said.

Stephen Espinoza, the Showtime Sports exec overseeing the television end, said he's suddenly popular again among long-forgotten friends.

"When Floyd retired, I think a lot of people threw away, deleted or burned my phone number," Espinoza said. "People seem to have rediscovered it, particularly over the last week."

Espinoza is one of the many side characters pulled into the madness of this event—during the press tour, McGregor turned the low-key sports TV boss into a target, ranting in his face and calling him a "weasel."

"That definitely was not the lane I wanted to be in," Espinoza said. "I firmly believe that TV execs do not need to be part of the story line, unless the TV exec happens to be [WWE wrestling boss] Vince McMahon."

"My mom was upset," Espinoza added. "She wanted to have a talk with Conor."

The risk of such theatrics, of course, is that they de-legitimize the athletic side, diminish it as an pure sports endeavor and...

Eh, I don't think these guys care. This ain't PBS.

"The fight business is never normal," says White. "It's always crazy."

It's been intriguing to watch White kick the tires around boxing—a former boxer himself, White got MMA to take off by organizing it into a coherent league, making fights happen, and building a brand that would eventually sell for \$4 billion.

For better and sometimes worse, the UFC is about control. (Though the UFC does have its problems, like star Jon Jones reportedly getting popped again for a positive test for PEDs.)

Boxing, by comparison, is a bag of cats inside a bag of cats: full of money at its top, but without a central agency and often hopelessly disorganized.

Could the UFC format be applied to boxing? "I think so," White said. "You just have to have the right group of people to do it."

That's a long way down the road, probably. In the meantime, there's Saturday, and despite assured money piles for both men, Saturday isn't without risk. A fiasco may put a bad stink on boxing and MMA. Even a bland fight wouldn't be good. Mayweather-Pacquiao—remember that snoozer?

"I want it to be a good fight," said White. "I always want that, but I want Conor to knock him out, and that's what I think is going to happen."

Ellerbe's naturally calling it for Floyd, and he's far from alone: Mayweather's the sensible pick. Espinoza said he simply wants an "entertaining, exciting experience."

It could be good, but it isn't without cost, and you might feel terrible when it's over. I'm telling you: this fight is a doughnut. Who wants a bite? Tell the truth.

OPINION

J.P. Morgan's Hate List



POTOMAC
WATCH
By Kimberley
A. Strassel

Corporate America will do almost anything to stay on the safe side of public opinion—at least as it's defined by the media. CEOs will apologize, grovel, resign, settle. They will even, as of this month, legitimize and fund an outfit that exists to smear conservatives.

The press is still obsessing over President Trump's incompetent handling of the violence in Charlottesville, Va., and that has suited some profiteers just fine. The notorious Southern Poverty Law Center is quietly cashing in on the tragedy, raking in millions on its spun-up reputation as a group that "fights hate." Apple CEO Tim Cook informed employees that his company is giving \$1 million to SPLC and matching employee donations. J.P. Morgan Chase is pitching in \$500,000, specifically to further the SPLC's "work in tracking, exposing and fighting hate groups and other extremist organizations," in the words of Peter Scher, the bank's head of corporate responsibility.

What Mr. Scher is referring to is the SPLC's "Hate Map," its online list of 917 American "hate groups." The SPLC alone decides who goes on the list, but its criteria are purposely vague. Since the SPLC is a far-left activist group, the map comes down to this: If the SPLC doesn't agree with your

views, it tags you as a hater.

Let's not mince words: By funding this list, J.P. Morgan and Apple are saying they support labeling Christian organizations that oppose gay marriage as "hate groups." That may come as a sour revelation to any bank customers who have donated to the Family Research Council (a mainstream Christian outfit on the SPLC's list) or whose rights are protected by the Alliance Defending Freedom (which litigates for religious freedom and is also on the list).

Similarly put out may be iPhone owners who support the antiterror policies espoused by Frank Gaffney's Washington think tank, the Center for Security Policy (on the SPLC's list). Or any who back the proposals of the Center for Immigration Studies (on the list).

These corporations are presumably in favor of the SPLC's practice of calling its political opponents "extremists," which paints targets on their backs.

The group's "Field Guide to Anti-Muslim Extremists" lists Mr. Gaffney (who worked for the Reagan administration);

Majid Nawaz (a British activist whose crimes include tweeting a cartoon of Jesus and Muhammad); and Ayaan Hirsi Ali (a Somali refugee who speaks out against Islamic extremism).

The SPLC has tarred the respected social scientist Charles Murray, author of the well-regarded book "Losing Ground," as a "white nationalist." Mr. Murray has been physically assaulted on campus as a result.

He happens to be married to

an examination room at a clinic just outside of Detroit. Thinking this was a regular visit, she allowed the doctor to remove her pants and underwear and place her on the examination table. Suddenly, while two women in the clinic held her hands, the physician spread her legs and cut her clitoris. Two months later she told investigators the pain ran down to her ankles and she could barely walk.

In April Dr. Jumana Nagarwala, who allegedly performed the procedure, was charged with conspiracy to commit female genital mutilation. Dr.

Fakhruddin Attar, the owner of the since-closed clinic, was also charged. Investigators suspect Ms. Nagarwala may be involved in 100 other cases, and the trial starts in October. This marks the first time a female genital mutilation case is going to federal court. The lawyers for the Michigan physician will argue the girl "underwent a benign religious procedure." This is a dangerous hypocrisy with far-reaching consequences.

Female genital mutilation has been illegal in the U.S. since 1996. Yet a 2012 study in the journal Public Health Reports estimates that more than 500,000 girls in the U.S. have undergone the procedure or are at risk. These girls live all

over the country, with larger concentrations in California, New York and Minnesota. Most go through this process in secret, and only 25 states have laws that criminalize the procedure. In Maine, the American Civil Liberties Union has opposed a bill to do so on the ground that "the risk of mutilation isn't worth expanding Maine's criminal code."

Female genital mutilation, most often performed on girls under 13, has serious medical and psychological repercussions. The cutting ranges from a clitoridectomy, partial to total removal of the clitoris, to infibulation, removal of all the external genitalia. The latter is so severe that "healing" often involves binding the girl from ankle to waist until the scar tissue closes. This kind of cutting leaves an opening the width of a pencil for urination, menstruation, sex and childbirth.

Whether this practice is religious or cultural is debatable.

In the Michigan case, the victims belong to an Indian Shiite Muslim sect called the Dawoodi Bohra, whose members refer to the clitoris as a sinful lump of flesh. The cutting, *khatna*, is considered a religious observance to prevent girls from

becoming promiscuous. Yet female genital mutilation predates Christianity and Islam.

No religious text requires it.

Many imams have issued fatwas against the practice and

Christian leaders like Pope Francis have denounced it.

The physician's lawyers announced they will craft a religious-freedom defense.

And they may be astute enough to get away with it. The all-star team includes constitutional law scholar and O.J. Simpson lawyer Alan Dershowitz, along with Mayer Morganroth, who represented assisted-suicide champion Dr. Jack Kevorkian for more than 15 years. They are funded by an international

Commission on International Religious Freedom, of which I am vice chairwoman, does not take an official position on female genital mutilation.)

The lawyers must know they are entering dangerous territory, at least in terms of public relations.

After coming under criticism for defending female genital mutilation, Mr. Dershowitz suggested during a June interview that pricking the girls' clitoris would be a better way to fulfill a "religious legal obligation." This is absurd. There is no such obligation.

The physician's lawyers have not only put these girls at even greater risk, they have tainted the religious freedom of all Americans with their specious arguments.

Religious freedom is a bedrock right that ensures all can live according to their convictions. It also allows for the existence of charities providing Americans with an equivalent of \$1.2 trillion annually in food, shelter, medical care and more.

It is not a tool to protect harmful practices like female genital mutilation.

These girls are among the most vulnerable in society. For their sake, Americans must raise their voices against this detestable practice.

Doing what is right may also yield an important social good: the restoration of religious freedom to its proper place in American culture and jurisprudence.

Ms. Arriaga is a contributor at the Pepperdine School of Public Policy.

His father, Pierre, was prime minister too, but he was never a pill. The many Canadians who disliked the man would admit that his spine made pillishness impossible.

In fact, my boyfriend says that Pierre would never have voted for Justin.

Like Justin Trudeau and Meryl Streep. Or maybe Pope Francis.

Probably the greatest pill in cinematic history is Ashley Wilkes. My father used to get so irritated with Ashley's pillishness that he would fast forward through his scenes in "Gone with the Wind." Leslie Howard, the actor who played Ashley, was anything but a pill. He devoted his last years to the British war effort, dying in 1943 when the Luftwaffe shot down his plane over the Bay of Biscay.

And speaking of the war,

Donald Trump is not a pill. I don't think Barack Obama is, either. Disagree if you like.

His father, Neville Chamberlain was a pill. Winston Churchill was not.

Who else belongs in the pillbox? George Clooney is the opposite of Leslie Howard in that he seems to be a pill in real life, but rarely plays one in movies. Meryl Streep is a pill. Jimmy Stewart never was, stammering, humble appearances to the contrary. I think Tom Hanks is a pill, and interestingly, he is the one who dismisses Meg Ryan as beautiful "but a pill" in "You've Got Mail." That movie was written and directed by Nora Ephron, whose parents, like mine, were of the generation for whom "pill" would require no explanation.

It's early to judge French President Emmanuel Macron, but someone said that he is Justin Trudeau for adults; another way of saying he isn't a pill.

For better or for worse,

Donald Trump is not a pill. I don't think Barack Obama is, either. Disagree if you like.

Especially when you are Canadian, because Canada is the undisputed pill of nations.

Ms. Adamson is a Canadian writer.

propaganda operations: creating its annual list of 'haters' and 'extremists,' and running a big effort that pushes 'tolerance education' through more than 400,000 public-school teachers. And the single biggest effort undertaken by the SPLC? Fundraising. On the organization's 2015 IRS 990 form it declared \$10 million of direct fundraising expenses, far more than it has ever spent on legal services."

It isn't only the lists. An honest outfit tracking violent groups would keep to straightforward descriptions and facts.

What is its gift to the Southern Poverty Law Center telling bank customers?

Instead, the SPLC's descriptions of people are brutally partisan, full of half-truths and vitriol designed to inspire fury.

We've seen what this kind of fury can do in Europe, with the murder of Theo Van Gogh, the controversial filmmaker, by a Dutch-Moroccan Islamic fanatic. Ms. Hirsi Ali, who had worked with Van Gogh, still travels with security—and J.P. Morgan thinks it appropriate to further target her? In 2012 a gay-marriage supporter named Floyd Corkins smashed into the Family Research Council's headquarters and shot a security guard. He told police he was inspired by the SPLC's "hate group" designation.

Had the companies done a bit of homework, they'd have discovered the SPLC isn't even considered a sound charity. Karl Zinsmeister excoriated the outfit in a recent article for *Philanthropy Roundtable*: "Its two largest expenses are

"long history of supporting a range of organizations that are committed to addressing inequality."

The corporate donations are nonetheless appalling, as they legitimize a group that already exercises inappropriate influence. The SPLC's list is cited regularly by the media and congressional Democrats, ignorant or uncaring of its falsehoods. The charity tracker GuideStar for a time attached warning labels to philanthropies flagged by the SPLC.

This undermines the fight against truly hateful groups. Comparing pro bono lawyers at the Alliance Defending Freedom to hood-wearing KKK members only make the Klan seem more innocuous. Blackballing mainstream groups only silences the moderate voices the country needs to fight hate and bigotry.

Corporations have a role to play in calming today's divisions. This is the opposite.

Write to kim@wsj.com.

BOOKSHELF | By Tobias Grey

How to Spend A Billion Dollars

The Bettencourt Affair

By Tom Sanction

(Dutton, 396 pages, \$28)

The affair involved a prominent French family at war with itself. It featured collusion between private business interests and powerful politicians. Two people connected with the affair committed suicide; several reputations were ruined. As Tom Sanction, former Paris bureau chief for Time magazine, described the saga, it was "Dallas, Downton Abbey and House of Cards rolled into one." In the case of "The Bettencourt Affair"—Mr.

Sanction's chronicle of the nearly decade-long legal drama surrounding the family behind the L'Oréal empire—the hype is justified. The story centers on how an aging and ailing Liliane Bettencourt, the cosmetics-company heiress, gifted a billion dollars' worth of artwork, real estate, cash, and life-insurance policies to portrait photographer François-Marie Banier. The matter came to public attention when Ms. Bettencourt's daughter filed suit against Mr. Banier for allegedly swindling her enfeebled mother out of a fortune. Over the years that followed, Mr. Sanction covered the episode's many twists and turns closely for *Vanity Fair* magazine, and the book that has emerged from his reporting on the case is surely the definitive account.

One of the book's recurring questions is what moved Ms. Bettencourt—according to Forbes, the world's richest woman, worth nearly \$40 billion—to such generosity toward the eccentric Mr. Banier. Their relationship was not sexual: Mr. Banier is gay. According to Mr. Sanction, however, the bond

between the friends was nonetheless deep. An only child, hearing-impaired, distant from her only daughter, and locked in a marriage drained of passion, Ms. Bettencourt felt she led a life starved of affection, excitement and beauty. She also lacked the sort of soulful connection she had enjoyed with her beloved father, Eugène Schueller—the ambitious son of a baker who founded L'Oréal in 1909 and built an immense fortune from scratch.

In 1987, Mr. Banier—who has a history of befriending older women—first began cultivating his friendship with Liliane and her husband, politician André Bettencourt. "She gave me the possibility of doing things I could never have done without her," Mr. Banier has said. "There was a language I created with her that was expressed through this money that she wanted to give me." Mr. Banier's "crazy" streak reminded Ms. Bettencourt of her father; she was also, Mr. Sanction reports, flattered by Mr. Banier's attentions, "and delighted to be introduced into his glittering world of artistic and cultural connections." Ms. Bettencourt and Mr. Banier's platonic love affair continued unabated for some 25 years. Many have wondered why the heiress's husband never intervened. But the couple's lavish lifestyle, as well as his own political career, were financed by his wife's vast wealth, and he maintained it was her right to do whatever she pleased with her own money.

'There was a language I created with her that was expressed through this money that she wanted to give me,' Banier explained.

Things finally came to a head in November 2007, not long after André Bettencourt's death, when a family employee told the Bettencourts' daughter, Françoise Meyer, that she had overheard Mr. Banier trying to persuade Ms. Bettencourt to legally adopt him as a son. A month later, Françoise filed a criminal complaint against Mr. Banier for *abus de faiblesse* (abuse of weakness) of her mother. The accusations and evidence surfaced (and re-surfaced) during the court drama that followed provide some of the most explosive details in Mr. Sanction's reporting. At many points, these revelations implicated French government officials, widening the scandal's reach. For example, Mr. Bettencourt's personal valet, Pascal Bonnefoy, made secret recordings of the Bettencourt family's business dealings, which allegedly included illegal financing of Nicolas Sarkozy's successful 2007 presidential campaign. The affair also dredged up Eugène Schueller's unsavory wartime history, which included ties to the Nazis and significant involvement with the French fascist group La Cagoule. During the épuration that followed the collapse of the Vichy regime, Schueller was spared imprisonment and the loss of his company thanks in large part to the interventions of François Mitterrand, the longest-serving president of France.

While Mr. Sanction deserves credit for the depth of his investigation—he interviewed some 60 people, including lawyers, politicians, celebrities, and servants—the Bettencourt affair is treacherous territory, even for a veteran journalist. Mr. Sanction's account is a bit too taken with idle gossip. Mr. Sanction also seems at times to have fallen under the charming spell of Mr. Banier, noting that, "despite his media image as a dandy and jet-setter, he is in fact an obsessed workaholic and a serious artist." (Exactly when this "workaholic" found time for the daily expenditures funded by Ms. Bettencourt—which the Meyers's lawyers assessed at roughly \$30,000—is not explained.) Mr. Sanction's account also suffers from the silence of Ms. Meyer and Ms. Bettencourt, both of whom turned down his requests for interviews. Ms. Bettencourt is now 94 and reportedly afflicted with Alzheimer's disease, so it is likely that her last words on the subject will be those issued in January 2012. Questioned by a French judge about whether Mr. Banier abused her, she said: "Surely a bit, but I don't care . . . I accept the consequences of my mistakes."

Perhaps the greatest of those mistakes was to shatter the convention whereby France's super-rich are expected to keep a very low profile. "For certain French people, gaining money is worse than pedophilia," says one attorney involved in the case. Liliane Bettencourt's largesse brought this taboo topic into the open in spectacular fashion. Readers curious to see where that dangerous foray led will have to find the rest in Mr. Sanction's riveting, if somewhat tawdry, telling.

Mr. Grey is a writer based in Paris.

Coming in BOOKS this weekend

The novels of Chester Himes • How the Gilded Age got that way • Get worried about earthquakes • Claire Messud's latest • The lives of James Atlas • The gospel of Al Green • The scoop on ice cream • & much more

OPINION

REVIEW & OUTLOOK

Trump Divorces the GOP Congress

A biographer says Donald Trump once told him that he informed second wife Marla Maples he was seeking a divorce by leaking it to the New York Post. President Trump now seems to be using Twitter to tell Republicans in Congress that he's divorcing them, or at least seeking a trial separation, and for its own self-preservation the GOP Congress is going to have to find different living arrangements.

Mr. Trump has made common cause with the Congressional GOP in his first seven months on a few issues that have been his rare legislative successes—Neil Gorsuch to the Supreme Court and deregulation. But the lesson he seems to have taken from the Senate health-care failure is that he should distance himself from Republicans on Capitol Hill. No matter that he never gave a speech selling reform and even said amid the Senate debate that the House bill was “mean.” Thanks, mate.

Bashing Republicans won't help him pass his fall agenda, but Mr. Trump may think he needs to protect himself politically by making Congress his foil. This would explain Mr. Trump's recent gibes at Majority Leader Mitch McConnell for the Senate's health-care failure. On Thursday he broadened the indictment to include blaming Mr. McConnell and House Speaker Paul Ryan, in advance, for trouble raising the federal debt ceiling when Congress returns in September.

“I requested that Mitch M & Paul R tie the Debt Ceiling legislation into the popular V.A. Bill (which just passed) for easy approval,” he tweeted. “They didn't do it so now we have a big deal with Dems holding them up (as usual) on Debt Ceiling approval. Could have been so easy—now a mess!”

This followed his Tuesday night threat to shut down the government if he doesn't get money to build his border wall with Mexico. It's impossible to predict what the President will say or do, but the safe bet is to expect more taunts and blame-shifting.

All of which means that Republicans in Congress need to think of themselves as governing with an independent President—if they don't already. This doesn't mean joining Democrats as “the Resistance.” But it does mean acting on their own to fulfill their legislative promises with or without the support of Mr. Trump. If the President goes his own way, at least Republicans can point to votes for legislation that they put on his desk.

The Park Service's Botched Bottle Ban

Vacationers can now buy bottled water in national parks, after the Trump Administration this month ended an Obama-era policy that sought to reduce plastic waste. Environmentalists responded with predictable outrage, but reversing the ban is healthier and greener.

Bottled water has increasingly dominated the nonalcoholic beverage market, surpassing soda this year. In this trend the Obama Administration saw a teachable moment. In a 2011 memo on sustainability, the National Park Service claimed that by reducing or prohibiting water sales and increasing its offerings of reusable bottles, it could “introduce visitors to green products and the concept of environmentally responsible purchasing, and give them the opportunity to take that environmental ethic home and apply it in their daily lives.”

More than 20 sites, including the Grand Canyon and Zion National Park, banned bottled water sales, and the Park Service spent millions

Obama's behavioral economists must have been on vacation.

on water fountains and filling stations.

But consumers have a way of thwarting paternalistic plans, and the Park Service failed to apply similar restrictions on soda or sports drinks. When the University of Vermont banned bottled water in 2013, researchers found that bottled beverage consumption did not decrease—and students quenched their thirst with sugary beverages instead of water. Carbonated beverages exert more pressure than water, requiring heavier bottles that use more plastic.

Researchers at the University of Washington's Seattle campus also assessed a potential water bottle ban, building on findings from the Oregon Department of Environmental Quality, as well as the Environmental Protection Agency's social cost of carbon. They concluded that “although it is widely believed that these bans are important for environmental reasons,” any benefits were minuscule.

The teachable moment turns out to be a lesson in the law of unintended consequences.

Macron's Test for France

As the popularity of the new French President tumbles, the question isn't whether Emmanuel Macron can save France. The question is whether France can save itself. Voters have the best chance in a generation to revive an economy in decline, yet they seem to quail at the critical moment.

Mr. Macron deserves some of the ire that's reflected in approval ratings that have fallen to 35% in recent polls, compared to the 66% of the vote he won in May. His leadership style is aloof, which the French used to not consider a defect but now apparently do. Spending cuts antagonized the military, and he needlessly embroiled himself in a debate over whether his wife should have an official, and taxpayer-funded, state role as first lady. His attitude toward the press is reminiscent of Donald Trump's, with more polish.

The bigger problem is that voters are having second thoughts about economic reform. Mr. Macron's approval started falling in July after he announced plans to cut housing benefits—by €5 a month for each recipient. Feminists are angry over his plan to cut the government's women's-rights budget to €20 million (\$23.6 million) from €30 million. That's before he gets to the labor reforms that will dominate the autumn.

You'd think voters would recognize they're getting their money's worth. Economic reform was Mr. Macron's central pitch to voters in the spring. He speaks frequently and well on the need to make France a “nation of unicorns,” meaning innovative tech start-ups and other companies.

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Mr. Macron's demand for more European Union fiscal cooperation threatens to be a distraction, and it will be a waste of political capital in the face of inevitable German opposition. But France shouldn't require a politician of messianic personal virtue and infallible political judgment to pass a new pension bill. If Mr. Macron isn't good enough despite his missteps, no other French politician is likely to do better.

Several French politicians would like to do worse. Although the Socialist Party is divided, the opposition to Mr. Macron is sliding further left, with the Bernie Sanders-esque Jean-Luc Mélenchon and his “France Unbowed” movement promising voters another attempt to make socialism work. The danger is that voters fall for it if they grow skittish about Mr. Macron.

Mr. Macron made his choice when he campaigned for supply-side reforms despite voters' traditional hostility to those ideas, and maybe voters surprised themselves by electing him. September—when the draft labor law is due, and when a general strike is set to begin—will be a test of whether French voters are prepared to stand by their decision.

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OPINION

The Distance Between Two Tragedies

By **Bernard-Henri Lévy**

Two cars used as rams. One, in Charlottesville, Va., was driven by a neo-Nazi into a crowd of anti-racist counterprotesters.

The other, driven by a Moroccan-born radical Islamist, careened blindly around Barcelona, killing 15 and injuring 126.

Excluding the similar modus operandi and the fresh proof that all forms of fascism eventually resemble one another, the two events differ in nearly every respect.

Response to the neo-Nazis in Charlottesville was swift and clear. Not so for the horror in Barcelona.

In Charlottesville, there were not two "sides," as Donald Trump claimed, but rather two opposing camps, two visions of society and the world.

In Barcelona, by contrast, there was but one camp, that of nihilism and indiscriminate death: the whole world, every political leaning, every nationality, every religion (including Islam) jumbled together on the sidewalks of a city hated because it was full of people strolling in blissful

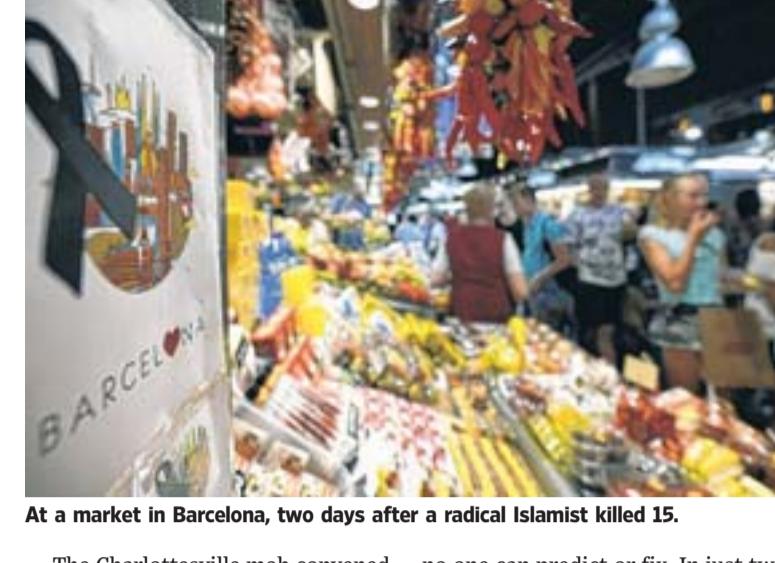
innocence, enjoying the pleasure of each other's company.

The ringleaders of Charlottesville are well known from television and social media: David Duke, Richard Spencer, "Baked Alaska" and the others who fomented the crowd.

The perpetrators of the slaughter in Barcelona were masked—faceless and nameless—up until the moment of action, and the instant renown it brought. It was nigh impossible to foresee; and, as for those who gave the orders, they are hunkered down between Iraq and Syria in what remains of the Islamic State, ready, when the time is right, to move their portable headquarters to more congenial climes. They will remain invisible and elusive for some time.

Responses to the Charlottesville tragedy are imaginable. We know, for example, that laws prohibiting the public expression of opinions that are in themselves offenses—even though the American Constitution makes such prohibitions legally impossible for now—would help mitigate this threat.

In the case of Barcelona, one faces the dizzying unknown. Except for tears and grief, no solutions are in sight to deal with the stealthy, sprawling army for which a driver's license is a license to kill, and which decides at random where and when to strike—any city, provided it has open spaces with pedestrians and a whiff of life's sweetness.



AGENCE FRANCE PRESSE/GETTY IMAGES

At a market in Barcelona, two days after a radical Islamist killed 15.

The Charlottesville mob convened to defend a statue honoring Robert E. Lee, who fought to preserve slavery. The members of that mob are nostalgic for a past that refuses to pass away, despite clearly being obsolete. The reappearance of what had been repressed, the re-emergence of the racists from the sewers into which 50 years of struggle for civil rights had swept them, imparts nothing new about their squalid ideology.

The Islamic extremists of Barcelona, by contrast, are the byproducts of a more recently formed and expanding nebula, the course of which

no one can predict or fix. In just two decades we have had thousands of deaths worldwide—and a black book that, from Pakistan to the Philippines, from the African deserts to European suburbs and great American cities, shows no sign of closing.

The Charlottesville attack was clearly and unequivocally condemned around the world. In the U.S., the resurgence of Nazism behind the attack collided with a democracy that mounted a fierce resistance to the proponents of white supremacy.

After the horror of Barcelona, on the other hand, reactions in Europe

and the world were far too vague, confused and sometimes even obscene. Are we dealing with fascism, commentators asked, or something other than fascism? Is this Islam or not Islam? Did the killers of Julian Cadman have a difficult childhood? Did they come from underprivileged backgrounds? Is this a psychiatric matter? Was it not our Islamophobia that ultimately radicalized the killers?

The idea that the cowls of the Ku Klux Klan, its torches and lynchings, continue to tempt a nonnegligible and possibly growing fringe in the U.S. is no doubt fearsome. Unprecedented, too, is the stupefaction engendered by an American president refusing to name the crime and the criminals, thereby fraying still further the foundational compact of contemporary America.

Especially as the darkness of the time plays with our perception, we must beware of false symmetries. Humanity has a duty to confront with equal determination both heads of the beast. But the fact remains—in the U.S. as in Europe, it is necrophilic Islamo-fascism, as shown in Barcelona, that holds life, death, and the future in its clutches.

Mr. Lévy is a writer and documentary filmmaker. His most recent book is "The Genius of Judaism." Translated from French by Steven B. Kennedy.

Three Lessons for Negotiating With North Korea

By **Alan Liotta**

When determining how to deal with North Korea, policy makers often debate the best method for predicting how the country's leaders will act. But Americans who really want to understand North Koreans instead should study how the U.S. has conditioned North Korea to behave.

From 1996-2005, as the senior Defense Department negotiator, I made six trips to North Korea. We conducted numerous rounds of official talks to allow the first U.S. military teams into North Korea to recover service personnel missing since the cessation of hostilities in 1953. Those negotiations repeatedly stalled until we changed how the North Koreans approached the talks. We learned three critical lessons, all of which are relevant in this current state of uncertainty.

• *The North Korean leadership rarely empowers negotiators to make a decision. Everything must be*

referred to their superiors, and ultimately to the "Supreme Leader." I had an off-chance meeting with the head of a leading nongovernment organization in Pyongyang at the height of the North Korean food crisis in 1998. He told me that North Korea could easily learn to feed itself, but the problem is there is only one person who can tell the farmers what to plant, when to plant it, and where to grow it—and he isn't a farmer.

Normal work flow does not progress through the North Korean bureaucracy. To get an issue to the top leadership, it had to be a crisis. Harsh language, dangerous threats and even attempts at intimidation—privately in our talks and publicly through their media—were merely ways for North Koreans to inflate the importance of the issue. The trouble was that previous U.S. negotiators often feared responding with similarly strong language. Americans repeatedly sought compromise through reason, which only encouraged continued North Korean

threats, intimidation and harsh language.

• *Walking away from the table can provide a tactical advantage.* The most important objective of previous negotiations simply was to

I've been to the country six times for talks. Sometimes the only words they hear are the strong ones.

keep the talks going. As a result, North Korean negotiators were conditioned to threaten and stall. They knew no matter how uncooperative they appeared, U.S. officials would not walk away. We were trapped by our own negotiating strategy.

During our first round of talks in Hawaii in 1996, when my team exposed a split in the North Korean team's unity that caused them to lie to us, we decided not to continue the

talks. Against the objections of other U.S. officials who had negotiated in the past, we walked away. Our parting words: "When you have your act together, and are ready to negotiate in good faith, give us a call. Until then, we have nothing to talk about."

We sent them home stunned. Six months later they asked to reopen the talks. As a result, we successfully sent our first recovery teams into North Korea and began retrieving the remains of missing U.S. service personnel. More than 200 sets of remains eventually were brought home to be identified and reunited with their families.

• *The U.S. should share its bottom line immediately—and never waver from that line.* We knew that previous U.S. negotiators regularly compromised and adjusted their bottom line, often to keep talks going. Our negotiating teams used a different tactic. As our North Korean counterparts would pock, prod and offer options to go below the line, and threaten to end the talks

if we refused, we held firm.

They soon realized that our position would not change. If they could agree to it, then the talks could end successfully. If they could not meet it, they learned quickly we would get up and walk away. In almost every case, they eventually called us back to the table to meet our terms.

Although many are quick to criticize President Trump's strong words to the North Korean leadership, it bears remembering that often the only words they hear are the strong ones. Using such language to define your endgame, and then steadfastly adhering to your bottom line, is a different negotiating style than they are used to. But as the personnel-recovery talks repeatedly showed, you can teach the North Koreans to moderate their behavior, to talk productively, and ultimately to meet you on your terms.

Mr. Liotta was deputy director of the Defense Prisoner of War/Missing Personnel Office, 1995-2004.

Memo to Trump: There Is No Looming 'Retirement Crisis'

By **Andrew G. Biggs**

For years, headlines have blared that Americans are facing a "retirement crisis." During last year's presidential campaign, the candidates promised not to cut Social Security benefits (Donald Trump) and even to increase them (Hillary Clinton). In January, the 1980s pioneers of 401(k) accounts told this newspaper that they have turned against their creation, which "wasn't designed to be a primary retirement tool."

This would all be alarming if it weren't so misleading. The truth is that private plans such as 401(k)s have allowed more people than ever to save for retirement. When traditional pensions peaked in the mid-1970s, about 45% of American workers had an employer-sponsored retirement plan. In today's world of 401(k)s, 61% of workers do, according to a government analysis of Internal Revenue Service records.

Contributions to private plans have, according to my own analysis of data from the Labor Department, risen from an average 5.8% of wages in 1975 to 8% in 2014. Also according to my analysis of data from the National Income and Product Accounts, payments out of private retirement accounts, after adjusting

for inflation, have nearly tripled since 1984.

This has benefited rich and poor Americans alike, as two Census Bureau economists, C. Adam Bee and Joshua Mitchell, demonstrated in research published late last year. They used data from the IRS and Social Security Administration to measure the incomes of retiree households. The study focused on female retirees, but because it used household incomes it effectively captured all retirees save for unmarried men.

The data showed that in 1984 only 23% of households received benefits from private retirement plans. By 2007 that had risen to 45%. Moreover, during the same period the benefits that the median household received from private plans rose by 141% above inflation, versus only 25% for Social Security benefits. In other words, despite the "retirement crisis" meme, retirees have become less dependent on Social Security, not more.

This is true across the income spectrum, as Messrs. Bee and Mitchell show. They calculate that between 1989 and 2007, the median retiree household's total income increased by 58% above inflation. For poorer households at the 25th percentile, total income rose by 50%.

For households at the 75th percentile, it rose by 52%.

Messrs. Bee and Mitchell also calculate retirees' incomes as a percentage of their preretirement incomes. Most financial advisers say 70% is sufficient to maintain a stable standard of living. The data

Retirement incomes are rising. The president ought to rethink his pledge not to touch Social Security.

show that in 2008 retiring households typically had incomes equal to 95% of their incomes just prior to retirement. The figures didn't differ significantly when households were broken down by education level or marital status. This helps explain why three-quarters of retirees

surveyed by Gallup last year said they have enough money to live comfortably.

In light of rising retirement incomes, why do so many people insist on a coming "retirement crisis"? One reason is that the most prominent government data sets available to researchers dramatically underestimate retirement incomes. The Census Bureau's American Community Survey and Current Population Survey count retirement benefits as "income" only if they are paid out regularly, whereas most retirees simply draw down their IRAs and 401(k)s as needed. One Census Bureau study from late last year found that the ACS captures only about 55% of total retirement benefits, and I have found similar results for the CPS. Data from the IRS are more reliable since they are based on the full amounts retirees report in their tax returns.

Given rising retirement incomes,

the Trump administration should reconsider its pledge not to cut Social Security benefits. The program is 25% underfunded over the long term, the Congressional Budget Office projects. Yes, Social Security should be protected for the poor, even expanded to dramatically reduce the number of retirees in poverty. Policy makers should boost 401(k) participation by mandating automatic enrollment for middle and high-income employees and allowing small businesses to form multiemployer retirement plans. But the data prove that providing adequate retirement incomes does not require Scandinavian-level tax rates or multi-trillion dollar unfunded entitlement liabilities.

Mr. Biggs is a resident scholar at the American Enterprise Institute. From 2008-09 he was principal deputy commissioner of the Social Security Administration.

Is 'Food Waste' Really Such a Waste?

By **Marc F. Bellemare**

When it comes to food, many people think "waste not, want not" is an effective public policy. "Up to one third of all food is spoiled or squandered before it is consumed," the United Nations Food and Agriculture Organization says. "It is an excess in an age where almost a billion people go hungry." Two years ago, the U.S. Department of Agriculture announced the "first-ever national food waste reduction goal, calling for a 50-percent reduction by 2030."

But is food waste that big of a deal? Start with the basic meaning of the term. The U.N. definition covers any "discarding or alternative (non-food) use of food that is safe and nutritious for human consumption along the entire food supply chain." Under that expansive meaning, giving your dog table scraps or putting them in your garden as fertilizer counts as "wasting" food, even though you're putting it to productive use.

How much does this overstate true waste? In a recent article for the American Journal of Agricultural Economics, my colleagues and I suggest a

new definition, one that simply covers food that has no productive use—in other words, it ends up in a landfill. We then show how widely cited official figures for food waste are both inconsistent with one another and may be significantly overstated.

Moreover, the optimal amount of food waste is not zero. Even the most efficient supply chain isn't frictionless. If you are like me, your purchases of fresh fruits and vegetables more often than not reflect how you'd like to eat rather than how you actually eat.

When you go out for dinner, you might end up not liking your meal, or you might order too much and not bring the leftovers home. Some of these issues may be solvable in theory, but the closer we get to zero waste, the more expensive trying to eliminate waste altogether would become.

This is especially important to understand given that "saving" edible food from going to waste is not the same thing as sending it to feed the hungry. Popular discussions often seem to implicitly assume that wasted food could be somehow reallocated to feed the poor at little to no cost. But if lower levels of food waste

have any positive effect on food security, it's far from obvious. The U.N. says that the 5.9 billion people who live in developing countries and the 1.2 billion in industrialized ones waste roughly the same amount of food—about 715 million tons a year. As food becomes an increasingly small fraction of a household's budget, wasting food becomes cheaper relative to other expenditures.

The reason all this matters is—if you'll allow me to wax economist again—resources are scarce and trade-offs exist. If governments spend money campaigning against food waste, that's less funding for other programs. President Trump's recent budget, for instance, proposed cutting the USDA's discretionary spending by 21%. So if we truly care about feeding the poor, is fighting the best use of the government's next dollar, or would that money be better spent on food stamps and school lunches?

Mr. Bellemare is a professor at the University of Minnesota, where he directs the Center for International Food and Agricultural Policy.

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For Fiat, No Quick Fixes

Selling Jeep is only one of several ideas for lifting car maker out of also-ran status

BY CHESTER DAWSON

A Chinese auto maker's expressed interest in **Fiat Chrysler Automobiles** NV's Jeep division has given a boost to the Italian-U.S. car company's stock price, but has yet to materialize on the desk of Sergio Marchionne.

Fiat Chrysler's boss, the longest-tenured of Detroit's chief

executives, doesn't have much time to wait around.

Mr. Marchionne, 65 years old, is planning to step down in early 2019. He is scrambling to craft a survival plan—to be disclosed early next year—for an auto maker that is at its most profitable point since Chrysler emerged from a 2009 bankruptcy but doesn't have the resources to develop electric cars or keep up in the autonomous-vehicle race.

Mr. Marchionne has been pessimistic about traditional car makers' ability to survive the transition to fully electric and autonomously driven vehicles.

He has been looking for a larger rival to acquire Fiat Chrysler, and in recent months has taken steps to adapt to the rapid pace of change facing the industry, including joining a BMW AG-led consortium on self-driving cars.

If Mr. Marchionne's survival plan fails, analysts say the company and its biggest shareholder—a Netherlands-based holding company for Italy's wealthy Agnelli family called **Exor** NV—might be forced to break FCA into pieces. In a note on Wednesday, Jefferies Group said exiting the mass-market auto segment

should be "a strategic priority for Exor," which holds 42.6% of Fiat Chrysler's voting rights.

Through a spokesman, Exor said it isn't pushing for an exit. "FCA has the means and is investing in developing its future," a strategy that Exor supports, he said.

Goldman Sachs Group Inc. estimates the "equity value" of Fiat Chrysler's sprawling business units, which include Maserati and an auto-parts division, is almost three times higher than its current market capitalization, which is valued at \$22 billion by shareholders holding

Please see FIAT page B2

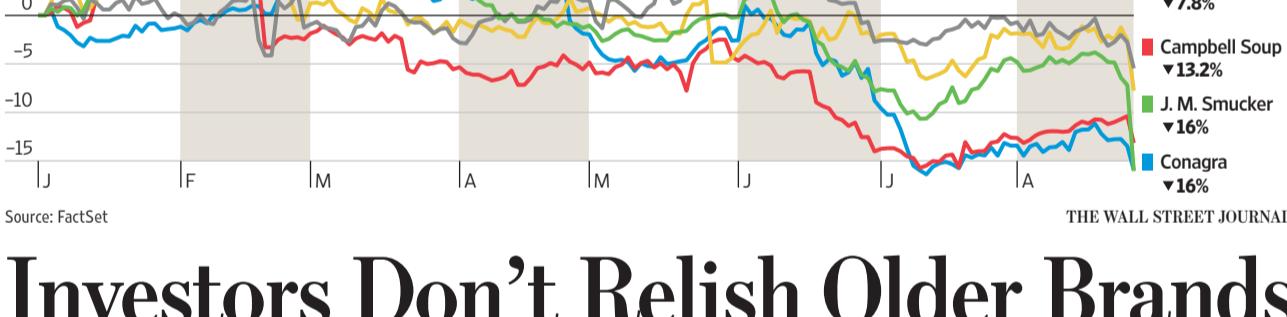


Oreos move along a production line in Ukraine. The cookie's maker, Mondelez, and other companies are coping with shifting tastes.

Going Stale

Shares of many big packaged-food makers have dropped sharply this year.

Share performance, year-to-date



Source: FactSet

THE WALL STREET JOURNAL.

Investors Don't Relish Older Brands

BY ANNIE GASPARRO AND CARA LOMBARDO

Trouble for packaged-food companies is deepening.

Smaller companies such as

J.M. Smucker Co. and **Hormel**

Foods Corp. are

INDUSTRY the latest to

FOCUS face investor

pressure as volatile

commodities prices hurt margins and

consumers gravitate away from the older brands that

have anchored many estab-

lished food makers. Shares of

the jam and Spam makers fell

9.5% and 5.4%, respectively, on

Thursday, pulling down the broader S&P 500 stock index.

Smucker said weak sales of Folgers coffee and Crisco shortening hurt earnings in its most recent quarter, leading it to lower its earnings forecast for the fiscal year. Chief Executive Mark Smucker said the company must move quickly to overhaul those and other older brands to appeal to consumers gravitating toward upstart products they see as more healthy or sustainably produced.

"There are a lot more brands out there," he said.

Shares in **Mondelez International** Inc., **Conagra** Brands

Inc. and **Campbell Soup** Co. also fell, extending losses this year for food makers wrestling with the big shift from mass-market brands to fresher and more natural offerings. **Kraft Heinz** Co. and **Kellogg** Co., which both reported sales drops this month, also saw their shares drop. The S&P 500 declined 0.2% on Thursday to 2438.97.

The slump is weighing on advertising companies that rely on marketing campaigns by large food and consumer-goods companies. Hormel said it spent \$24 million on advertising in the latest quarter,

less than half what it spent in that period a year ago. Shares in WPP PLC, the world's biggest advertising company, fell nearly 11% on Wednesday after it reported a significant slowdown in ad-buying.

Like their larger rivals, Smucker and Hormel said they are removing artificial ingredients from older brands and adding more simpler, grab-and-go products and fresh meats. Smucker has also tried to bolster its peanut butter and natural pet-food brands to offset falling demand for highly processed products

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STREETWISE | By James Mackintosh

U.S. Debt Ceiling Spurs Bets on Fiasco

There are good ways to trade politics in developed markets: Hire ex-politicians, identify long-run trends, or just assume nothing much will change. The more popular approach is to ignore politics until trouble is blindingly obvious, then panic.

The news recently highlights plenty of trouble: North Korean nukes, American neo-Nazis, corporate leaders abandoning the White House, and a president threatening to shut down his own government if he doesn't get his way. Yet markets have treated it all with weary skepticism, with the S&P 500 just 1.7% off its record close earlier this month.

The only threat being treated seriously is the U.S. debt ceiling, and that is almost certainly overdone.

In some ways, this makes sense. Risk is a combination of probability and impact, and while nuclear war would have the ultimate impact, it will need more than a few comments by shouting leaders to make such a self-destructive outcome seem likely. History offers many examples of Korean saber-rattling since the 1953 armistice, and none led to renewed war, so investors may have simply learned to ignore them.

The debt ceiling is a different matter. The U.S. came perilously close to defaulting on its debt in 2011, leading Standard & Poor's to take away the country's top credit

rating. Already, traders are starting to price in the danger of a repeat in early October, when the Treasury can do no more to avoid the ceiling. Treasury bills maturing in early October yield 0.2 percentage point more than those due in early November, a very large kink in what is usually a smoothly rising yield. The current anomaly is far higher than at a similar point ahead of the debt-ceiling votes in 2011, 2013 and 2015, according to Jordan Rochester, Nomura foreign-exchange strategist.

The lesson of recent years was that some in Congress were prepared to flirt with default on U.S. debt unless they got their way on spending cuts. The proximity of the budget-approval vote—

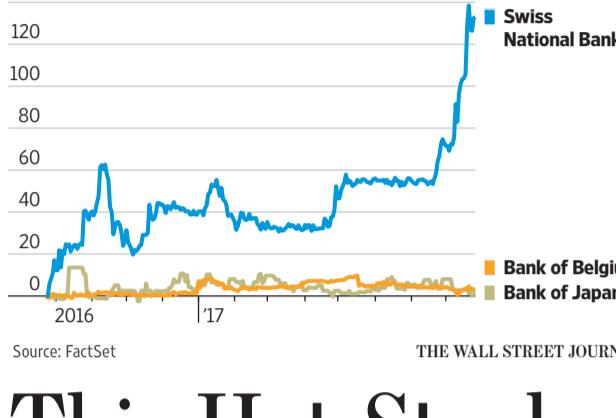
which faces a decent chance of turning into a government shutdown—to the debt ceiling raises the risk that they become entangled, and party politics prevents the ceiling being raised. Yet congressional leaders understand the serious impact on markets and the economy if the U.S. were to default; in the 2011 debt-ceiling panic, the S&P 500 fell 17% in two weeks.

John East, a political consultant at ACG Analytics in Washington, says a default will be avoided and the real question is what, if anything, Democrats will extract in return. "A hard deadline focuses people's attention," he said. "They [Congress] will sweep in at the last second to avert catastrophe."

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Moneymakers

The Swiss National Bank's share price has soared in recent months, far exceeding those of other central banks that have listed shares.



Source: FactSet THE WALL STREET JOURNAL

This Hot Stock Has a Decidedly Alpine Quality

BY BRIAN BLACKSTONE

ZURICH—The Swiss franc may be slightly out of favor in markets, but investors are loving the bank that prints it: the **Swiss National Bank**.

Shares in the SNB, one of the few central banks with a listed stock, have surged in recent days, pushing them over 3,000 francs (\$3,107) each this week after a near 50% rally since July 19. As of Thursday's close, at 2,927 francs, the shares have climbed more than one-third this month and over 100% from a year earlier.

Shares of other listed central banks, such as Belgium's and Japan's, have stagnated in recent months.

It is difficult to pinpoint why SNB shares are August's flavor of the month, and analysts don't cover this bank in the way they do commercial lenders. Central banks aren't in the business of optimizing shareholder value; they are supposed to keep inflation low and, in Switzerland's case, keep the currency from getting too strong, which weakens consumer prices

while harming exports.

Yet its high stock value makes some sense. The SNB is a large investment manager with about \$750 billion in foreign assets on its books. The SNB built that portfolio by printing its own money and buying stocks and bonds, all in an effort to weaken the franc.

Things have broken Switzerland's way this summer. The SNB's share-price surge has coincided with the euro strengthening against the franc. Much of the SNB's foreign assets are denominated in euros, so when the euro strengthens those assets are worth more in franc terms.

"In my view, that was the trigger," said Alexander Koch, economist at **Raiffeisen Schweiz**, referring to the euro's rise against the franc that intensified in late July. Mr. Koch, who personally owns one SNB share, said official data in early August showing an increase in the value of the SNB's foreign reserves also helped the share price.

The SNB had €282 billion—

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Tech Opens Up To Sexism Debate

Silicon Valley scandals prompt dialogue about male-dominated VC industry

BY YOREE KOH

Julie Fredrickson has received more than a dozen texts, tweets and phone calls in recent months that follow a similar pattern: A male venture capitalist asks whether she took offense or harbors ill will because of some past behavior.

"I call them the 'we cool?' conversations," says Ms. Fredrickson, co-founder and chief executive of New York-based cosmetics startup Stowaway.

Charlie O'Donnell, of New York's **Brooklyn Bridge Ventures**, reached out to Ms. Fredrickson earlier this summer to discuss a recent sexual-harassment scandal at a Silicon Valley firm. During the course of their conversation, the topic turned to their own interactions.

Ms. Fredrickson told Mr. O'Donnell that he had made

her uncomfortable when he asked last fall if he could bring Creamsicles to her apartment late one night. At the time, she laughed off the notion and dissuaded him by saying she had an early meeting the next day. When they talked recently, she said she had thought it was simply Mr. O'Donnell acting like a flirt.

Mr. O'Donnell apologized for crossing the line and said, "I can be friendly w/o being flirty. I should be able to," according to a private Facebook exchange in June reviewed by The Wall Street Journal. The two had met a few years earlier, when Ms. Fredrickson made a funding pitch to his firm, and remained in touch.

Mr. O'Donnell, whose firm didn't invest in Stowaway, said in a statement to the Journal: "Any male VC that isn't re-examining their be-

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INSIDE



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BUSINESS NEWS

Toyota Rides Crossover's Sales Gains

C-HR compact leads car maker's growth in Europe and Japan; a departure in design

BY SEAN MCCLAIN

Toyota Motor Corp. says its new C-HR compact crossover is the vehicle for people who dislike Toyotas. If early sales data are any indication, there are a lot of Toyota critics out there.

The C-HR is almost single-handedly driving sales growth in Europe and Toyota's home market of Japan. In those two markets, Toyota sold about 150,000 of the vehicles in the first half of 2017—more than one-tenth of its total sales there, out of dozens of models. Without that, overall sales volume would have declined in both markets.

Sales of the C-HR in the U.S., where it starts at \$22,500, have been slower, partly because of supply constraints and demand for larger vehicles. Still, in every market the car is achieving its main mission of winning converts, said the Toyota engineer who led the C-HR's development.

"I think we've been able to attract new customers who in the past wouldn't have even looked at Toyota cars, because this car is so un-Toyota," said engineer Hirofumi Koba.

Toyota's focus has long been on building cars that some could describe as boring, Mr. Koba said. "For models that sell well, our cars tend to be acceptable to everyone—cars that won't cause anyone to complain."

The C-HR is trying to change that perception, as

part of Toyota Chief Executive Akio Toyoda's plan to breathe more life into its designs.

When the company gave a preview last year, Mr. Koba said it was designed for "customers who dislike Toyota cars." With sharp edges and a face evoking a scowling *kabuki* actor, the car marked a departure for a company that plodded its way to selling 10 million vehicles a year.

Toyota called the design sensual and said it resembled a "sexy diamond." Some Wall Street Journal readers who commented after the first look were less kind, with one comparing it to a "squashed frog."

Whatever the C-HR is, it isn't boring.

"There are not many people who will hang up their BMW keys for a Toyota, but we've been seeing that with the C-HR," said Thomas Obee, whose family-owned Motorline Group in the U.K. opened its first Toyota dealership in 1976 and now has 13 in the country.

In Japan, the C-HR has been near the top of the charts since it went on sale at the end of last year, and even hit the No. 1 spot in April, a rare feat in a market dominated by the hybrid Toyota Prius and other small, fuel-efficient cars.

Toyota needed a crossover in the entry-level category, which has gained popularity in developing markets such as China and India.

Crossovers are built on the architecture of sedans and hatchbacks, but their bodies resemble sport-utility vehicles. This means that crossovers have more room for bodies and cargo, but are more fuel-efficient than full-size SUVs built on truck frames.



A C-HR at Toyota's plant in Turkey. The plant runs six days a week to try to keep up with demand.

"What's the growth segment of the future? I think it's going to be entry-level crossovers" like Honda's HR-V and Toyota's C-HR, said Bob Carter, Toyota's U.S. sales chief. "That segment didn't exist a couple of years ago, but I don't think it's a stretch that in three, four or five years out it'll be a million" sales annually, he said.

In the U.S. the C-HR's price puts it in reach of first-time car buyers. But so far, only a few thousand C-HRs are selling each month in the U.S., a fraction of Toyota's larger and more expensive RAV4 and Highlander models.

Toyota says that is partly because it can't build enough C-HRs to meet demand. It is building a factory in the U.S. to catch up.

Almost all the C-HRs sold in Europe and the U.S. come from Toyota's plant in Turkey, which is running the assembly line around the clock, six days a week to try to keep pace with demand.

Toyota says it is looking at ways to boost production.

It also could be that the un-

Big Things, Small Packages

Toyota threw out its style guide to build a funky small crossover SUV called the C-HR. It's popular in Japan and Europe but less so in the U.S. so far.

Sales of Toyota C-HR in 2017



Note: 2017 figures through July *Figures are rounded **Went on sale in April

Sources: Wards Auto Group (U.S. car sales by segment); the company (Europe, U.S.); Japan Automobile Dealers Association (Japan)

THE WALL STREET JOURNAL.

Toyota-like styling is putting off American buyers. "It's a weird car, and it's small," said Felipe Munoz, an auto analyst at Jato Dynamics, an automotive-research firm based in the U.K. "It can really work as it does in Europe and Japan, or it couldn't—as it is in the U.S."

Brandon Stanhope, general manager at Sheehy Toyota in Stafford, Va., says that when C-HRs arrived on his lot, "It took a cup of coffee on the first day to get used to."

Sheehy Toyota has sold 13

C-HRs since April, which Mr. Stanhope says he views as a moderate success.

"What did it for me was to drive it, to feel the sportiness," he said.

Sheehy Toyota ordered more C-HRs for the showroom after seeing many customers comparing the C-HR with Subaru Corp.'s Crosstrek, one of the most popular small crossover models in the U.S.

Subaru sold more than 50,000 Crosstreks in the first seven months of the year.

Fashion Jewelry Brightens Up Sales at Signet and Tiffany

BY EZEQUIEL MINAYA AND IMANI MOISE

An uptick in sales of less-expensive fashion accessories enabled jewelry sellers to top expectations in their most recent quarter.

Signet Jewelers Ltd. on Thursday reported a surprise increase in same-store sales, led by its fashion category. The closely watched retail metric that tracks revenue at stores open at least a year rose 1.4%.



Shares of Signet, the parent of Kay Jewelers, rose sharply Thursday.

Analysts surveyed by FactSet had expected a retreat of 3.7%.

Shares in Signet rose 17% to \$60.54, as the parent of Kay Jewelers, Zales and Jared also reported better-than-expected earnings in its fiscal second quarter, which ended July 29, and raised its annual earnings guidance on a per-share basis by 16 cents.

Less-expensive bracelets, rings and necklaces helped sales at Signet rise 1.9% to \$1.4 billion. The quarter's results bene-

fited from the timing of Mother's Day spending, and Chief Executive Virginia Drosos told analysts comparable sales would have been negative excluding the lift from the holiday.

Jewelers have been coping with declining sales as they struggle to keep traditional diamonds and gemstones fresh and exciting. But Ms. Drosos said that after four years of declining growth, she is seeing a pickup.

Tiffany & Co., which also reported better-than-expected sales on Thursday, said growth in the segment including trendier non-gemstone gold and silver jewelry offset declines in its more traditional engagement and high-fine and solitaire categories. The shift toward fashion jewelry, however, resulted in a lower average price for the luxury company. Tiffany shares fell 1.3% to \$87.55.

"The theme of this entire earnings cycle is that the death of retail has been exaggerated in stocks," said Simeon Siegel, an analyst with Nomura Securities.

Both Tiffany and Signet reported strong growth in their online businesses.

Sunrun Rises on Comcast Deal

BY ERIN AILWORTH

Shares of solar installer Sunrun Inc. jumped after the company announced a marketing and investment deal with cable giant Comcast Corp.

Under the 40-month deal, Comcast has agreed to market Sunrun's solar systems to its customers.

Sunrun will pay it a fee for any new customers brought in and is offering Comcast an option to earn a nearly 10% stake in the solar company.

Sunrun shares rose 9.4%

Thursday to close at \$7.59.

Lynn Jurich, Sunrun's chief executive, said Comcast's marketing reach could add tens of thousands to Sunrun's customer base, which currently sits at about 150,000.

"This partnership is an

other sign that we are just getting started," Ms. Jurich said in an interview. "It's another way to spread the word."

Comcast, which has nearly 29 million customers, said it sees solar energy as a complement to the home security and automation services it provides.

"By working with Sunrun, Comcast can help customers take more control of the price they pay for energy, save them money and help contribute to cleaner communities," said Jon Kaplowitz, a managing director at Comcast Cable.

The two companies have teamed up previously, with Comcast offering Sunrun's systems to customers during a one year pilot that started in 2015. That pilot, the companies said, paved the way

for Thursday's deal.

Comcast expects to begin offering Sunrun's rooftop solar services to customers in selected states later this year. If at least 30,000 customers install Sunrun's systems, Comcast will qualify for a stake in the solar company. That stake will rise on a prorated basis to, at most, 9.99% if 60,000 customers install with Sunrun.

The deal comes after a residential solar boom over the last several years, though some believe that trend is slowing.

Federal data show that the amount of electric-generating capacity from small-scale residential solar systems has more than doubled, hitting 7.4 gigawatts in 2016, up from 3.3 gigawatts in 2014.

Pet-Drug Seller Asks Google To Pull Ads

BY JONATHAN D. ROCKOFF

An online seller of pet drugs says it has requested its painkiller ads be removed from Google search results after a short seller of its stock said people searching for opioids, opiate withdrawal and related keywords were seeing the ads.

PetMed Express Inc. was "shocked" to learn ads for its tramadol painkiller appeared in response to web queries and asked Google on Wednesday to remove the ads, PetMed Finance Chief Bruce Rosenbloom said in an interview.

An investor shorting PetMed stock who goes by the name Aurelius Value posted a report on his website Wednesday alleging PetMed was intentionally marketing tramadol and other drugs online to opioid addicts. Widespread opioid addiction has led to soaring overdose death rates in the U.S. in recent years.

The short seller, who declined to identify himself during a phone call, says he manages money from family and friends. His report included screenshots of the ads appearing on search results pages.

Mr. Rosenbloom said the accusation PetMed purposely targeted the ads to addicts was "false and defamatory."

He blamed "Google's algorithm" for the appearance of PetMed ads in response to opioid queries. "We would never pay a single penny for those keyword searches," he said.

A spokeswoman for Google, a unit of **Alphabet Inc.**, declined to comment about an individual advertiser but said Google "has stringent advertising guidelines, and when we find violations, we work quickly to remove them."

Web searches using those keywords Thursday didn't bring up PetMed ads for tramadol.

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CHINA CIRCUIT | By Li Yuan

 Online news in China may be heavily censored by the government, but that isn't diminishing the voracious appetite for it from China's mobile users.

Apps that use algorithms to scour tens of thousands of sources to find news and tailor feeds to individual users are the country's fastest-growing mobile segment, sparking an industrywide war to grab users' precious screen time.

Take Yang Dong, a 39-year-old construction contractor in the southern city of Shenzhen. He spends one to two hours a day on Jinri Toutiao, or Today's Top News, reading up on sports, finance and technology. Articles are curated for him by Toutiao's deep-learning computers that monitor his reading habits. Mr. Yang counts on Toutiao to update him on his favorite soccer teams.

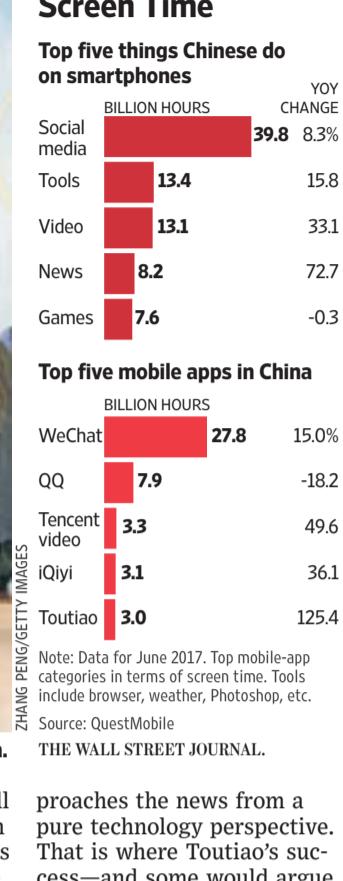
Shen Yun, a programmer in Beijing, spends as many as three hours on the app reading international and technology news during his commute. Toutiao has learned that Mr. Shen, 27, watches videos of funny stunts before going to bed, so has some ready for him when he opens the app at night.

Successes like these have propelled Toutiao's developer, **Beijing Bytedance Technology**, to be valued at over \$20 billion based on its latest fundraising round, according to a person familiar with the matter—almost double its valuation of \$11 billion at the end of 2016.

News apps enjoyed the highest year-over-year growth rate in June for accu-



A statue seemed to peek at a person's mobile device at a Beijing shopping mall last month. News apps are growing strongly in China.



mulated time mobile users spent on online products. At 72.7%, it beat online travel and mobile video, the other two fastest-growing categories, according to QuestMobile, which provides mobile internet data.

Such demand has sparked intense competition, attracting Chinese internet giants such as **Tencent Holdings** and **Baidu**, as well as five long-established news-portal sites. All are investing in machine learning to push personalized content based on thousands of data points that can include a user's location, browsing history and time spent on each article.

But news feeds in China look very different than those curated by **Facebook**

and **Google**. For a start, the definition of news is broader in a nation where people largely ignore the heavily censored state media.

These news apps aggregate content not just from traditional news outlets, but also video sites, social media and individual creators.

By supplying personalized content, the apps want the users to stick around as long as possible. That way, they will be more likely to click on the in-feed ads.

While this isn't so different from the competition in the U.S. between the traditional media and the likes of Facebook, Twitter, Snapchat and Google, artificial intelligence plays a bigger role in China's online news industry

as news apps fill the void in authoritative content.

Collapsing traditional media, stringent censorship, and bans on many foreign news sources mean these apps have to look far to discover content, something machines can do more efficiently than humans.

Toutiao says it has content partnerships with 20,000 traditional news-media organizations, which make up just 10% of its feed, and 800,000 new-media content creators, who are motivated and rewarded by the online traffic they attract.

Amassing 120 million daily active users since it started five years ago, the app trails only Tencent's QQ.com news-portal site.

Toutiao ranks fifth among all apps in terms of total screen time, but more important, its average user spends over 70 minutes a day on it, ranking second only to Tencent's WeChat messaging app.

Toutiao booked \$900 million in ad revenue in 2016, a fourfold increase from the previous year. It won't say whether it is profitable.

"We have the first-mover advantage," says Zhen Liu, senior vice president of Bytedance. Toutiao's computers have enough data to understand what users want, she says. "AI is like a child. It takes time to build up its intelligence level."

Founded by software programmer Zhang Yiming in Beijing in 2012, Toutiao ap-

proaches the news from a pure technology perspective. That is where Toutiao's success—and some would argue its controversy—lies.

Toutiao's algorithm led the company to an underserved market: less-educated people in smaller cities and rural areas. The app has been criticized by users, rivals and industry observers for feeding vulgar content and clickbait headlines.

Toutiao's Ms. Liu rejects the notion that its content is of poor taste, saying the algorithms can play a positive role in discovering and distributing useful content.

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

Internet Firms Push Legal Shield

BY JOHN D. MCKINNON

WASHINGTON—Big internet firms are seeking to get liability protections they enjoy in the U.S. inserted into a renegotiated North American Free Trade Agreement, adding fuel to a fight over the legal shield that some lawmakers say facilitates sex trafficking.

The proposed change to Nafta would mean online platforms in all three countries—Mexico, Canada and the U.S.—would be protected from liability for activities of their users, such as harmful or illegal posts.

It would generally mirror a law adopted by Congress in the 1990s to promote growth of the internet that has come under increasing fire by critics in recent years.

Proponents of the change to Nafta—driven by groups such as the Internet Association, a big high-tech trade organization—say Mexico and Canada lack the clear protection of U.S. law, which exposes U.S. internet companies to risk.

It is unclear whether U.S. negotiators would adopt the industry's positions in the talks, which are still in their early stages. Emily Davis, a spokeswoman for the U.S. Trade Representative, said the government's digital-trade proposals "will be informed by detailed consultations with Congress and will not prejudice the right of the United States and our Nafta partners to address important public welfare issues."

The industry is making the Nafta bid at a time when the immunity provision is already under fire from lawmakers who say it feeds into illegal sex trafficking. Advocates of limiting the liability protections say writing them into Nafta is an attempt by the industry to complicate initiatives in Congress to rewrite the law.

Such efforts have gained steam in recent weeks with the introduction of a bipartisan Senate measure to modify the current law by allowing victims, as well as state law-enforcement officials, to take legal action against sites that facilitate trafficking. The proposal also aims to eliminate liability protection for sites that assist, support or facilitate violations of sex-trafficking laws.



USTR Bob Lighthizer, Canada's foreign affairs minister, Chrystia Freeland, and Mexico's secretary of economy, Ildefonso Guajardo Villarreal, at the start of Nafta talks in Washington last week.

Backers of such legislation contend the problems with the current law are exemplified by Backpage.com, a classified-ad site that hosts racy ads that critics say are often thinly disguised solicitations for prostitution. Backpage has successfully fought off a number of lawsuits by alleged child sex-trafficking victims as well as state attorneys general by citing the U.S. immunity law.

Just this week, a California judge tossed out more than a dozen pimping charges against current and former Backpage executives, citing the federal law. The judge allowed some money-laundering charges to move ahead, however.

Backpage says it makes big efforts to sift out illegal ads, including those involving children, and cooperates closely with law-enforcement agencies in investigations.

Some tech-backed groups have sided with Backpage in its previous legal fights, and big internet companies such as Alphabet Inc.'s Google and Facebook Inc. have resisted some changes to the 1990s immunity law, worried that reopening it for debate could expose them to new liability. Google and Facebook declined to comment.

A spokesman for Mexico's Economy Ministry declined to comment on the issue. A

spokesman for Canada's Foreign Affairs Minister didn't respond.

Some lawmakers worry that adding the immunity language to Nafta could undercut their legislative efforts.

"The fact that big tech is fighting to spread this protection for online sex trafficking to all of North America, in-

party content."

A spokesman for the association, Noah Theran, said in a statement that the U.S. immunity law "permits billions of internet users to connect and share information online without making platforms liable for every post, review or video posted by individuals."

He added that "a broad swath of international, business and public interest organizations...have supported the inclusion of intermediary liability protections in trade and other international agreements for years."

The efforts also have drawn concern from some consumer and anti-trafficking groups.

"It makes no sense to blindly adopt [the liability] provisions in an international trade agreement just as the law in the United States is likely to be amended," said Consumer Watchdog, a California-based group that has been critical of tech firms, in a letter to the USTR. "Internet freedom...must not come at the expense of children who are sex-trafficked."

Tech industry officials privately said that their proposal isn't aimed at undercutting the legislative efforts. They said any provision wouldn't hamper efforts in Congress to carve out exceptions to the immunity shield.

SoftBank Gambles Billions on Startup

BY ELIOT BROWN

SoftBank Group Corp. has completed a \$4.4 billion investment in office-sharing company **WeWork Cos.**, a massive deal that demonstrates the outsize ambition of the Japanese conglomerate to wield influence in startups around the world.

The funding, which comes from SoftBank as well as its \$93 billion technology-focused Vision Fund, is a bet on WeWork's burgeoning strategy to rent out chunks of office within a larger communal space, pitched with a hip, millennial-conscious vibe.

It is one of the largest single slugs of capital ever in a venture-backed startup, according to Dow Jones VentureSource, and brings WeWork's valuation to about \$20 billion, making it the fourth-most-valuable startup in the U.S. behind ride-hailing company **Uber Technologies Inc.**, home-rental site **Airbnb Inc.** and rocket maker **Space Exploration Technologies Corp.**

SoftBank also took two board seats at the seven-year-old company, suggesting an unusually high level of control for a late-stage investor.

"We are thrilled to support WeWork as they expand across markets and geographies and unleash a new wave of productivity around the world," SoftBank Chairman and Chief Executive Masayoshi Son said in a news release.

The Vision Fund, backed by Saudi Arabia's sovereign wealth fund and numerous other investors, has shaken Silicon Valley in recent months, as Mr. Son has rapidly directed giant volumes of cash across the startup sector on a scale never seen before by a single investor.

And while Mr. Son initially billed the Vision Fund as a bet on the tech industry—especially on emerging fields like artificial intelligence and deep learning—it has strayed well outside traditional sectors like software and telecom to more far-flung categories. Beneficiaries of Vision Fund's capital include San Francisco-based **Plenty United LLC**, an indoor-farming startup that raised \$200 million, and Jacksonville, Fla., online sports retail company **Fanatics Inc.**, which this

month raised \$1 billion. Other investments include the acquisition of Google's robotics division **Boston Dynamics** and artificial intelligence company **Brain Corp.**, in which the fund led a \$114 million investment.

SoftBank also recently proposed an investment of at least \$1 billion in Uber that the ride-hailing company's board is weighing, people familiar with the matter have said.

"From our perspective, the world is changing," Mr. Son said earlier this month at a SoftBank investor event. "With the evolution of IT, the evolution of the internet and the evolution of the smartphone, people's lifestyles are changing."

Even before the Vision Fund, Mr. Son had already turned SoftBank into one of Japan's biggest companies by making sizable investments in telecommunications, e-commerce and technology, including an early investment in Chinese internet company Alibaba Group Holding Ltd., a gamble on U.S. telecommunications company Sprint Corp. and a buyout of U.K. microchip designer ARM Holdings PLC.

WeWork, which essentially operates in the staid office-leasing business, isn't an obvious fit for a tech fund. The company leases space from landlords, carves it up into small glassy offices and rents them out to larger companies for an average of around \$650 a month. While it initially billed itself as largely for startups and small companies that could do deals and business with each other, it has been expanding its reach into larger companies—including tech giants such as Amazon.com Inc. and IBM Corp.

Still, many executives and analysts within the real-estate industry, as well as the tech sector, have been perplexed by WeWork's valuation, which is extremely high by real estate standards. IWG PLC, the parent of Regus, has a similar business model, although less cultural appeal and brand recognition with young workers. Its market capitalization equates to about \$10,000 per desk. WeWork's valuation equals about \$160,000 per desk.

—Yoree Koh contributed to this article.



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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



Bars measure the point change from session's open

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

Dow Jones	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	21870.11	21765.82	21783.40	-28.69	-0.13	22118.42	17888.28	18.1	10.2	8.6
Industrial Average	9134.94	9010.19	9021.12	-65.18	-0.72	9742.76	7755.40	14.7	-0.3	2.3
Transportation Avg	745.42	742.02	743.25	-0.75	-0.10	744.00	625.44	9.1	12.7	10.2
Utility Average	25301.93	25167.12	25191.28	-36.10	-0.14	25692.25	21514.15	12.1	8.2	6.7
Total Stock Market	636.96	633.08	633.58	0.24	0.04	661.93	521.59	14.6	5.3	5.8
Barron's 400										

Nasdaq Stock Market

Nasdaq Composite	6302.85	6244.57	6271.33	-7.08	-0.11	6422.75	5046.37	20.3	16.5	11.4
Nasdaq 100	5871.87	5802.77	5834.44	-17.34	-0.30	5950.73	4660.46	22.2	20.0	12.9

Standard & Poor's

500 Index	2450.39	2436.19	2438.97	-5.07	-0.21	2480.91	2085.18	12.3	8.9	7.0
MidCap 400	1709.51	1701.11	1701.47	-1.61	-0.09	1791.93	1476.68	8.7	2.5	6.1
SmallCap 600	827.86	823.16	823.97	1.12	0.14	876.06	703.64	9.3	-1.7	7.3

Other Indexes

Russell 2000	1377.05	1370.16	1373.88	4.14	0.30	1450.39	1156.89	10.8	1.2	5.8
NYSE Composite	11816.60	11769.99	11773.79	-12.13	-0.10	12000.02	10289.35	9.2	6.5	2.5
Value Line	509.54	507.06	507.44	0.38	0.07	533.62	455.65	4.7	0.3	0.5
NYSE Arca Biotech	3913.44	3851.60	3909.07	52.45	1.36	4075.95	2834.14	19.6	27.1	9.8
NYSE Arca Pharma	521.55	519.59	520.50	1.92	0.37	549.20	463.78	-0.4	8.1	0.2
KBW Bank	94.46	93.76	94.15	0.27	0.29	99.33	69.71	33.6	2.6	9.8
PHLX® Gold/Silver	86.43	85.17	86.13	0.48	0.56	101.55	73.03	-10.8	9.2	-4.7
PHLX® Oil Service	120.60	119.15	119.76	-0.51	-0.42	192.66	117.79	-26.1	-34.8	-25.3
PHLX® Semiconductor	1091.49	1079.51	1085.93	-0.47	-0.04	1138.25	768.37	36.2	19.8	19.3
CBOE Volatility	12.83	11.55	12.23	-0.02	-0.16	22.51	9.36	-10.3	-12.9	2.2

\$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	After Hours % chg	High	Low
NiSource	NI	7,518.1	26.67	-0.27	-1.00	26.95	26.67
Van Eck Vectors Gold Miner	GDX	6,412.8	23.35	unch.	23.39	23.30
SPDR S&P 500	SPY	4,497.6	244.58	0.59	0.24	245.05	243.99
PwrShrs QQQ Tr Series 1	QQQ	4,288.4	142.58	0.31	0.22	143.01	142.24
iShares MSCI Emg Markets	EEM	3,573.1	44.77	0.10	0.22	44.77	44.23
Microsoft	MSFT	3,048.5	72.80	0.11	0.15	72.85	72.31
Lloyds Banking Group ADR	LYG	2,994.9	3.33	-0.01	-0.39	3.33	3.33
Cisco Systems	CSCO	2,353.8	31.24	unch.	31.37	31.22

Percentage gainers...

Company	Symbol	Volume (000)	Latest	Session % chg	52-Week High	52-Week Low
Adamas Pharmaceuticals	ADMS	855.2	19.55	5.32	37.39	20.50
Splunk	SPLK	344.5	65.50	5.22	8.66	66.50
CareDx	CDNA	54.9	3.10	0.24	8.39	3.13
Halozyme Therapeutics	HALO	14.5	13.49	0.89	7.06	13.49
Autodesk	ADSK	173.9	116.20	5.59	5.05	116.20
Abercrombie Fitch	ANF	11.25	1.64	17.07	23.29	8.81
Signet Jewelers	SIG	60.54	8.65	16.67	101.46	46.09
Matters						

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract		Open		Open	High	Low	Settle	Chg	Open	High	Low	Settle	Chg	Open	High	Low	Settle	Chg	Open
	Open	High	Low	Settle	Chg	interest	Open	High	Low	Settle	Chg	interest	Open	High	Low	Settle	Chg	Open		
Copper-High (CMX) -25,000 lbs.; \$ per lb.	3,035	3,035	2,9860	3,035	0.0530	536	3,230	3,261	3,228	3,244	.013	99,825	2,903	2,926	2,898	2,911	.004	115,390		
Gold (CMX) -100 troy oz.; \$ per troy oz.	3,0715	3,0715	3,0025	3,0565	0.0535	176,474	3,230	3,261	3,228	3,244	.013	99,825	2,903	2,926	2,898	2,911	.004	115,390		
Palladium (NYM) -50 troy oz.; \$ per troy oz.	1288.70	1288.70	1284.00	1286.50	-2.40	704	1288.70	1286.10	1288.60	1286.50	.50	745,185	1292.50	1293.00	1286.10	1286.50	-2.70	52,011		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	1297.90	1298.60	1294.20	1295.60	-2.70	19,461	1297.90	1298.60	1294.20	1295.60	.50	745,185	1304.30	1304.30	1300.80	1302.60	-2.70	9,616		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	962.60	963.50	962.60	979.80	1.70	1	962.60	963.50	962.60	979.80	1.70	1	962.60	963.50	962.60	979.80	1.70	62,909		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	17,055	17,060	17,055	16,952	-0.080	37	17,055	17,060	17,055	16,952	-0.080	108,690	17,175	17,180	16,895	17,046	-0.080	108,690		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,6230	1,6866	1,6200	1,6641	0.0452	45,398	1,6230	1,6866	1,6200	1,6641	0.0452	45,398	1,5308	1,5631	1,5292	1,5481	0.0203	132,396		
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.	2,926	2,982	2,917	2,949	.021	42,097	2,926	2,982	2,917	2,949	.021	42,097	2,956	3,015	2,950	2,982	.022	309,552		
Coal, CAPLC1,2500Btu,1S2S02-r.w	52,600	52,600	52,600	52,600	0.00	0.00	52,600	52,600	52,600	52,600	0.00	0.00	3,031	3,082	3,025	3,053	.020	132,343		
Jan'18	3,271	3,315	3,266	3,288	.015	141,991	3,271	3,315	3,266	3,288	.015	141,991	3,271	3,315	3,266	3,288	.015	141,991		

Cash Prices | WSJ.com/commodities

Thursday, August 24, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Source: SIX Financial Information

Thursday

Thursday

Thursday

Source: WSJ Market Data Group

Metals

Gold, per troy oz	1290.84	1290.84	1290.84	1290.84	-0.05	97,012
Engelhard industrial	1,6333	1,6452	1,6150	1,6234	-0.054	97,012
Engelhard fabricated	1,387.65	1,387.65	1,387.65	1,387.65	0.00	1,387.65
Handy & Harman base	1,289.00	1,289.00	1,289.00	1,289.00	0.00	1,289.00
Handy & Harman fabricated	1,403.79	1,403.79	1,286.45	1,286.45	0.00	1,286.45
LBMA Gold Price AM	1,286.65	1,286.65	1,286.65	1,286.65	0.00	1,286.65
LBMA Gold Price PM	1,286.65	1,286.65	1,286.65	1,286.65	0.00	1,286.65
Kruegerand, wholesale-e	1,338.53	1,338.53	1,338.53	1,338.53	0.00	1,338.53
Maple Leaf-e	1,351.40	1,351.40	1,351.40	1,351.40	0.00	1,351.40
American Eagle-e	1,351.40	1,351.40	1,351.40	1,351.40	0.00	1,351.40
Mexican peso-e	1,559.80	1,559.80	1,559.80	1,559.80	0.00	1,559.80
Austria crown-e	1,264.57	1,264.57	1,264.57	1,264.57	0.00	1,264.57
Austria phil-e	1,351.40	1,351.40	1,351.40	1,351.40	0.00	1,351.40
Silver, troy oz.	17,0500	17,0500	17,0500	17,0500	-0.06	17,0500
Engelhard industrial	20,4600	20,4600	20,4600	20,4600	0.00	20,4600
Handy & Harman base	16,9900	16,9900	16,9900	16,9900	0.00	16,9900
Handy & Harman fabricated	21,2800	21,2800	21,2800	21,2800	0.00	21,2800
LBMA spot price	£13,2039	£13,2039	£13,2039	£13,2039	0.00	£13,2039
(U.S.\$ equivalent)	16,9300	16,9300	16,9300	16,9300	0.00	16,9300

Metals

Gold, per troy oz	1290.84	1290.84	1290.84	1290.84	-0.05	97,012
Engelhard industrial	1,6333	1,6452	1,6150	1,6234	-0.054	97,012
Engelhard fabricated	1,387.65	1,387.65	1,387.65	1,387.65	0.00	1,387.65
Handy & Harman base	1,289.00	1,289.00	1,289.00	1,289.00	0.00	1,289.00
Handy & Harman fabricated	1,403.79	1,403.79	1,286.45	1,286.45	0.00	1,286.45
LBMA Gold Price AM	1,286.65	1,286.65	1,286.65	1,286.65	0.00	1,286.65
LBMA Gold Price PM	1,286.65	1,286.65	1,286.65	1,286.65	0.00	1,286.65
Kruegerand, wholesale-e	1,338.53	1,338.53	1,338.53	1,338.53	0.00	1,338.53
Maple Leaf-e	1,351.40	1,351.40	1,351.40	1,351.40	0.00	1,351.40
American Eagle-e	1,351.40	1,351.40	1,351.40	1,351.40	0.00	1,351.40
Mexican peso-e	1,559.80	1,559.80	1,559.80	1,559.80	0.00	1,559.80
Austria crown-e	1,264.57	1,264.57	1,264.57	1,264.57	0.00	1,264.57
Austria phil-e	1,351.40	1,351.40	1,351.40	1,351.40	0.00	1,351.40
Silver, troy oz.	17,0500	17,0500	17,0500	17,0500	-0.06	17,0500
Engelhard industrial	20,4600	20,4600	20,4600	20,4600	0.00	20,4600
Engelhard fabricated	16,9900	16,9900	16,9900	16,9900	0.00	16,9900
Handy & Harman base	16,9900	16,9900	16,9900	16,9900	0.00	16,9900
Handy & Harman fabricated	21,2800	21,2800	21,2800	21,2800	0.00	21,2800
LBMA spot price	£13,2039	£13,2039	£13,2039	£13,2039	0.00	£13,2039
(U.S.\$ equivalent)	16,9300	16,9300	16,9300	16,9300	0.00	16,9300

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables		Footnotes:	
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, and BATS.		I-New 52-week high.	
		I-New 52-week low.	
		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.	
		w-In 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. the previous day.

Thursday, August 24, 2017											
		Net		Stock		Sym Close Chg		Stock		Net	
Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg
NYSE											
ABB ABB 23.10 -0.03	AES AES 11.40 -0.05	AnaltyCap NYL 12.48 0.09	AnalystMstrm DMM 32.00 0.00	BlockHR HRL 30.44 0.37	Encana ECA 9.29 0.04	Heico HEI 83.35 2.24	NatOilWell NOV 30.08 -0.29	SoCopper SSCO 41.11 0.42	WooriBank WF 49.47 0.44	KitePharma KITE 140.13 1.96	
Aflac AFL 80.39 0.33	AT&T T 37.68 -0.24	AnterResourc AR 19.76 -0.21	ArrowDtsip WPP 14.93 0.18	EnelAmericas ENIA 10.49 0.15	Heico A HEIA 72.00 1.60	NetRetailProp NNN 41.15 0.09	SouthwestAirlines LUV 50.71 -1.01	Workday WDAY 104.37 0.58	KraftHeinz KHC 82.80 -1.95		
AbbottLabs Abbott 49.38 0.26	AabbVib ABV 72.11 0.59	Apache APA 40.03 -0.21	ArrowPetrol SNP 74.93 0.08	EnelGenChile ECDE 22.92 0.02	Herbalife HLF 68.97 ...	NewOrlentdEdc EDU 83.22 -1.24	Wyndham LKQ 33.95 -0.19	LKQ LKQ 33.95 -0.19	LamResearch LRCX 158.82 -2.88		
Accenture ACN 128.67 0.31	AcuityBrands AVY 175.49 -0.40	AnterResourc MT 26.31 -0.24	ArcoMidatl BIP 40.30 -0.39	EnergyTrfFwd EPD 16.80 -0.03	Hess HES 38.36 -0.43	NextEraEnergy NEE 149.31 -0.33	XcelEnergy XEL 49.35 -0.02	Xerox XR 32.05 0.21	KraftHeinz KHC 82.80 -1.95		
AcuityBrands AVY 174.75 0.31	Adient ADNT 69.02 -0.14	Anthem ANTM 192.90 -0.23	ArcoMidatl BIP 40.30 -0.39	EnergyTransfer ETP 18.42 -0.07	HewlettPackard HPCE 17.95 0.24	NewellBrands NWBL 48.15 -0.54	Sprint S 8.42 0.13	YieldCorp YLD 25.84 -0.04	ZayoGroup ZAYO 34.29 0.21		
AdvanteAuto AAP 93.10 -0.04	AdvSemiEng ASX 6.14 0.01	Anton AON 137.78 -0.44	ArcoMidatl BIP 40.30 -0.39	Equifax EFX 140.38 -0.60	Hilton HLT 62.91 -0.21	NiSource NI 26.94 -0.09	TelstarWldrop STTW 22.17 0.04	ZtO Express ZTO 137.57 -0.42	LibertyBroadband LBRK 32.60 -0.02		
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BANKING & FINANCE



Nima Ghamsari, left, CEO of Blend Labs, and employee David St. Géme in their San Francisco office. The company also announced a \$100 million fundraising round.

Bankers Indicted In Libor Scandal

BY AUSTEN HUFFORD

Two bankers were indicted in the U.S. on allegations that they manipulated a benchmark interest rate while at French lender **Société Générale** SA, in the latest U.S. attempt to prosecute alleged participants in a multibillion-dollar scandal that roiled global markets.

The U.S. Justice Department accused Danielle Sindzingre and Muriel Bescond of instructing subordinates to submit inaccurately low figures that were then used to calculate the London interbank offered rate, or Libor, according to Thursday's indictment in U.S. District Court in Brooklyn.

The actions, which are alleged to have happened between May 2010 and October 2011, caused more than \$170 million in harm to global financial markets because the false information affected transactions tied to Libor, according to the indictment.

The two bankers were charged with one count of conspiring to transmit false reports concerning market information that tends to affect a commodity and four counts of transmitting false reports.

Ms. Sindzingre and Ms. Bescond didn't immediately respond to a request for comment. Société Générale said it was cooperating. The women remain employed at Société Générale, a Justice Department spokeswoman said Thursday.

In July, a federal appeals court panel overturned the convictions of two former **Rabobank** traders in the scandal, saying the defendants' Fifth Amendment right against self-incrimination had been violated.

Libor is calculated every workday by polling major banks on their estimated borrowing costs. The rate was used to price financial products worldwide. Its integrity was called into question after a rate-rigging scandal where traders at numerous banks were able to nudge it up or down by submitting false data. In the wake of the scandal, a top U.K. regulator said in July that the rate would be phased out.

Banks Serve Up a Mortgage Mix

Blend Labs strikes deal with Wells Fargo and U.S. Bancorp to push more home loans online

BY PETER RUDEGEAIR

Wells Fargo & Co. and U.S. Bancorp have signed deals with mortgage-software startup **Blend Labs Inc.** to move more of their loan applications online.

The five-year-old San Francisco company announced its new customers Thursday along with a fresh \$100 million fundraising round.

The software from Blend offers the two lenders a chance to compete better against nimble financial-technology offerings such as Rocket Mortgage, the **Quicken Loans Inc.** product that has attempted to speed up the often-tedious mortgage-application process.

Minneapolis-based U.S. Bank says the latest changes eventually could trim four or five days off the process, which takes roughly six weeks on average. The actual time to apply eventually could be sliced in half, says Tom Wind,

president of U.S. Bank's mortgage division.

"I've never chosen a startup for a project of this size and scale before," said Michael DeVito, Wells Fargo's head of mortgage production. The bank, which extended \$100 billion in home loans in the first half of the year, started inviting some applicants to try the Blend technology late last year. It is looking to roll out the product nationally in 2018.

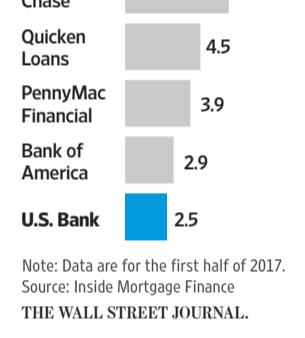
Blend, part of a new crop of fintech firms that aim to work with banks rather than compete directly against them, said the fundraising round was led by venture-capital firm **Greylock Partners**. Greylock's Jerry Chen is joining Blend's board. The \$100 million deal will bring the company's valuation to roughly \$500 million, according to people familiar with the matter. Other Blend investors include **Andreessen Horowitz, Emergence Capital, Founders Fund, and Conversion Capital LLC**.

Blend's software already is used for websites or smartphone applications at about 30 lenders, including **Movement Mortgage LLC**.

In addition to powering a

Loan Stars

Blend is working with two of the six largest U.S. mortgage lenders by market share.



Note: Data are for the first half of 2017.

Source: Inside Mortgage Finance

THE WALL STREET JOURNAL.

version of the product that is similar to Rocket Mortgage, Blend can be used by loan officers based in retail branches or call centers. The ability to serve those different groups helped persuade banks that Blend simply wasn't looking to replace their existing sales staff with computers.

The company's software automates the loan-application process by filling in forms electronically through

direct connections to information sources.

For example, Blend taps Intuit Inc. to pull figures from tax returns filed through **TurboTax**, Automatic Data Processing Inc. to verify income via pay stubs, and **Plaid Technologies Inc.** to find the value of assets in bank and brokerage accounts.

Run by CEO Nima Ghamsari, Blend expects to use the proceeds from its fundraising to expand in other forms of consumer credit and develop technology to make other manual parts of the home-loan process, such as appraisal and closing, more digital.

The latest fundraising would signal to lenders that the company would be able to ride out any market dips, Mr. Ghamsari said.

Wells Fargo executives have mentioned its work with Blend in recent months, without giving details. While Blend has worked closely with banks, the business model for online lenders of taking them on directly has struggled.

Making loans to consumers and small business directly over the internet and getting money managers to bear the

risk of defaults captivated investors as recently as 2015. But a series of stumbles helped lead to a wave of layoffs, executive changes and a 75% slump in venture-capital investment in the sector.

"There's definite skepticism around whether or not these things will be legacies or whether they'll be fads," Mr. Ghamsari said of Silicon Valley's online lenders. He said their ascent helped raise awareness among traditional financial institutions, which had spent the preceding years wholly focused on regulatory compliance, not innovation.

Other companies in online lending also have branched out to building software for banks. Last year, On Deck Capital Inc. started making small-business loans to customers of J.P. Morgan Chase & Co. via the bank's website.

"Success in the [online] lending industry in the U.S. is likely to come from partnering with the incumbents to become services enablers for them," **Morgan Stanley** analysts wrote in a recent report, "as opposed to outright competing with them as independent pure play providers."

For Buffett, No Oncor And No Breakup Fee

BY NICOLE FRIEDMAN

Warren Buffett has nothing to show for his attempt to buy one of the country's largest power-transmission companies.

Berkshire Hathaway Inc.'s bid to buy Texas-based Oncor fell through too fast for Mr. Buffett's firm to get its \$270 million breakup fee.

Berkshire and Oncor's bankrupt parent company, **Energy Future Holdings Corp.**, reached a \$9 billion deal last month that included the breakup fee.

But the deal and its terms still needed approval from a bankruptcy judge. Hours before a scheduled court hearing, Energy Future terminated the deal in favor of a higher

bid from **Sempra Energy**.

"It's a large cost certainly to Berkshire, in the time and effort put in which is not resulting in any return," said David Kass, a professor at the University of Maryland's Robert H. Smith School of Business and a Berkshire shareholder.

"But [Mr. Buffett's] main concern would have been his expected rate of return over time from his \$9 billion price, and he wasn't willing, of course, to go any higher from that."

Berkshire Hathaway Energy, the subsidiary that made the bid, didn't immediately respond to a request for comment.

Breakup fees are a common element in many corporate-acquisition attempts.

Treasury Sets Sales of \$160 Billion in Debt

The Treasury Department will auction \$160 billion in securities next week, comprising \$88 billion in new debt and \$72 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$39 billion in 13-week bills, a reopening of an issue first sold on June 1, 2017, maturing Nov. 30, 2017. Cusip number: 912796ME6.

Also, \$33 billion in 26-week bills, a reopening of an issue first sold on March 2, 2017, maturing March 1, 2018. Cusip number: 912796LN7.

Also, \$26 billion in two-year notes, dated Aug. 31, 2017, maturing Aug. 31, 2019. Cusip number: 912828T6.

Also, \$34 billion in five-year notes, dated Aug. 31, 2017, maturing Aug. 31, 2022. Cusip number: 912828S8.

Noncompetitive tenders for the 26-week bills and two-year notes must be received by 1 p.m.

a.m. EDT Monday and competitive tenders by 11:30 a.m.

For the 13-week bills and five-year notes, noncompetitive tenders must be received by noon Monday and competitive tenders by 1 p.m.

♦ **Tuesday:** \$28 billion in seven-year notes, dated Aug. 31, 2017, maturing Aug. 31, 2024. Cusip number: 912828U3. Noncompetitive tenders must be received by noon Tuesday and competitive tenders by 1 p.m.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-YEAR, EIGHT-MONTH TIPS	
Applications	\$34,142,520,300
Accepted bids	\$14,438,855,000
"noncompetitively	\$33,461,300
Auction price (rate)	100.75813 (0.117%)
Interest rate	0.125%
Bids at clearing yield accepted	13.39%
Cusip number	912828X39

The Treasury inflation-protected securities, dated Aug. 31, 2017, mature on April 15, 2022.

Stocks Blanch at Amazon's Menu

BY MICHAEL WURSTHORN AND RIVA GOLD

U.S. stocks drifted lower, as disappointing earnings and **Amazon.com's** plan to slash prices at **Whole Foods Market** dragged down shares of consumer-staples companies.

Overall, moves were relatively small, continuing a calm week for stocks.

The Dow Jones Industrial Average declined 28.69 points, or 0.1%, to 21,783.40.

The S&P 500 fell 5.07 points, or 0.2%, to 2,438.97, and the Nasdaq Composite slipped 7.08 points, or 0.1%, to 6,271.33.

Shares of **J.M. Smucker** and **Hormel Foods** were among the S&P 500's biggest decliners after the food companies posted quarterly results.

J.M. Smucker fell \$11.34, or 9.5%, to \$107.51 after saying weak sales of Folgers coffee weighed on earnings, causing it to lower its guidance.

Hormel Foods shed 1.83, or 5.4%, to 32.09 after narrowly missing earnings expectations due, in part, to higher pork and beef costs. The company also lowered its guidance.

Grocers **Kroger**, **Costco Wholesale** and **Wal-Mart Stores** fell after Amazon revealed its plans for its acquisition.

Investors are concerned that Amazon might start a price war as it works to broaden Whole Foods' reach.

Some retailers rose following upbeat results. **Signet Jewelers** gained 8.65, or 17%, to 60.54 after it reported higher same-store sales and a deal to acquire **R2Net**, the owner of JamesAllen.com, to expand its digital footprint.

The parent of Kay Jewelers, Zales and Jared also raised its annual earnings guidance.

Dollar Tree rose 4.18, or 5.6%, to 78.50 after reporting better-than-expected earnings



J.M. Smucker shares tumbled 9.5% and were among the S&P 500's largest decliners.

and strong sales growth, while Calvin Klein parent **PVH** gained 6.88, or 5.7%, to 126.92 after exceeding analysts' expectations and raising its outlook for earnings and revenue for the year.

Stocks have wavered this month, as investors weigh generally solid earnings and steady growth against geopolitical tensions and political uncertainty in Washington.

"Despite the constant barrage of headlines out of Washington, investors are mostly concerned with corporate profits," said Michael Binger, a senior portfolio manager at \$1.6 billion advisory firm GrandInvestments.

Meanwhile, central bankers and economists from around the world began to gather Thursday for the annual Jackson Hole symposium in Wyoming. While no major announcements on interest rates

or stimulus programs were expected, any hints at the course of policy in the fall could shake markets in thin summer trading, analysts say.

"The Fed does a very delicate dance with the markets," said Chris Cordaro, chief investment officer at Regent Atlantic. Mr. Cordaro expects the Fed to be "gentle and subtle" with raising interest rates and trimming its balance sheet.

Investors will be monitoring European Central Bank President Mario Draghi's comments, expected Friday, to see if he is concerned about the euro's ascent; it is up 12% against the dollar this year.

"We think they won't be in as much of a hurry to tighten as the rest of the market thinks," said Trevor Greetham, head of multiasset at Royal London Asset Management. "We're starting to hear companies complain about euro strength and see

earnings downgraded...so the ECB won't want to come out of Jackson Hole stoking expectations of tightening."

U.S. government bonds edged down, with the yield on the 10-year Treasury note rising to 2.194%, from 2.171% on Wednesday.

Data released Thursday showed the number of Americans filing fresh applications for unemployment benefits rose slightly last week but remains low. Initial jobless claims ticked up by 2,000 to a seasonally adjusted 234,000 in the week ended Aug. 19, the Labor Department said Thursday. That was slightly less than the 235,000 new claims expected by economists surveyed by The Wall Street Journal.

The Stoxx Europe 600 rose 0.2%. Japan's Nikkei Stock Average edged down 0.4% to its lowest close since the start of May. Early Friday, it was up 0.2%.

MARKETS

Hurricane Barrels Down On Texas Oil Industry

BY STEPHANIE YANG
AND ALISON SIDER

Energy markets sprang to life Thursday as refiners scrambled to shut down production and the Texas energy industry braced for the first major hurricane in nearly a decade.

Gasoline prices surged the most in more than three months and U.S. crude-price losses steepened throughout the day, as Hurricane Harvey intensified on its way to the Texas coast.

The hurricane is expected to make landfall Friday evening or Saturday, and its path could put it in direct contact with a major hub for oil operations. Rain and flooding may disrupt refinery operations in the Corpus Christi area, halting the consumption of crude and driving down oil prices. Meanwhile, gasoline prices climbed in anticipation of potential shortages.

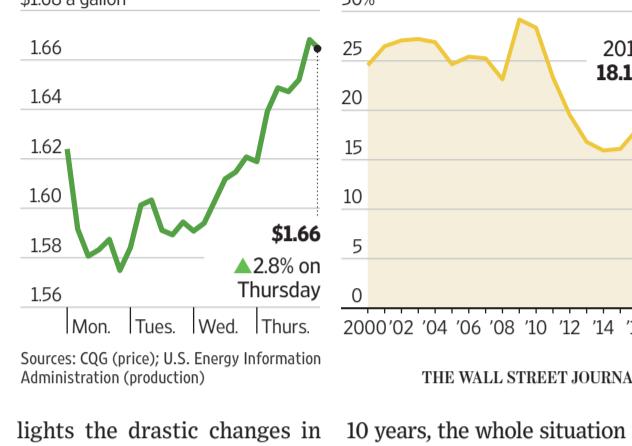
Oil producers and refiners said they are prepared to respond. **Flint Hills Resources** said it is shutting down its Corpus Christi refinery, with a capacity of about 300,000 barrels a day. **Valero Energy Corp.** said it is shutting down its Corpus Christi and Three Rivers refineries. **Exxon Mobil Corp.** said it is evacuating personnel from facilities expected to be in the path of the storm, including two platforms, though the company said refiners are operating as normal.

For many longtime traders, the market's reaction high-

Bracing for Impact

As Hurricane Harvey approaches Texas, traders are more worried about a shortage of gasoline than crude, as oil production has moved inland.

Front-month Nymex RBOB gasoline, hourly



Sources: CGO (price); U.S. Energy Information Administration (production)

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lights the drastic changes in the industry since the last time such a disruption hit the Gulf Coast.

The last hurricane to hit Texas was Hurricane Ike in 2008, when oil prices were falling amid the financial crisis. Over the course of Hurricane Rita and Hurricane Katrina in 2005, crude prices rose between 4% and 6%.

While the industry previously may have fretted over the threat to crude production, the worry these days is about the facilities that refine the oil instead of pump it, since the ability to tap U.S. shale formations has led to more production from locations farther from the coast.

"It's a new world since the last storm," said Bob Yawger, director of the futures division at Mizuho Securities USA. "In

10 years, the whole situation in the U.S. has changed."

In anticipation of the storm, U.S. oil prices for October delivery dropped 98 cents, or 2%, to \$47.43 a barrel, closing at a one-week low. Gasoline futures for September delivery gained 2.8% to \$1.6641 a gallon on perceived supply risks, the biggest one-day gain since May 19.

The Bureau of Safety and Environmental Enforcement said nearly 10% of crude-oil production in the Gulf of Mexico, or about 167,000 barrels a day, is shut in due to the hurricane. The organization said personnel have been evacuated from 39 production platforms, or 5% of manned platforms in the Gulf as of 12:30 p.m. Eastern time Thursday.

Platforms in the federal waters off the Gulf Coast now ac-



Motorists in Houston pass a sign warning of Hurricane Harvey as the storm intensifies in the Gulf.

DAVID J. PHILLIP/ASSOCIATED PRESS

count for a smaller share of U.S. energy output than they did when previous storms wreaked havoc on the region.

The Gulf of Mexico made up 18% of total U.S. oil production last year. That's down from its 25% share in 2005, when Hurricanes Katrina and Rita hit, shutting in nearly all offshore production and destroying platforms, causing prices to surge.

John Auers, executive vice president of Turner, Mason & Co., a consulting firm, said the impact on fuel supplies is likely

to be less pronounced than when previous storms hit and knocked refineries offline, in some cases for several months.

In 2005 and 2008, the U.S. relied more heavily on imports.

Now, the U.S. is a net exporter of refined products, sending a significant portion of the gasoline produced at the Gulf to foreign markets. The amount of gasoline in U.S. storage tanks was about 18% higher last week than it was in the weeks preceding Hurricane Katrina in 2005 and Hurricane Ike in 2008, according to the

U.S. Energy Information Administration.

"It's not like it was in 2008 when we were the world's leading importers," Mr. Auers said. "The domestic supply-demand balance isn't as threatened."

The impact on refiners could threaten to undermine a major supporter of crude prices over the past few months. According to Commerzbank, the high level of refiner activity has been the sole contributor to the drop in crude storage.

—Dan Molinski contributed to this article.

OPEC: All Options Open

OPEC said Thursday that all options remain open at its next meeting in November, including extending the oil cartel's effort to reduce the global petroleum glut by withholding supplies—an option that one member, Angola, now says it prefers.

By Benoit Faucon
in London and
Neanda Salvaterra
in Luanda, Angola



Angola Petroleum Minister José B. de Vasconcelos says his country would extend the production cuts.

next March, are on the table at its next major meeting on Nov. 30 in Vienna. OPEC typically lets oil ministers from its member countries communicate independently about the options available at its major meetings.

This week, Angola became the first OPEC member to come out in favor of such a move publicly.

In a rare interview, Angolan Petroleum Minister José B. de Vasconcelos, said his country would extend the production cuts, as long as all OPEC members reach consensus.

"It is better to cut the level of production and make the price of oil rise instead of producing at the max level and selling at low prices," he said.

Angola, which depends on oil revenue for almost 50% of its government revenue, has suffered during the three-year price downturn. Construction has come to a halt, inflation has reached 40% and the International Monetary Fund expects Angola's economy to grow by just 1.3% this year.

—Gabriele Steinhauser
in Luanda
contributed to this article.

Speakers Activate Stocks

BY GREGOR STUART HUNTER

For years, tech stocks in Asia have risen and fallen by the release cycles of Apple Inc.'s iPhone as component producers gear up to supply new versions. Now, a new type of product is creating a similar buzz among investors in the region.

Smart speakers—voice-activated, internet-connected devices such as Amazon.com Inc.'s Echo—have scored with consumers by allowing them to make purchases without picking up a phone thanks to onboard assistants like Amazon's Alexa.

Apple, Alphabet Inc.'s Google, Samsung Electronics Co. and several Chinese competitors have followed Amazon into the market in search of the next big trend in consumer electronics. That has added to demand for components like semiconductors, speaker modules and motion sensors coming from Asian suppliers, contributing to a supply crunch and lifting margins for those producers.

Smart speakers are just taking off, but will have a "smartphone moment" at which point they become ubiquitous, said Oliver Lee, investment director at Old Mutual Global Investors, which manages \$37 billion in assets.

Sales are growing quickly. Some 10.7 million Amazon cus-

tomers in the U.S. owned an Echo device at the end of the first quarter, up from three million a year earlier, according to research firm Consumer Intelligence Research Partners LLC.

The Echo was first offered to Amazon Prime customers in the U.S. in 2014. Last year, the U.S. company began selling its speakers in Europe.

Market-research firm Gartner estimates spending on smart speakers will total \$3.5 billion globally by 2021, compared with \$360 million in 2015.

"Amazon Echo, Google Home and Apple HomePod are going to be much more prevalent in the home over the next three to four years," Mr. Lee said. "We're in the early stage for this rollout, and we don't think it's fully priced into the stocks."

The sudden popularity of these devices has been a boon to component suppliers such as Taiwan's WIN Semiconductors Corp., whose share price has almost doubled this year. Investors are piling into the company, which trades at a discount to highflying tech stocks like Amazon. Data from FactSet show \$104 million in new investment from fund managers including Fidelity International during the last six months.

Old Mutual has snapped up shares in Hong Kong-listed Hua Hong Semiconductor Ltd., whose stock has risen 20% this year.

Fund managers including AllianceBernstein LP and Guggenheim Investments have increased their holdings in the company by a total of \$82 million in the last six months, according to FactSet.

Another beneficiary is Primax Electronics Ltd., a maker of speaker modules for Amazon and Google devices whose shares are up 59% this year. Fund managers, including Lazard Asset Management and J.O. Hambro Capital Management Ltd., have invested \$95 million in Primax shares this year, according to FactSet.

The component makers' shares are a comparative bargain. For example, Amazon trades with a multiple of 147 times next year's estimated earnings, while WIN Semiconductors trades at a multiple of 18.4, Primax at 12.2 times and Hua Hong at 9.8.

Stocks expected to benefit from the added demand for memory chips used for servers powering cloud computing and artificial intelligence—which underpins speech-recognition software—include Samsung Electronics and South Korean rival SK Hynix Inc., shares of which have more than doubled in value during the past year.

The MSCI Korea index is up 21% this year, while MSCI Taiwan has gained 13%. Both are ahead of the S&P 500, which has gained 8.9%.

Venezuela Sanctions Could Shake J.P. Morgan Index

BY EMILY GLAZER

What will J.P. Morgan Chase & Co. do? That question is weighing on emerging-markets debt investors as the Trump administration considers

sanctions that could affect the ownership or trading of Venezuelan debt.

The reason: J.P. Morgan is the backer of the most widely followed emerging-market bond index, the J.P. Morgan Emerging Market Bond Index.

Depending on their form, sanctions could in some cases require the bank to remove Venezuelan debt from the index.

That, in turn, could roil the emerging-markets bond world. Pension and investment funds globally could try to dump the debt for fear of falling out of step with the benchmark index's performance.

So far, it isn't known

whether the U.S. government will take action. The Trump administration is considering banning trading by U.S. banks of new debt issued by Venezuela or its state-owned entities and possibly imposing restrictions on some existing debt, The Wall Street Journal reported this week. Potential moves would be aimed at weakening a government that Washington says has moved toward dictatorship.

"In the event that there would be a ban, it would certainly require market participants to try to liquidate positions," said Sean Newman, a senior portfolio manager who runs Invesco Ltd.'s emerging-market fixed-income team. He added that investors still think it is very unlikely the U.S. government would take such a dramatic step.

BlackRock Inc.'s iShares, which manages the largest exchange-traded fund tracking

the J.P. Morgan Index, is keeping its Venezuelan investments in line with the index, said Benjamin Souza, Latin America strategist at BlackRock. Selling in anticipation of a potential ban could backfire if Treasury picks a different option, "and we don't want to create tracking error," he said.

Ultimately, the fund's exposure to Venezuela will depend on the severity of the measures the Treasury imposes, Mr. Souza said. The Treasury could bar U.S. investors from owning Venezuelan bonds altogether, forcing them to liquidate their holdings, or it could take a more lenient approach, allowing fund managers to keep previous purchases and block them from buying bonds in the future, he said.

J.P. Morgan's measure is the most widely tracked by investment funds; Venezuela comprises about 1.51% of the index.

Reports earlier this week that the administration was considering sanctions initially caused the price of Venezuelan debt to skid, but bonds rallied Thursday on news Russia and China are throwing a lifeline to the embattled regime. Prices of PdVSA bonds due on Nov. 2, jumped 6.2% to 93.98 cents on the dollar; Venezuela's 2035 bonds gained 5.6% to 37.55 cents, according to MarketAxess BondTicker.

Whether any sanctions would affect Venezuela's position in the J.P. Morgan index would come down to the benchmark's rules for inclusion. One of the biggest issues is whether sanctions would affect the trading of outstanding debt, or secondary market trading. That is because debt in the index must meet minimum liquidity thresholds; bonds have to have daily pricing available from a third party.

Failure to meet those thresholds could cause bonds to be removed from the index, according to people familiar with its workings.

"As with most indices, ours are rules-based and simply reflect the more liquid securities in the global marketplace," J.P. Morgan spokesman Brian Marchiony said.

—Matthieu Wirz, Justin Baer and Carolyn Cui contributed to this article.



Antigovernment protesters at a rally in Caracas, Venezuela.

MIGUEL GUTIERREZ/EPA/SHUTTERSTOCK

MARKETS

Doubts Over Stocks Propel a Gold Rush

Yellow metal has gained 12% this year amid worries about debt ceiling, economy

By IRA IOSEBASHVILI
AND AMRITH RAMKUMAR

Gold is on track to outperform stocks for the first time since 2011, highlighting the uncertainty that has accompanied this year's stock-market gains.

While a season of strong corporate earnings has powered stocks to records, investors are focusing on a cluster of issues that threaten to derail the rally.

Many are worried about coming negotiations to raise the U.S. debt ceiling, an event that has roiled markets in previous years.

A failure to raise the U.S. debt limit in a timely manner would prompt a review of the country's credit rating, which now stands at the highest possible level, Fitch Ratings said Wednesday.

Others are nervous over a months-long run of uneven U.S. economic data, which some are concerned could eventually drag down corporate earnings. Recent reports have shown some metrics, such as employment, holding strong while manufacturing falters and auto demand posts steep declines.

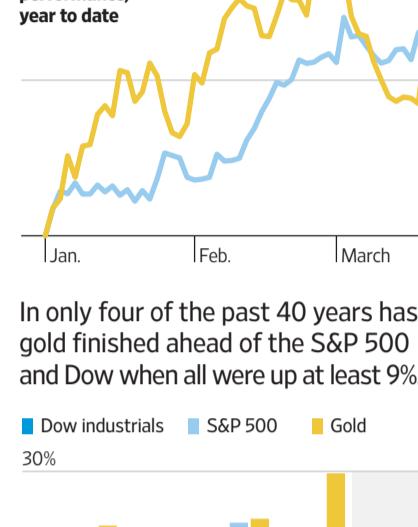
A stock-market rally that hasn't included a significant pullback in 19 months has amplified concerns that any correction could be swift and sharp, especially with valuations for many sectors near historic highs.

The worries have boosted prices for gold, a favorite destination for jittery investors who believe the metal will hold its value better than other assets when markets turn rocky.

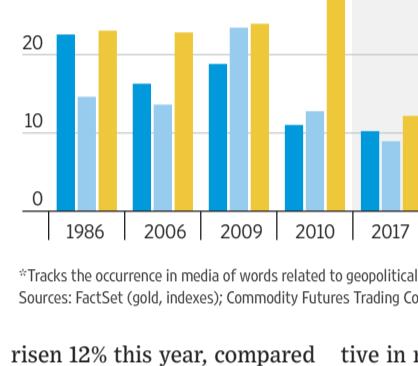
Gold for August delivery fell 0.2%, to \$1,286.60 a troy ounce, on Thursday and has

Gaining Luster

Gold this year is rising faster than the S&P 500 for the first time since 2011, as investors resort to an investment that offers no claim on profits and yields no periodic return, reflecting rising perceived uncertainty.



In only four of the past 40 years has gold finished ahead of the S&P 500 and Dow when all were up at least 9%.



*Tracks the occurrence in media of words related to geopolitical tension. The August 2017 reading is as of Aug. 10.

Sources: FactSet (gold, indexes); Commodity Futures Trading Commission (positions); Economic Policy Uncertainty (risk index)

risen 12% this year, compared with an 8.9% gain for the S&P 500.

Other indicators of investor anxiety, such as the Japanese yen, Swiss franc and CBOE Volatility Index, have also risen in recent weeks.

"You get a sense that beneath the veneer of the major averages, a certain level of anxiety is entering the market at large," said David Rosenberg, chief economist at Gluskin Sheff & Associates Inc.

Speculative interest in gold has become more positive in recent weeks. Net bets by hedge funds and other speculative investors on a higher gold price stood at 179,537 contracts for the week ended Aug. 15, the highest level since the week ended Oct. 4, 2016, according to Commodity Futures Trading Commission data.

A good portion of that buying has come from investors who believe the Federal Reserve is unlikely to raise interest rates a third time this year, especially as hopes fade for the White House to

push through pledged fiscal-stimulus programs such as a tax overhaul and infrastructure spending soon.

Expectations that the Fed will lift rates at a gradual pace are a boon to gold, which struggles to compete with yield-bearing investments when borrowing costs rise.

"There is a perception that without fiscal reform in the U.S. there will be very real limits on how far the Fed can tighten," said Peter Hug, global trading director at Kitco Metals.

A weaker dollar has also boosted gold, which is denominated in the U.S. currency and becomes more affordable to foreign investors when the dollar declines. The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, is down 7.3% this year.

Gold outgaining stocks isn't itself an unusual phenomenon. New York Mercantile Exchange gold futures have risen more, or fallen less, than stocks in 13 of the 27 years dating back to 1990, according

to the WSJ Market Data Group.

But a faster rise in gold has become rare during the bull market that started in 2009.

That reflects both the steady rise in U.S. stock indexes and the large annual gains that gold posted in the run-up to the financial crisis and its aftermath. Those gains left gold prices vulnerable to declines as economic growth picked up.

Gold last outgained U.S. stocks in 2011, as the S&P was flat in a year marked by the U.S. credit-rating downgrade in August and the beginning of the acute stage of the euro crisis. Gold rose 10% that year.

That year ended up being an anxious one for investors. Just two years after the financial crisis ended, Europe struggled with intensifying concerns about many nations' growth prospects and debt positions.

Meanwhile, investors were confronted with once-unthinkable concerns about whether the world's richest nation would default on its borrowings in the midst of a dispute over raising the debt limit. Those concerns echo now, with Treasury Secretary Steven Mnuchin saying Monday that his "magic super Treasury powers," which allow the government to conserve cash and avoid issuing new debt, will run out at the end of September.

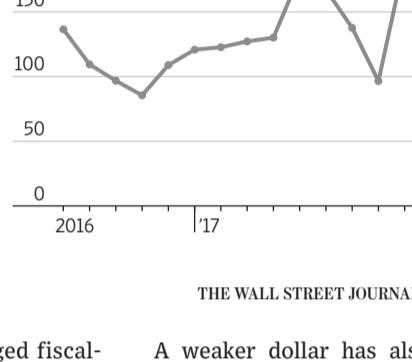
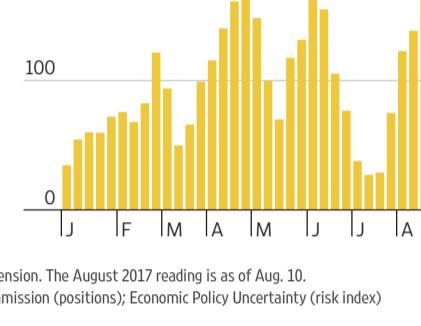
But other years of large gains in both stocks and gold haven't necessarily foretold ill market tidings.

The S&P rose 26% and gold 20% in 2003, in the midst of the recovery from the 2001 recession. The S&P rose 14% and gold 23% in 2006, the year before the financial crisis started brewing.

Stocks gained 23% and gold 24% in the crisis-recovery year of 2009, and 2010 told a similar story, with stocks up 13% and gold up 30%.



The Geopolitical Risk Index* spiked following a standoff with North Korea.



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HEARD ON THE STREET

Email: heard@wsj.com

Merck Is Good for Your Portfolio's Health

Cheap stocks are an endangered species, but not quite extinct.

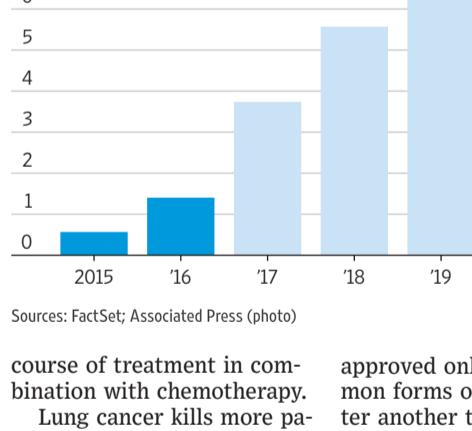
Merck & Co. is one example. As one of the largest drug companies in the world with nearly \$10 billion in sales last quarter, Merck is considerably less volatile than smaller drug stocks with higher expected growth rates. That means less upside potential than a leaner biotech, but far less severe risks.

The main reason to own the stock: Merck is set to become the market leader in drugs that empower the body's immune system to fight cancer. The arrival of these drugs is good news for investors as well as patients. Sales of Merck's immunotherapy drug, Keytruda, reached \$881 million in the second quarter, nearly triple their tally from a year ago. Its ascent is likely to continue for some time.

Keytruda won Food and Drug Administration approval to treat a common form of lung cancer in May as a first

Active Ingredient

Merck's annual Keytruda sales



Sources: FactSet; Associated Press (photo)



The drug, shown in a 2015 photo, won a key FDA approval in May.

THE WALL STREET JOURNAL.

course of treatment in combination with chemotherapy.

Lung cancer kills more patients than any other form of the disease, according to the Centers for Disease Control and Prevention. That means big opportunities for sales growth. And while competition will be significant,

Merck has a leg up for now.

Similar drugs developed by rival manufacturers are

approved only to treat common forms of lung cancer after another treatment has failed. Analysts expect \$7 billion in annual Keytruda sales by 2019, up from \$3.7 billion this year. That would translate into adjusted profit for the company of \$4.52 a share in 2019, up from an expected \$3.87 a share in 2017.

Despite that happy backdrop, there are some areas

of concern. Sales of diabetes drug Januvia, Merck's top seller, fell 8% in the second quarter amid continued pricing pressure. Thanks in part to those pressures, analysts expect Merck to increase its sales by about 3% annually for the next several years, according to FactSet.

It is a low bar that Merck should clear. Other major parts of the business, such as

vaccines and animal health, continue to perform well. Merck's fairly clean balance sheet means it could comfortably use its cash flow to buy back stock aggressively. Merck spent about \$2.2 billion on repurchases in the first half of the year, or about 60% of operating cash flow.

Even if analyst estimates are on the mark, that growth rate is similar to what is expected from peers such as Bristol-Myers Squibb and Eli Lilly. Yet Merck shares can be bought at a fairly sizable discount to most large drug stocks and to the S&P 500. They trade at roughly 15 times forward earnings estimates. Bristol-Myers and Lilly fetch about 18 times.

Stocks that trade at a discount to the market are typically turnaround stories, yet Merck's shares offer exposure to perhaps the most exciting new drug in the industry. That means investors seeking growth and safety can have it both ways.

—Charley Grant

HP Reboots With Knack For Growth

What to do with a no-growth technology company that actually manages to grow?

That is the conundrum facing HP's investors. After shedding enterprise technology nearly two years ago, the remaining HP was thought to be the more boring half, stuck in the purgatory of personal computers and printers.

That hasn't proved to be the case. The company just reported its fourth consecutive quarter of revenue growth with its best numbers so far. Overall, sales for the fiscal third quarter rose 10%; Wall Street had expected less than 4%.

HP's stock still fell initially after the report Wednesday afternoon, though it bounced back Thursday. The mixed reaction was probably due to revenue gains not flowing through to earnings.

The bigger question is what investors should expect in the future. PCs aren't a growth business, though HP has wisely focused on the right areas, such as premium laptops. The company also has stabilized its vital printing supply business, in which third-quarter revenue jumped 10% year over year.

Revenue growth for both HP's personal systems and printing segments is expected to flatten in the next fiscal year, setting a low bar the company should still be able to exceed.

It also helps that HP's stock is trading just over 11 times forward earnings, among the cheapest of big tech companies and a 14% discount to its more troubled Hewlett Packard Enterprise cousin. Not a bad deal for a rebooted computer maker.

—Dan Gallagher

Finding Owners for Fiat Won't Be Easy

Investors' euphoric reaction to breakup rumors at Fiat Chrysler Automobiles makes clear that big is no longer beautiful in the automotive industry. The problem for FCA is that small isn't often beautiful either. It will be hard to achieve much more than spinning off its parts unit.

FCA's Milan-listed shares are up about 30% since the start of last week, including a 3% jump Thursday, as brokers have dusted off sum-of-the-parts valuations. First came news that the company had received a bid from an unnamed Chinese company. Then, Chinese sport-utility-vehicle specialist Great Wall Motor said that it was interested in Jeep, FCA's most

valuable brand. This week, breakup rumors have come to the fore: FCA is considering options including spinning off its upmarket Maserati and Alfa Romeo brands as well as its components businesses, according to Bloomberg News.

Chief Executive Sergio Marchionne clearly signaled a components spinoff on a quarterly call with analysts last month. This isn't revolutionary. It is also a no-brainer, given the valuation gap between parts makers and car makers. GM's stock trades at six times earnings and Delphi's at 13 times.

But the same logic can't be applied to Maserati and Alfa. Luxury car makers BMW and Mercedes-maker

Daimler are barely more appreciated than their mass-market peers—both fetch seven times—while smaller rivals Volvo and Jaguar Land Rover are straining to keep up with the shift to electrified cars.

It is clear Mr. Marchionne would like to find, at the right price, new owners for bits or all of FCA before he leaves in 2019. But with Western governments wary of Chinese takeovers, Western car makers more concerned with technology investments and stock investors avoiding even the best car brands, it is hard to see who the buyers will be. Investors should contain their enthusiasm.

—Stephen Wilmot

OVERHEARD

We may be experiencing a digital golden age, but it is one full of analogues.

The most popular has long been: "It's like Uber, but for (fill in the blank)." Describing a business as being similar to one that was recently valued by supposedly savvy investors at \$68 billion seemed like such a surefire elevator pitch that it seems like we've heard about an Uber for everything. A Google search comes up with nannies, dogs, movers, events, food and even marijuana.

But many trends seem to go from the sublime to the ridiculous. This one has become such an overused meme that even jokes about it are becoming tiresome. A few still rise

above. One wag recently proposed "Uber, but for climbing stairs," noting that the company, Otis Elevator, is in "late stage development/production mode." The obvious solution is to just pick another successful, disruptive digital company to supposedly resemble. For example, there have been references to the Netflix of news, music, sports, books, and, alarmingly, "sheets and towels."

Meanwhile, Uber Technologies itself has slipped from its pedestal with management turmoil, legal woes and, perhaps least forgivably, a recent markdown in valuation. A critic described it as "like Uber, but for flushing money down the toilet."

Mystery woman:
author Sue Grafton
on her fear
of the basement **M3**



MANSION

*'Wilderness to the people of America
is a spiritual necessity, an antidote
to the high pressure of modern life.'*

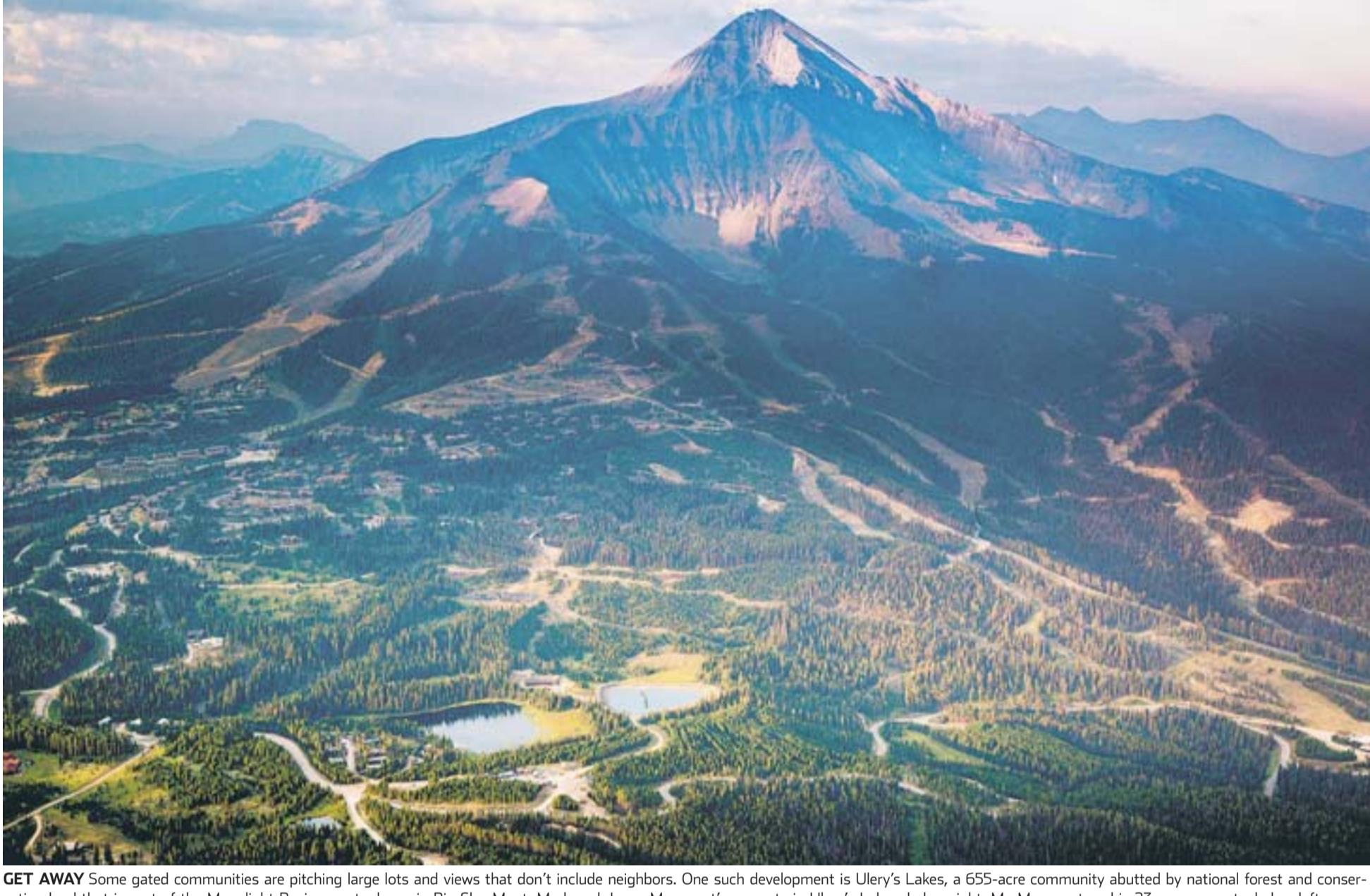
—Sigurd F. Olson

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THE WALL STREET JOURNAL.

Friday, August 25, 2017 | **M1**



FROM TOP: CHRISTOPHER BOYER/KESTREL AERIAL SERVICES FOR THE WALL STREET JOURNAL; JANIE OSBORNE FOR THE WALL STREET JOURNAL (2)

GET AWAY Some gated communities are pitching large lots and views that don't include neighbors. One such development is Ulery's Lakes, a 655-acre community abutted by national forest and conservation land that is part of the Moonlight Basin resort, above, in Big Sky, Mont. Mark and Jenny Mummert's property in Ulery's Lakes, below right; Mr. Mummert on his 23-acre property, below left.

No Neighbors in Sight

For some owners, the best view is one that doesn't include the house next door. They pay a premium for gated communities with large lots and secluded home sites.



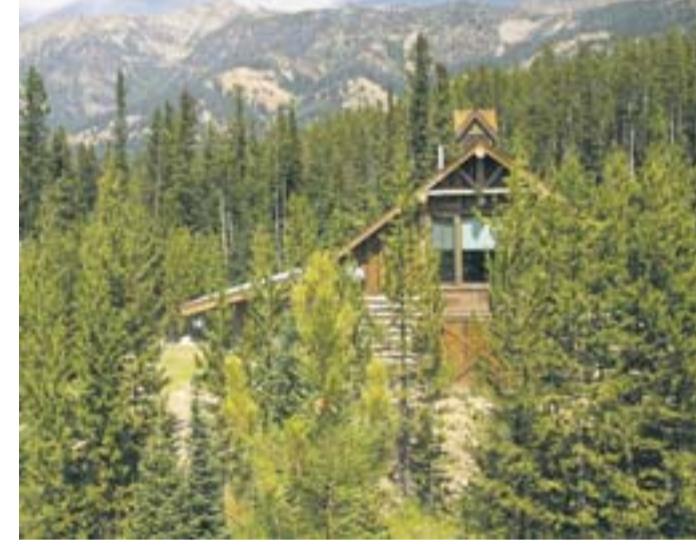
BY AMY GAMERMAN

TY AND KADY HENDRIX live in a gated development that doesn't have a golf course or a clubhouse—or a lot of neighbors. A half-mile of woodland separates the couple from their nearest fellow homeowners in the Reserve, an 1,100-acre community with only 57 home sites, just a few miles from North Carolina's Pisgah National Forest.

"It's almost like you're camping," said Mr. Hendrix, 55, a financial adviser who spent over \$1.09 million to build a 4,000-square-foot, board-and-batten home on 15½ acres there in 2003. He can hike old logging trails and grow ginseng in his woods, yet still be at his office in downtown Brevard in seven minutes.

For some homeowners, the ideal gated community isn't one with loads of country-club amenities. It is one where the prime amenity is the

Please turn to page M10



FAMILIES HEAD UPSTAIRS

Second-floor lounges are trending as a family gathering space.

They're cozier than the living room downstairs and offer more privacy.

BY ALINA DIZIK

ONE COUPLE calls their second-floor living room the "healing chambers." Another homeowner calls it the "feasting room." Others refer to "pajama lounges."

Regardless of the name, developers, architects and real-estate agents are increasingly getting requests for upper-level living rooms. The spaces are typically located right off the bedrooms and equipped with comfy sofas, kitchenettes and high-tech

Please turn to page M4



SNUG SECLUSION Sam Tornatore positioned a lounge at the top of his 8,000-square foot home in Oak Brook, Ill.

INSIDE

CHEERS
A bright villa
replaces a
decrepit tavern
in an Austrian
spa town
M5



BOSTON UNCOMMON
A penthouse
duplex in
Boston lists
for \$40 million
M2



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MANSION

PRIVATE PROPERTIES | KATY MC LAUGHLIN

Boston Penthouse Seeks Record \$40 Million



An under-construction penthouse duplex in Boston will be going on the market for \$40 million.

Located in the Four Seasons Private Residences One Dalton Street, Boston, the unit is the last of three penthouses, all on the 60th and 61st floors of the building, to go on the market. Developer Richard Friedman,

president and chief executive of Cambridge-based Carpenter & Company, said a buyer entered into contract for one of the penthouses for "about \$40 million" last year, and the second penthouse went into contract in June. The building is slated for completion in 2018; Mr. Friedman declined to say when he expected the pent-

house deals to close. If any of the units close at \$40 million, they could set a record. The priciest condo sale in city history was in 2016, when a penthouse at the Millennium Tower sold for \$35 million to a limited-liability company associated with private-equity billionaire John Grayken, according to public

records. Boston has lacked ultra-high-end condos until recently, and Mr. Friedman said his bet is paying off: "I felt there was underlying demand here," he said. Mr. Grayken declined to comment.

Expected to be roughly 7,300 square foot, the newest penthouse to come to market will have a 570-square-foot

terrace and "spectacular, unobstructed views," said Mr. Friedman. It will have four bedrooms, five bathrooms and two powder rooms. The building, in Boston's Back Bay neighborhood, will include a private residents' club on the 50th floor, a spa, a restaurant, a golf simulator and an indoor lap pool.

HUDSON RIVER ESTATE LOWERED TO \$20 MILLION

A Hudson River estate built for 19th-century American blue bloods has lowered its price to \$20 million, after going on the market for \$22 million last summer.

Located in the towns of Rhinebeck and Red Hook, N.Y., the 290-acre estate was originally built for newlyweds Laura Astor, a granddaughter of John Jacob Astor, known for being the nation's first multimillionaire; and Franklin Hughes Delano, whose great-nephew was Franklin Delano Roosevelt, according to papers at the Franklin D. Roosevelt Presidential Library & Museum.

The nearly 17,000-square-foot mansion has 28 rooms, 10 full bathrooms, 18-foot coffered ceilings and 16 fireplaces. The estate includes numerous side buildings, including a guesthouse, a gardener's cottage, an equestrian center and a pool house, said listing agent Carolyn Klemm, founder of Klemm Real Estate.

The current owners are money manager Martin Sosnoff, 85-year-old founder of Atalanta Sosnoff Capital, an investment advisory, and his wife Toni, 74. The couple bought the property in 1993 for \$8.9 million, according to public records. For years, they lived there full time, though spent two nights a week at their apartment in New York City, Ms. Sosnoff said.

The couple decided to sell because they now spend over half the year in Palm Beach, Fla., and travel in Europe, Ms. Sosnoff said, adding that they are renovating a 4,000-square-foot barn on an adjacent 50-acre property. "We will be the neighbors of whoever buys this," Ms. Sosnoff said.

Heather Croner, owner of an eponymous brokerage affiliated with Sotheby's International Realty, which specializes in Hudson Valley properties, said she didn't know why the Sosnoff estate didn't sell at \$22 million: "I don't think it was overpriced," she said. There are so few properties in the area in the \$20 million range, it is difficult to predict where this one will settle, she said.



BUY THIS CONDO, GET A PINK DIAMOND

Amid a softening real-estate market, a South Florida penthouse that will list for \$39 million comes with an unusual bonus: a pink diamond valued at \$500,000.

The exact size and cut of the stone will be determined at closing, said listing agent Chad Carroll of Douglas Elliman in Florida.

Located in Sunny Isles Beach, a city located on a barrier island near Miami, the penthouse sits on the upper floors of the Regalia, a 46-story building. Over 11,000 square feet, the fully-furnished, six-bedroom unit includes a 1,500-square-foot master bathroom, a 1,100-square-foot game room and a 10-seat movie theater. There

are also 6,000 square feet of outdoor space, including wrap-around balconies and a "rooftop sky bar," waterfall and pool on the 46th floor.

The units on the lower floors went on sale in 2012, before the building was finished, and sold out at between \$7 million and nearly \$12 million, said Kevin Venger, a co-developer of the building.

In May 2016, Regalia began marketing the Beach House, a unit that spans the third and fourth floors, for \$35 million. The unit is still on the market, now at \$29 million, said Mr. Carroll. He said the unit had previously not been marketed effectively, and that now, having been finished and furnished last week, it would

show better.

Some local real-estate agents expressed skepticism about both the \$29 million and \$39 million units, saying that the market has softened in the Miami area over the past 18 months. Lana Bell, a sales associate at ONE Sotheby's International Realty said, "I don't think they will sell for those prices in this area," adding that Sunny Isles doesn't command the same prices as Miami Beach.

Mr. Venger responded that doubters have been disproved since sales began in the building and "the fact is that certain ultraluxury buildings, irrespective of their location on Miami Beach or Sunny Isles, can command these prices."

▶ See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com



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MANSION

HOUSE CALL | SUE GRAFTON

A Is for Afraid Of the Basement

The detective novelist feared 'bad guys'; inspired by her father to write

As a child, I lived a life of constant drama. My parents were alcoholics, which meant I grew up without supervision. That gave me a lot of freedom. Behind our house in Louisville, Ky., was a 400-acre park where I roamed at will.

Before my father bought our two-story white farmhouse, the roof had caught fire. Instead of removing and replacing it, the owner had just curled the roof over and placed a new one on top. It looked so creepy.

Our basement also scared the life out of me. It often flooded after heavy rains. The thought of water where it's not supposed to be was terrifying. If you opened the door, the water level might be just three steps down the stairs.

When my parents went out, I'd sit in the living room with a butcher knife. I could always hear imaginary bad guys coming down our stairs.

My earliest recollection of my father, C.W., was after he enlisted in the Army during World War II when I was 3. Before he left, instead of hugging us, he saluted. My older sister, Ann, grasped what was happening. She burst into tears and ran upstairs. I stood there saluting.

My mother was probably ill-prepared to raise two little kids by herself. I think some of her drinking was to offset that stress.

When my father returned, I was 5. That's when life started to fall apart at home. My father would start his day with two jiggers of whiskey and he'd polish off a fifth by day's end. Yet he practiced law

without a flaw.

My mother, Vivian, was a different category of drinker. She, too, started her day with jiggers of whiskey. Then she would stretch out on the living room couch, read mystery fiction and drink and smoke all day.

I had to work hard to keep the house from burning down when she fell asleep. I'd see ridges burned into the coffee table where she had set down her cigarettes.

I also used to empty out half their whiskey bottles and fill them with water. My parents knew I had done that, but they wouldn't confront me. If they did, they'd be admitting they had a problem.

When I came home from school, I had to determine how far gone my mother was and whether that represented some sort of jeopardy to me. To my mother's credit, she wasn't a threat. When she wasn't drinking, she was full of life. She was vivacious, outgoing, pretty and friendly. She cared and loved me, but there was little interaction about my life.

My father worked as a municipal-bond lawyer, a job he found boring. He warned me, "Don't ever become an attorney."

He worked hard and was a very smart man, and a very gentle soul. Since he drank a lot, it took a lot of edge off his personality. For as



STEVEN HUMPHREY (PORTRAIT); SUE GRAFTON (HISTORICAL)

OPEN BOOK Sue Grafton, left, in her Louisville home, and, above on right, with her mother Vivian, sister, Ann, and father, C.W., in 1943, reading his award-winning first detective novel.

ibi," in 1982. I came up with the idea of naming books for letters of the alphabet in 1980 after reading "The Gashlycrumb Tinies" by Edward Gorey. In his 1963 book, Gorey tells the story of 26 children, each represented by a different letter.

Today, my husband, Steven, and I spend half the year at our house in Santa Barbara, Calif., which we built in 2010. We spend the rest of the year in Louisville, in an estate once owned by William Richardson Belknap, a hardware baron.

The house is a Georgian Revival mansion on 28 acres. It looks grand but it's quite livable. My office is on the third floor under the eaves. I can see who comes up the drive. It feels like a tree house.

The estate has the scariest basement you ever saw. It's 15,000 square feet, and there are three bomb shelters in the space that were installed in the 1960s. For years I wouldn't go down there. Now I'll go alone, but I have to gird my loins when I do. I'm making progress though. I no longer take a butcher knife with me.

—As told to Marc Myers

Sue Grafton, 77, is an award-winning author of detective fiction, best known for her series of novels named for letters of the alphabet. Her latest novel is "Y Is for Yesterday" (Marian Wood/Putnam).

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MANSION



TOGETHERNESS Sam Tornatore, above, in the 'feasting room' on the second level of his Oak Brook, Ill., home. The French Country-style house, top left, has a formal dining table, center, that he uses for holiday gatherings. It also has two seating areas and a fireplace, right.



KATRINA WITTKAMP FOR THE WALL STREET JOURNAL (4)

FAMILIES HEAD UPSTAIRS TO HANG OUT

Continued from page M1

toys. Homeowners say second-floor lounges are cozier than open-plan living areas downstairs and offer more privacy because they're above street level.

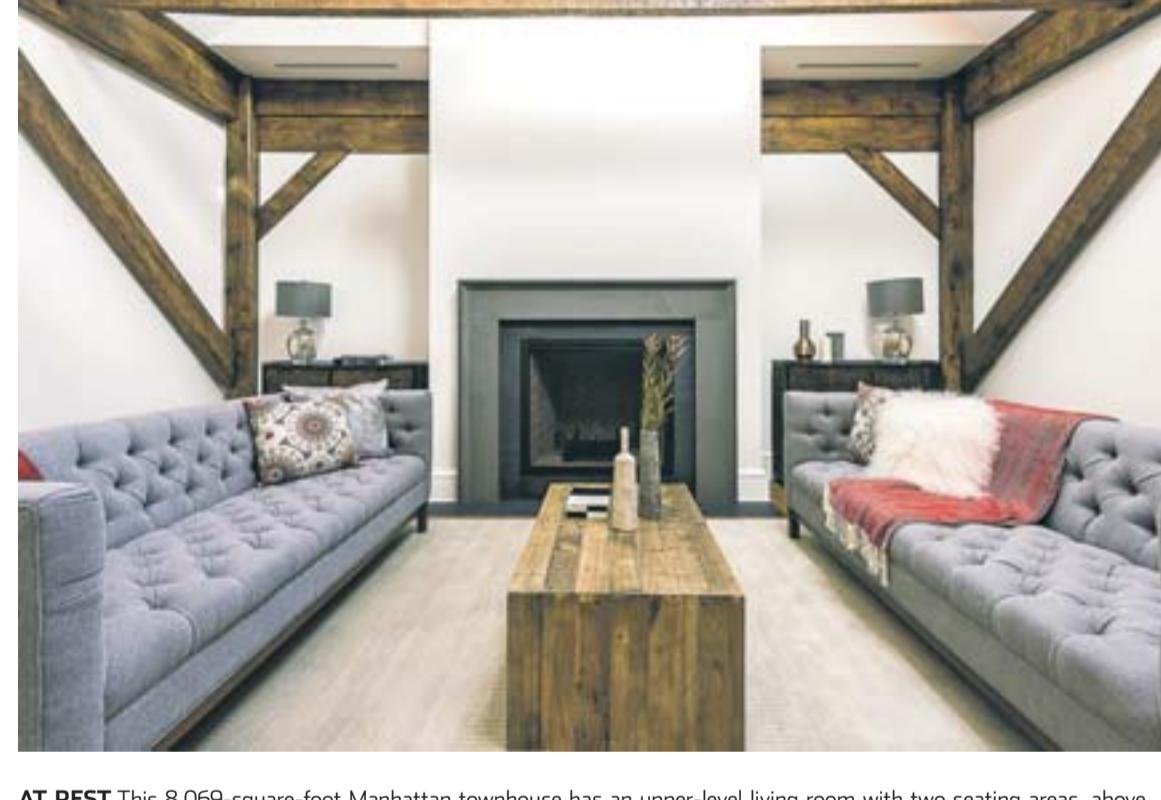
Kobi Karp, a Miami-based architect, earlier this year created his first spec home with upper-level indoor and outdoor living areas, which was listed for \$25 million. The lounge was intended for "the bedrooms [to] spill out and the family can have a space to assemble," he says. "It's where you go on a Sunday morning and wait for the rest of the house to wake up."

Mr. Karp says he encourages children and parents to hang out in the space while focusing on different things. The areas are equipped with a television and multiple nooks where family members can work in proximity without interrupting one another. "We're seeing more sharing of spaces," he adds.

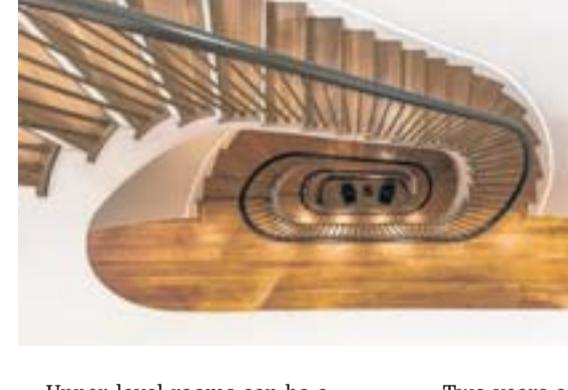
Requests for upper-floor living spaces called pajama lounges started trickling in at the request of South American and European clientele who were used to similar rooms back home about 10 years ago, says Miami-based architect Ralph Choeff. More than 50% of the homes designed by his firm, Choeff Levy Fischman, now offer the feature. The rooms have built-in shelving to hide electronic cords and clutter, along with mini-kitchens and comfortable spaces for lounging. To make room for a central living area upstairs, Mr. Choeff eliminates most hallway space and minimizes seating areas in individual bedrooms.

In her previous home, Dianne Burnett says she walked down a hallway "like a hotel corridor." Last year, Ms. Burnett, an author and producer, paid \$3.3 million for a 4,000-square-foot home in Malibu, Calif., with a second-floor living area off the bedrooms. The room is designed entirely for lounging, with a TV, cushy seating and a skylight.

One unexpected perk is that Ms. Burnett uses the communal living area as a way to keep her electronics usage in check without the need to traipse downstairs every time she wants to open her laptop or turn on the TV. "I'm trying to be the type of person that doesn't have the television in their bedroom anymore," she says.



AT REST This 8,069-square-foot Manhattan townhouse has an upper-level living room with two seating areas, above and below right, between two of the home's bedrooms. Below left, the staircase. The property is listed for \$25 million.



RICHARD CAPLAN (3)

Upper-level rooms can be a tricky space to decorate. Many have awkward layouts and uneven ceiling heights because "they are usually more of an afterthought for the builder," says Donna Mondi, a Chicago-based interior designer. Unlike the kitchen and living areas on the first floor, Ms. Mondi creates a space that's more casual using indoor-outdoor fabrics, recessed lighting in lieu of chandeliers and cozier seating areas rather than larger sectionals. There's no need to match the style to the rest of the home. "Because it's not part of the main area, all bets are off—you can do what you want with it," says Ms. Mondi.

Two years ago, the designer helped homeowner Sam Tornatore create a "feasting room" in the second-level living area of his Oak Brook, Ill., home. The space has two seating areas, a fireplace and a formal dining table that he uses for holiday gatherings. Positioned near the roof of his 8,000-square-foot, eight-bedroom, five-bathroom French Country-style home, the wood beams and iron light fixtures give it a more "Crusader 15th-century, Charlemagne feel to it," says Mr. Tornatore, a 63-year-old entrepreneur in financial services. He purchased the home in 2012 for \$1.85 million. Another \$95,000 went toward finishing the space,

says Ms. Mondi, the designer.

The concept of an out-of-sight upper-floor gathering space isn't new. Piano nobles, or noble floors, were built inside Italian palazzos, where receptions were often held on the second floor for safety and sanitary reasons, says T. Jeffrey Clarke, a Philadelphia-based architect specializing in historic preservation. Other historic homes would also have an upstairs "retiring room" for mothers nursing children or resting midday, he says. When he designs homes, he makes sure that the upper-floor living room is small enough to feel proportional to the low ceiling height found in some historic homes, he adds.

When developer Francis Greenburger converted part of a former school in New York's Nolita neighborhood into an 8,069-square-foot townhouse, he decided that he wanted more "discrete living spaces" throughout. In addition to the main kitchen and living space, Mr. Greenburger, the 68-year-old chief executive at Time Equities, worked with architects to create an upper-floor living area located between two of the townhome's seven bedrooms and has round oculus windows and exposed wood beams. "I used my own life experience, and imagined if I lived there with my four kids," says Mr. Greenburger about the home, which is listed for \$25 million.

In Malibu, Calif., real-estate agent and reality-TV personality Madison Hildenbrand says he has sold a dozen homes with the amenity in the past three years. "After living in [an open-floor] situation, they realized that it's nice to have the big open spaces, but also a little bit annoying," he says. "Now there's a bit more compartmentalization."

Upstairs living areas that cater to the entire family are helping larger homes that already have multiple bedrooms sell faster these days, says Mr. Hildenbrand. The feature is popular among families that want extra space to hang out without making an office or playroom serve double duty.

Iinely Cesna and Mike Murphy call the upstairs living area of their Spanish-style 11,525-square-foot, five-bedroom home in Malibu the "healing chambers." It has a fireplace and terrace with water views. When their children were younger, they used the space to eat breakfast or recover from a cold. "It was really the room where we would spend time together," says Ms. Cesna, 50, an attorney who works as a mediation coach.

Recently the couple listed their home for \$7.75 million with Mr. Hildenbrand's firm. Why? Their children are older—11 and 14—and now want to retreat to their bedrooms for privacy, Ms. Cesna, says. Currently they're renting a smaller home with open spaces so they can keep an eye on the kids or overhear their conversations. "Even when they say 'don't bother me—we want to be in close physical proximity,' she says.

MANSION

BALANCE SHEET

A 'Loud' Family Builds a Bright Home

In an Austrian spa town, a couple erects a villa where an old tavern complex once stood



BY J.S. MARCUS

MARIE VEIS HAS what she calls a "no risk, no fun attitude." It was this spirit that compelled her and her partner, Roland Hofer, to leave behind their recently renovated apartment and buy a nearby rundown wine tavern that had fallen into bankruptcy.

They had been living not far from the tavern in the upscale Austrian spa town of Baden bei Wien, about 20 miles southwest of Vienna.

The property consisted of a ramshackle two-level, 19th-century house facing the street and a concrete-and-wood pavilion in the courtyard. The tavern owner lived in the house, and drinkers gathered in the rustic pavilion. By 2011, the compound was in receivership, and the couple figured the \$410,700 asking price was a bargain.

Ms. Veis, now 40, and Mr. Hofer, now 39, decided to tear down the pavilion and build a new three-story villa on the property, with a funky, wide-open floor plan and freewheeling finishes. They kept the small historic home, with plans to turn it into a studio later. For now, it is an incongruous gatehouse to the modern home's entrance.

To date, the couple has spent about \$1.65 million on the home, which remains a work in progress. When all is said and done, adds Ms. Veis, they expect to spend about \$2.2 million.

The couple moved with their daughters—now ages 9, 7 and 5—into the new 3,000-square-foot home in late 2015. The three-sided villa borders a newly landscaped courtyard. Other outdoor spaces include a wraparound terrace on the second floor and a rooftop deck with views of Baden's vineyards.

Ms. Veis, a software developer training to be an architect, still has a sizable to-do list, including a basement home cinema and a ground-floor library alcove.

Forsaking touches typical of Baden homes, such as parquet floors and elaborate moldings, the couple also vetoed a popular contemporary amenity: separate rooms for each of their children. Instead, the girls are obliged to share one bedroom until they grow up, says Ms. Veis.

They also skipped a feature that most homeowners would consider a necessity: The ground-floor bathroom and shower have transparent glass walls that allow little privacy but add to the open-plan feel the couple crave.

The glass-enclosed, phone-booth look for the shower and the powder room started out as an improvisation. After moving in, the couple ordered curtains but put off installing them. Now, says Ms. Veis, the plan is to leave the rooms as-is. Visitors are welcome to use more private facilities upstairs, she says.

The couple spent about \$37,550 on the home's three full bathrooms. The second-floor master suite has a free-standing bathtub in the bedroom.

A top floor study has an open, perch-like feel—until its ladder-like staircase is retracted, making it suddenly discrete and self-contained.

Ms. Veis estimates the couple has spent about \$48,000 on the courtyard, which is accessed from the ground floor's wall of triple-glazed, retractable windows. The windows cost \$58,700, which Ms. Veis considers her main splurge.

Ms. Veis, born in Prague, is the daughter of an architect, and at first she wanted to design the new home herself. In 2014, realizing she



ROIS & STUBENRAUCH FOR THE WALL STREET JOURNAL (5)

INTO THE GREEN Marie Veis, on couch, decided to add a bright green cover to the wall and floor in the villa's wide-open living space to play off the lime-green color of the exterior as well as to muffle noise from the family of five.



OPEN SPACES Marie Veis, left, opted for color on the facade and open interiors.

meant the house needed hanging construction, in which a dome on top is used to spread out the load-bearing duties among several walls, at an added cost of \$23,500.

Mr. Hofer's fondness for cooking meant the \$64,500 kitchen has a wood-burning stove and Gaggenau appliances.

Other choices in décor may seem fanciful, but are also functional. The sleek concrete floors and ceilings can exaggerate noise, so Ms. Veis added a green carpet to the wall and floor, behind and under the living room's olive-green, Midcentury-Modern sofa. The color plays off the lime-green facade outside, while helping to muffle noise inside.

"We are a loud family," says Ms. Veis, who says her daughters are always "talking, singing or fighting."

That means the home is "full of go-to spots," says Ms. Veis. Her current favorite is the pool and outdoor daybed.

There also are a number of no-go spots. The potentially quaint 19th-century house, which visitors can walk through to get inside the villa, is now a workshop and storage space.

Ms. Veis recently has decided to become an architect herself, and she is now an apprentice at Caramel's Vienna office.

She is looking forward to doing more work on the home, but is in no hurry to finish it. She thinks a building should change and grow along with its inhabitants.

"I don't know if architecture ever needs to be finished," she says.

needed help, she brought in Austria's Caramel Architects, a studio with offices in Vienna and Linz, and they went about completing the design together.

"Marie had hundreds of millions of ideas," says Caramel's Günter Katherl, who worked closely with her on the project.

The family camped out in the 19th-century house while the new glass-and-concrete villa went up near where the pavilion once stood. Eventually, they plan to connect the two structures and turn the older home into a studio where Ms. Veis can paint.

Some of Ms. Veis's plans had to be modified or postponed, like her idea for a library where there is now an alcove. But many others were executed. Ms. Veis had the idea for the home's textured, lime-green facade, made of weather-resistant caulk that she designed. "It's supposed to remind you of tree bark," she says.

Her husband's contributions to the project also proved decisive. Mr. Hofer has had many careers, from snowboard instructor to stockbroker to bar owner, and is now a stay-at-home dad.

Following his wishes for a wide-open open plan, the couple vetoed a support column on the ground floor.

The lack of the column

SELECT COSTS

Original property

\$283,000

Bathrooms

\$38,000

Kitchen

\$65,000

Outdoor spaces, landscaping, pool

\$124,000

Demolition of tavern pavilion

\$8,800

Windows

\$109,500

New furnishings

\$71,000

Heating and ventilation

\$115,000

Electrical work

\$53,000

Floors

\$47,000

Architect fee

\$88,000

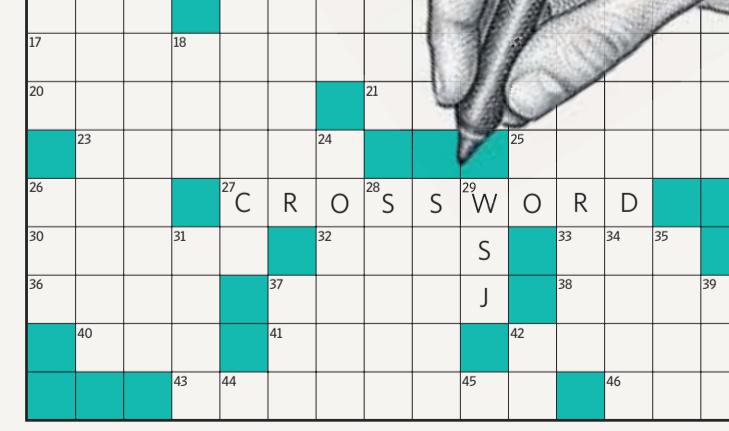
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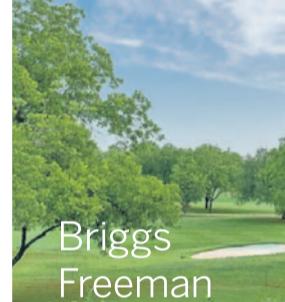
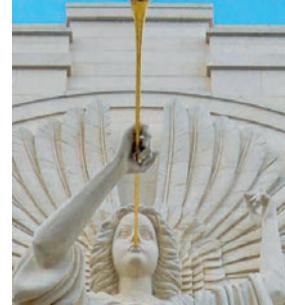


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And it also just won three prestigious honors. REAL Trends is a 30-year leader in ranking the performance of residential real-estate firms, agents and teams across the United States. Its 2017

Real Estate Website Rankings just came out and, of 668 websites evaluated, we are in the top six in the country in each of these categories:

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NO NEIGHBORS IN SIGHT



MIKE BELLINE FOR THE WALL STREET JOURNAL (4)

LITTLE BIT COUNTRY Ty and Kady Hendrix live in the Reserve, a community a few miles from North Carolina's Pisgah National Forest. Although a half-mile separates the couple from their nearest neighbors, Mr. Hendrix said he can be in his office in Brevard in seven minutes. Mr. Hendrix fishes in front of his house, top; the home, above left and above right; Mr. Hendrix's bees, above middle.

Continued from page M1

land itself, with large lots, privacy and great views that don't include the neighbors. In regions that lack zoning laws, proponents of such communities say that they can help insulate affluent homeowners, and their property values, from hodgepodge rural development.

"There are lots of people who are looking for a golf-course development without the golf course," said Randall Adrendt, a conservation planner who works with developers and municipalities.

"You can lure them with open space, woodlands, meadows and home sites that back up to wetlands so they can hear the peepers."

A sense of privacy is key: A survey of home shoppers released last week by Taylor Morrison, a national home builder, found that the most important exterior feature of a home is its distance from neighboring houses.

"You really choose when you interact," said Mr. Hendrix, who quite likes his far-flung neighbors and hosted most of them at a post-eclipse potluck dinner at his Adirondack-style home on Monday. "In smaller neighborhoods, you end up interacting over where people park their cars."

There are 29 owners in the Reserve, many of whom own multiple parcels that range in size from 10 acres to 44.6 acres. Annual fees—\$1,200 to \$2,400—support the maintenance of over 5 miles of private roads, the security gates and cameras. To preserve the woodsy cachet, an architectural review board enforces guidelines on everything from window styles to building materials—bark shingles, cedar and stone are preferred.

At Allegheny Cove, a 300-acre gated community near Tennessee's Great Smoky Mountains National Park, residents can pick blueberries and apples in shared orchards, canoe on its lake, and put up guests in a log cabin near a waterfall. The development, which began sales in 2002, has 36 home sites ranging from 5 to 20 acres.

After a postrecession slump, both sales and sales prices are back up, said David Connors, a real-estate agent and the sales manager for Allegheny Cove.

Claire Rauser is building a 12,000-square-foot home with panoramic mountain views on a 25-acre property at Allegheny Cove. He said he and his wife, Carol, were drawn there by the climate, the landscape—and the seclusion.

"It allows us to be set apart from the business of neighbors, if you will," said Mr. Rauser, 63, the president and owner of a grain equipment manufacturing business who currently lives in Fargo, N.D.

That is also the downside. "There's a certain level of isolation—you're a little farther away from services, whether it's medical or grocery shopping," said Mr. Rauser, noting that the nearest hospital is a 25-minute drive.

And he wrangled with the Cove's architectural review committee for a year to win permission to build his dream home: a mini palace inspired by the Royal Chapel at Versailles. Although most homes at the Cove are rustic in style, the exterior of Mr. Rauser's home will have a manufactured stone facade with copper dormers and a mansard roof.

"I kind of jumped through a lot of hoops for a year," said Mr. Rauser.

"It's supposed to be a mountain look per the covenant, but we wanted to have what would be called eternal materials." The Rauser palace, which will be completed early next year at a total cost of close to \$4 million, won't be visible to other Cove homeowners, he said.

Out West, some developers have created destination ranch communities that offer expansive homesteads with access to blue-ribbon trout streams and other prized natural assets—along with an added layer of security and road maintenance. But unless they are close to resort areas, these developments can be a tough sell, according to Jim Taylor, principal and partner at the Hall and Hall ranch brokerage firm.

"It has to be a really spectacular piece of property—when [developers] have tried to do this on properties that were not spectacular, they have failed," Mr. Taylor said. "The other thing that seems to be a better guarantor of success is if it's near a major ski area."

In 2014, Mark and Jenny Mummert spent \$975,000 on a 23-acre parcel at Ulery's Lakes—a 655-acre gated retreat abutted by national forest and conservation land that is part of the Moonlight Basin resort development in Big Sky, Mont. "It's a perfect mix—a retreat-type of environment that's 10 minutes away

from Big Sky, which has restaurants and bars and live concerts, and three minutes from Moonlight Lodge and skiing," said Mr. Mummert, 48, who is CEO of Arco Design/Build, a construction company.

The Mummerts are planning a 7,000-square-foot lodge home in Ulery's Lakes that will make the most of its uninterrupted views of the Spanish Peaks, Lone Peak and the Madison Valley, at an estimated cost of \$3.5 to \$4 million.

Last spring, they completed a 3,600-square-foot barn-style guesthouse that they built for about \$1 million, which has a long reclaimed-wood bar. "We've got big plans for that bar," said Mr. Mummert, adding that neighbors helped break it in this summer.

The covenants at Ulery's Lakes encourage sociable behavior. Owners must build their homes, guest barns and corrals within a 2-acre envelope on their property, but otherwise grant each other access to one another's land for hikes, horseback riding and fishing.

Hunting isn't allowed—the preserve lies in a major migratory path for elk—but residents can boat and fish in a private alpine lake and two stocked trout ponds. Annual fees are \$2,000, with additional club fees for access to Moonlight Basin's amenities; resi-

dents can also rent ski lockers in Moonlight Lodge.

Despite the natural beauty, resale values for homes in Ulery's Lakes remain well below prerecession highs. A 20-acre lot that sold for \$2.175 million in 2007 recently traded hands for \$1.36 million.

There are six 20-acre parcels on the market, priced from \$895,000 to \$1.45 million; by contrast, the least expensive lot at the nearby Yellowstone Club, an exclusive ski and golf resort, is \$2.8 million—"and that's just 1½ acres—those prices are back to prerecession levels, maybe even exceeding them," said Jeff Helms, a broker with Big Sky Real Estate.

Mr. Helms said word just hasn't gotten out about Ulery's Lakes.

"You can't put up real-estate signs there," he said. "It's an old-school project, and brokers don't really get it." New amenities, like the ski lift that is being built right outside the community's gates, may draw more interest, he said.

The low-key vibe is just fine with Mr. Mummert, who said he got a great deal on his property—which he views as a legacy his grandchildren will enjoy one day.

"I'll be able to look off my deck and have the same view in 30 years," he said. "I won't see a rooftop for as far as you can see."



OUT OF SIGHT Claire Rauser is building this 12,000-square-foot home in Allegheny Cove, a community in Tennessee. It took Mr. Rauser a year to win approval for the Versailles-style home, which won't be visible to other homeowners.

DANIELLE PAUL FOR THE WALL STREET JOURNAL (2)