

# THE WALL STREET JOURNAL.

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★★★★ \$4.00

DJIA 21750.73 ▼ 274.14 1.2% NASDAQ 6221.91 ▼ 1.9% STOXX 600 376.87 ▼ 0.6% 10-YR. TREAS. ▲ 8/32, yield 2.197% OIL \$47.09 ▲ \$0.31 GOLD \$1,286.40 ▲ \$9.50 EURO \$1.1725 YEN 109.57

## What's News

### Business & Finance

The government review of AT&T's takeover of Time Warner has reached an advanced stage, a significant milestone for a deal closely watched for signs of how the Trump administration would view large mergers. **A1**

◆ The Dow posted its biggest drop in three months, losing 274.14 points, or 1.2%, to 21750.73 and laying bare the fragility of the stock rally. **A1**

◆ Private-equity firm Energy Capital is nearing a deal to buy Calpine that would value the power-generation company at \$5.5 billion. **B1**

◆ Alibaba reported a surge in quarterly profit and revenue on surprisingly strong online sales, sending its shares to a new high. **B1**

◆ Wal-Mart's sales rose, boosted by an e-commerce surge and strong grocery sales, but expenses climbed and its margins fell. **B1**

◆ Apple's CEO criticized Trump over his response to white-supremacist protests and said the firm will donate funds to battle hate groups. **B2**

◆ Online agreements to register for apps and websites are binding, a judge ruled in an Uber case. **B4**

◆ Mylan agreed to pay \$465 million to settle claims that it overcharged Medicaid for its EpiPen treatment. **B5**

◆ Elliott has built a big stake in Energen, a gas firm under pressure from another activist investor to sell itself. **B10**

◆ Turner Sports is launching a subscription streaming service to show UEFA soccer matches. **B3**

### World-Wide

◆ A terrorist mowed down pedestrians with a van in the heart of Barcelona, killing at least 13 people and injuring over 100 in an attack claimed by Islamic State. Police later killed five alleged terrorists in the town of Cambrils. **A1, A6-A7**

◆ Trump defended the "beautiful" statues commemorating Confederate leaders and lamented efforts to remove them. **A3**

◆ The ACLU said it would no longer defend hate groups seeking to march with firearms, taking a tougher stance on armed protests. **A3**

◆ Bannon remarks, including statements about North Korea, raised new questions about his standing as White House chief strategist. **A4, A16**

◆ Trump attacked Arizona Sen. Flake, who criticized the president in a book, as he continued to take on Republican lawmakers. **A4**

◆ Three ex-CIA detainees reached a settlement with two psychologists accused of developing harsh interrogation techniques. **A4**

◆ A suspected Islamic State bomber killed a Palestinian guard near the Gaza-Egypt border, the first deadly strike by jihadists on Hamas. **A8**

◆ The U.S. Navy removed from command the top officers of the ship involved in a deadly collision in June off Japan's coast. **A8**

◆ A Hong Kong protest leader was sentenced to six months in jail, disqualifying him from running for political office for five years. **A16**

**CONTENTS** Opinion..... A13-15  
Business News B35-6 Sports..... A12  
Crossword..... A11 Streetwise..... B1  
Head on Street..... A12 Technology..... B4  
Life & Arts..... A10-11 U.S. News..... A2-4  
Mansion..... M1-10 Weather..... A11  
Markets..... B11-12 World News..... A5-8,16

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Police attend to victims after a van plowed through the historic Las Ramblas district in Barcelona on Thursday, striking dozens of shoppers and tourists.

## Terror Strikes Barcelona

At least 13 are killed by van on famed street; five suspects dead in separate attack

By Jeannette Neumann, Jon Sindreu and Sarah Sloat

BARCELONA—A van mowed down pedestrians in the heart of Spain's second-largest city on Thursday, killing at least 13 people in a terror attack claimed by Islamic State.

More than 100 others were

injured, many so severely that the death toll could rise, said Joaquim Forn, the Catalan region's interior minister.

Hours after the attack, police killed five alleged terrorists as they responded to a separate attack that hurt seven people in Cambrils, a town southwest of Barcelona, the Catalan government said. Police said they were working under the theory that those killed in Cambrils could be related to the Barcelona attack.

Investigators are probing whether the plotters of the Barcelona van attack originally intended to detonate one or

### Tragedy in Spain

- ◆ Assault underscores limits of security efforts..... **A6**
- ◆ Las Ramblas is latest tourist target..... **A7**
- ◆ A deadly wave: recent attacks in Europe..... **A7**

more car bombs, according to a police official.

On Thursday, around 4:50 p.m. local time, the van started driving down the pedestrian section of Las Ramblas, a central thoroughfare popular with both tourists and residents, gathering speed as it plowed

through hundreds of people, police said Thursday evening.

After driving for about 2,000 feet, the driver jumped out of the van and fled on foot.

The driver was still being sought, said Josep Lluís Trapero, the region's chief of police. Police arrested two other men "we connect directly" to the attack, he said, and to a blast in Alcanar, another coastal town southwest of Barcelona, in which one man died.

Local police initially thought the Alcanar explosion, which destroyed a small house late Wednesday night, was related to a gas leak and possibly

set off by drug traffickers, a police official said.

Suspicion mounted, however, when there was a second explosion at the site as salvage crews tried to move debris on Thursday afternoon, shortly before the Barcelona attack.

Now, the official said, police theorize the men were assembling explosives and accidentally detonated them. Police found 30 gas canisters at the scene, which the official said could have been loaded, along with two explosive devices, into two vehicles for an attack.

"We would have been talking," the official said. "Please see ATTACK page A7"

## AT&T Deal Review Nears Final Stages

By DREW FITZGERALD AND JOE FLINT

The government review of AT&T Inc.'s \$85 billion takeover of Time Warner Inc. has reached an advanced stage, people close to the situation said, a significant milestone for a deal that was closely watched for signs of how the Trump administration would view large mergers.

The deal's regulatory review has hit a late-stage point where AT&T lawyers are discussing merger conditions with the Justice Department, the people said. The review process has advanced despite a vacant seat atop the department's antitrust division.

An approval could underscore the administration's pro-business credentials at a time when President Donald Trump's ties with America's CEOs are under severe stress. Two advisory panels filled with a host of

top U.S. executives disbanded this week in response to the president's comments about the violence at a white supremacist rally in Charlottesville, Va.

During his presidential campaign, Mr. Trump had attacked the proposed deal. "AT&T is buying Time Warner, and thus CNN, a deal we will not approve in my administration because it's too much concentration of power in the hands of too few," he said. Mr. Trump has since avoided talking publicly about the transaction but frequently complained on Twitter about the way CNN, a unit of Time Warner, has reported on him.

Markets are also growing more optimistic about the deal's chances. Time Warner's share price on Wednesday was 5.2% lower than the value of AT&T's cash-and-stock offer—a vast improvement from the nearly 20% discount it traded at when the deal was announced last October.

Please see DEAL page A2

## Who's on First? Great-Grandpa! Softball Alters Rules for Seniors

\* \* \*

Players over 70 force some leagues to rethink baserunning; 'Chicago Geezers'

By JAMES R. HAGERTY

SOUTH PARK, Pa.—One Thursday evening this month, Paul Tomanio was growing impatient with his slow-pitch-softball teammates in this Pittsburgh suburb. A fly ball had just plopped to the ground between two outfielders, allowing a run to score.

"Somebody should have caught that, right?" muttered Mr. Tomanio, wearing a blue T-shirt with matching bandanna knotted around his neck.

At age 86, Mr. Tomanio is the voice of experience on his senior softball team. His teammates range from late 50s to 80. He isn't particularly im-

pressed with many of them. "They don't know where to throw the ball half the time," he said. One of his teammates, he said, "throws like a girl."

Yet Mr. Tomanio concedes he, too, is past his prime. No longer as agile as a few years ago, he has been relegated from infield to catcher, a position requiring less mobility. "Oh, the good old days," he said. "I used to be half decent."

Senior softball leagues, a fixture across the U.S., have long been a way for men over 50 to relive boyhood glories. Now, rather than giving up the game after a few years, more are sticking

Please see PLAY page A9

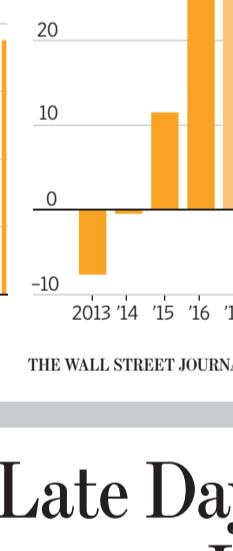


Paul Tomanio

### Average daily trading volume of Henry Hub futures contracts, monthly



### Annual change in daily volume of Henry Hub natural-gas futures outside of U.S. hours



## U.S. Sets Tone for Natural Gas Price

Louisiana's Henry Hub has served as benchmark for U.S. gas contracts for years, but as exports of liquefied natural gas flow from the Gulf Coast fixture to Europe, Asia and South America, it is taking on a significant new role in worldwide energy markets. **B1**

## Stock Market's Late Day Selloff Makes Some Investors Uneasy

By MICHAEL WURSTHORN AND AKANE OTANI

The Dow Jones Industrial Average posted its biggest decline in three months Thursday, laying bare the fragility of a rally that has sent stock indexes around the world to records.

The blue-chip index shed 274.14 points, with all 30 stocks posting declines on the same day for the first time since September.

Traders and money managers largely attributed the slide

to a round of disappointing earnings from companies ranging from big-box retailers to technology behemoths.

As losses accelerated toward the end of the session, some said there were signs of increasing unease after a period of calm had pushed measures of market volatility to historic lows.

The Dow industrials have risen 10% this year as corporate earnings have improved and the outlook for the global economy has brightened. The one-way nature of the gain since

stocks recovered from their 2016 recession scare has begun to unnerve investors who believe it is unhealthy for stocks to keep rising without any significant pullbacks.

"At some point, this is going to end," said JJ Kinahan, chief market strategist at TD Ameritrade. Investors' mentality that they should buy stocks when they fall has helped the market keep climbing, but "it makes me nervous perhaps people are getting complacent."

Please see STOCKS page A8

## CISCO'S COSTLY FEUD

CEO's former protégé joins startup, builds rival networking business

By RACHAEL KING

In a packed headquarters ballroom, Cisco Systems Inc.'s then-chief executive officer John Chambers offered a fond farewell to a star executive and friend, Jayshree Ullal. He celebrated her ability to make complicated things simple and wished her success in her next role.

He didn't expect that much success.

Within months of the 2008 party, Ms. Ullal became CEO of Arista Networks Inc., a small startup that has since snagged Cisco customers including Microsoft Corp. and Facebook Inc., and is eating into the share of the networking giant's most important business.

Mr. Chambers couldn't stand to lose sales, especially to someone he considered family and the rivalry has become personal, according to people close to both executives. Defeating Arista has become a priority for Cisco, a company more than 40 times bigger by annual revenue.

In 2013, Ms. Ullal's image appeared in an internal Cisco presentation pasted onto a bull's-eye pierced with arrows. "Arm the field, stop the bleeding and fire back," according to the presentation.

Now, the fighting is unfolding in court, where Cisco, once the world's most valuable company, has accused Arista of stealing its

Please see CISCO page A9

## U.S. NEWS

# As Wood Construction Rises, So Do Fires

BY JON KAMP  
AND LAURA KUSISTO

Shortly after Independence Day last year, developer Rick Holliday got a call informing him his 105-unit apartment building, under construction in Oakland, Calif., had gone up in flames.

Mr. Holliday suspected the fire was sparked by teenagers shooting off fireworks at the crucial point when the structure was fully framed with wood but the sprinkler system wasn't yet installed. He began a \$15 million rebuilding job, again using wood framing to get the project restarted as quickly as possible.

This May, at a similar point in the construction, the building burned a second time. Oakland officials determined it was arson. Mr. Holliday plans to rebuild yet again—but this time he is considering using metal studs.

The fire was one of many recent ones at wood-framed apartment buildings under construction. Developers often prefer wood over steel because it is quicker to erect and can cut framing costs by at least 10% to 20%.

But while fire-safety officials say wood-frame buildings generally are safe once they are completed, they are particularly vulnerable to blazes before they are outfitted with their interior wallboard and safety features such as sprinklers and alarms.



An under-construction complex in Waltham, Mass., burned in July. It used wood, not metal, framing.

"You have nothing but a vertical lumber yard with very limited protection," said Joseph Finn, Boston's fire commissioner. "I think it's a significant risk."

Two other big fires hit wood-frame apartment buildings under construction in Oakland over the past year. In Boston, a large wood-frame building being erected burned this summer.

Outside Boston, a massive fire last month destroyed a 264-unit, wood-frame apartment complex rising in Wal-

tham, Mass., while damaging nearby buildings and causing an estimated \$110 million loss, according to authorities.

Similar blazes have erupted in wooden buildings being built in Maryland, North Carolina and other locales. The fires have stoked worries about the hazards of wood-frame construction, said John McGrath, fire chief in Raleigh, N.C., where a major blaze destroyed a wood-frame project in March.

Developers and a wood-products trade group said they support beefing up security at

construction sites, especially since some of the recent fires had been set deliberately, as well as improving relationships with fire departments.

"We're doing a lot of construction in places we haven't been present—high-density, urban cores....That really changes the fire potential. You're much closer to other buildings," said Paula Cino, vice president of construction, development and land-use policy at the National Multifamily Housing Council, which represents 823 of the largest apart-

### Higher Costs Lead to Cheaper Materials

International Building Code standards, which U.S. cities and states widely adopt, allow for up to five stories of wood-frame construction atop a three-story, fireproof base typically made of concrete. The wood must contain fire-retardant materials. For taller buildings developers must use a different framing, typically steel, under the standards.

The number of multifamily units built using wood framing rose to 235,000 in 2016 from a recent low of 105,000 in 2011, according to U.S. census data, while the number built using steel-framed construction grew to 28,000 from 25,000.

Wood has been growing in popularity, developers say, because construction costs have risen sharply over the last few years.

The lower material costs of wood framing help balance out rising labor and land costs. As the high end of the apartment market becomes saturated and developers erect more midmarket buildings, wood is likely to become even more popular.

"Quite simply, to build buildings where the rent is affordable to a market-rate renter and most certainly an affordable-housing renter you almost need to make it out of wood frame," said Toby Bozzuto, chief executive of construction company owner Bozzuto Group of Greenbelt, Md.

—Jon Kamp  
and Laura Kusisto

ment companies nationwide.

A Maryland state senator has introduced a bill that would require 24-hour on-site wardens at wood-framed buildings higher than three floors during construction.

The construction process itself, which can involve sparks and heat from tools, can pose fire risks. Authorities in Boston said they are examining safety protocols for wood-frame construction.

Boston's fire department blamed a June blaze at an almost-finished wood-frame res-

idential building on a hot generator exhaust pipe that was built too close to combustible material. The building's sprinkler system wasn't yet turned on, and didn't have to be, the department said.

Matt Zahler, senior project manager at the project's developer, **Trinity Financial**, said the building was slated to include units for low-income tenants, and that the company plans to rebuild. "We didn't recognize how vulnerable this building was during the construction period," he said.

## Enjoying Summertime Fun at a County Fair



ON A ROLL: Owen Cook took a turn at log rolling Thursday at the Great Lakes Timber Show, at Michigan's Berrien County Youth Fair.

## DEAL

Continued from Page One  
ber. The narrowing of the gap suggests more investors are betting the deal will succeed.

The White House didn't respond to requests for comment.

Presidents don't approve mergers—antitrust enforcers do—but they set the tone, in part through their appointments, for how big industry-changing deals will be received in Washington.

Consolidation has been afoot more broadly in media. Discovery Communications Inc. agreed to buy HGTV and Food Network parent Scripps Networks Interactive Inc. last month, a nearly \$12 billion deal that is partly in reaction to the bulking up of distributors like **Charter Communications Inc.**, which completed a \$6 billion takeover of Time Warner Cable last year, and AT&T's pending deal.

Broadcasters have been in on the action as well, with local TV station-owning giant Sinclair Broadcast Group agreeing in May to acquire Tribune Media.

AT&T's acquisition of Time Warner would turn the giant telephone company into one of the world's biggest media owners, putting CNN, HBO and the Warner Bros. film studio under the same corporate roof as DirecTV and roughly 100 million wireless users.

All along, executives at the companies have said the deal

wouldn't hurt competition and can actually help it, because they have little overlap and they hope to become a rival in digital advertising to **Alphabet Inc.**'s Google and **Facebook Inc.**

Among the topics raised in the government's review is ensuring that AT&T doesn't discriminate or treat channels that compete with Time Warner's content less favorably, the people close to the situation said. For example, the government could prevent AT&T from favoring HBO over other premium-TV brands in its marketing and pricing, the people said.

*A deal approval could underscore the Trump administration's pro-business credentials.*

Another issue is AT&T's control of data on customers, especially its wireless subscribers, which could be used to target advertising. The Justice Department has probed whether that data should be available at a reasonable cost to rivals, the people say.

AT&T is proceeding with confidence about the review. Last month the company shuffled its management structure and tapped DirecTV executive John Stankey to lead Time Warner's companies if the deal is

approved. The company said it has no plans to divest CNN, and pledged to support the news network's editorial independence. AT&T has also lined up its financing for the deal, including through a \$20 billion bond offering.

Several competitors including the Lions Gate Entertainment Corp.'s premium programming service Starz and rival satellite broadcaster Dish Network Corp. have raised concerns about the deal, people familiar with the matter said.

Starz has warned that AT&T could favor Time Warner's HBO in the way it markets the channel and sets prices for customers. After it announced the acquisition, AT&T offered HBO free for a year to some new video and unlimited wireless data subscribers.

Dish, which competes head-to-head with DirecTV, is worried that AT&T owning HBO could give too much leverage to its No. 1 competitor, a person familiar with the matter said. State attorneys general who are reviewing the deal have been exploring similar issues, this person said.

AT&T is proceeding with confidence about the review. Last month the company shuffled its management structure and tapped DirecTV executive John Stankey to lead Time Warner's companies if the deal is

approved. The company said it has no plans to divest CNN, and pledged to support the news network's editorial independence. AT&T has also lined up its financing for the deal, including through a \$20 billion bond offering.

There are still regulatory headwinds to the AT&T-Time Warner, including the Justice Department antitrust chief's empty seat. AT&T executives expected the U.S. Senate to confirm deputy White House general counsel Makan Delrahim as antitrust chief earlier this summer, according to people familiar with the matter. Congress kicked off a recess earlier this month, pushing his confirmation to September at the earliest.

Mr. Delrahim said in a May Senate Judiciary Committee hearing that he would keep politics out of the antitrust division's decisions if confirmed. He also pledged in July to tell lawmakers if the White House tries to improperly influence his work at the department.

The Justice Department can still make antitrust decisions without Mr. Delrahim, though a political appointee usually has the final say on whether to challenge a major transaction.

An AT&T spokesman said the company is "perfectly comfortable continuing this process with the Department of Justice, with or without Mr. Delrahim's confirmation." A Justice Department spokesman and Mr. Delrahim declined to comment.

## U.S. WATCH

### LOAN SETTLEMENT

#### Relief Is Offered to Student Borrowers

Former Corinthian Colleges Inc. students who took out 46,000 private loans through the now-defunct school will be eligible for \$192 million in loan relief, based on a settlement announced Thursday by 13 state attorneys general and the Consumer Financial Protection Bureau.

The settlement is subject to approval by a federal court in Oregon that is overseeing the receivership of the investment firm that owned the loans, Aequitas Capital Management LLC.

Roughly 41,000 students took out Corinthian's private loans, coordinated through Aequitas's Campus Student Funding affiliate. The full settlement amount includes about \$9 million in future interest payments that borrowers now won't have to make.

The firm's receiver said in a court filing Thursday he believed the settlements are in the best interests of the investors and creditors.

Borrowers who attended Corinthian when it closed or who defaulted will receive full discharges of their Aequitas loans, including accrued interest. All other borrowers will get a 55% write-down on their outstanding Aequitas loans.

—Melissa Korn

### ECONOMY

#### Auto Sales Drive Manufacturing Drop

Cooling auto sales have led to a drop in production at U.S. factories, constraining a driver of economic growth in recent years.

U.S. manufacturing production has fallen two of the last three months, including a 0.1% decline in July, the Federal Reserve said Thursday. The decline partly offset big gains in mining and utility production, which pushed overall U.S. industrial output—a major indicator of the economy's health—to rise 0.2% last month.

The biggest factor behind the factory sector's latest softness has been a drop in manufacturing of new vehicles. Auto output has fallen three consecutive months and 4% over the year.

New-vehicle sales reached a record 17.5 million in 2016 and are expected to exceed a healthy 16.5 million this year. But the industry's hot growth of recent years appears to have ended.

—Josh Mitchell  
and John D. Stoll

### FEDERAL POLICY

#### Park Service Ends 'Water-Bottle Ban'

The National Park Service this week ended a policy that encouraged its parks to ban sales of disposable water bottles, a move pushed by the bottled-water industry.

The 2011 policy, referred to as the "water bottle ban," was intended to cut down on litter and promote recycling and filling stations, but the service, part of the U.S. Department of the Interior, said Wednesday that it didn't curtail sales of bottled soda and other sweetened drinks.

The park service said that only 23 of its 417 sites implemented the policy and it would continue to encourage recycling bottles and use of its filling stations.

—Michelle Ma

### ARKANSAS

#### State Plans to Set Date for Execution

Arkansas has a new supply of a lethal injection drug months after the state put four men to death over an eight-day period, officials said Thursday, as the state prepared to set an execution date for an inmate.

Arkansas executed four prisoners in April but had intended to put eight men to death. The state scheduled the executions to occur before its supply of midazolam, a sedative used in its three-drug lethal injection process, expired.

—Associated Press

## CORRECTIONS & AMPLIFICATIONS

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## U.S. NEWS

# ACLU to No Longer Represent Armed Protests

BY JOE PALAZZOLO

The American Civil Liberties Union, taking a tougher stance on armed protests, will no longer defend hate groups seeking to march with firearms, the group's executive director said.

Following clashes over the weekend in Charlottesville, Va., the civil-rights group also will screen clients more closely for the potential of violence at their rallies, said Anthony Romero, who has been the ACLU's executive director since 2001.

The ACLU's Virginia branch defended the right of white nationalists, neo-Nazis and other groups to protest the removal of a statue of Confederate Gen. Robert E. Lee from a Charlottesville park.

"The events of Charlottesville require any judge, any police chief and any legal group to look at the facts of any white-supremacy protests with a much finer comb," Mr. Romero said.

The revised policy marries the group's First Amendment work with its stance on firearms, which aligns with many municipalities and states that bar protesters from carrying weapons.

"If a protest group insists, 'No, we want to be able to carry loaded firearms,' well, we don't have to represent them. They can find someone else," Mr. Romero said, adding that the decision was in keeping with a 2015 policy adopted by the ACLU's national board in support of "reasonable" firearm regulation.

Mr. Romero said the ACLU would continue to deal with requests by white-supremacist groups and others for legal help on a case-by-case basis.

For decades, the ACLU has defended white supremacists and other hate groups against government efforts to curb their speech, driven by the belief that carve-outs to the First Amendment weaken its protections for everyone.

Last week, the ACLU's Virginia branch helped organizers of the "Unite the Right" protest secure a permit to assemble in a Charlottesville park.

City officials had sought to move the protest a mile away from the park, saying it was too small to accommodate the anticipated crowds.

ACLU lawyers, representing organizer Jason Kessler, successfully argued in federal court that the city's decision to revoke the permit for the protest at the park was based on Mr. Kessler's "highly controversial" views rather than concerns for safety.

# Trump Defends Civil War Statues

President's stance has caused divisions in his administration, drawn rebukes in Congress

BY MICHAEL C. BENDER  
AND JON KAMP

BRIDGEWATER, N.J.—President Donald Trump defended the "beautiful" statues commemorating Confederate leaders and lamented efforts to remove them, further extending his stance on an issue central to the weekend's deadly violence in Charlottesville, Va.

"Sad to see the history and culture of our great country being ripped apart with the removal of our beautiful statues and monuments," he wrote on Twitter on Thursday, adding: "You can't change history, but you can learn from it."

The debate over the removal of a statue of Robert E. Lee, a top commander of Confederate forces in the Civil War, sparked protests last week in Charlottesville from white nationalists and neo-Nazis. One man with a history of supporting white supremacists allegedly drove a car into a crowd of counterprotesters, killing a 32-year-old woman.

The president waited two days to condemn the white supremacist groups, making remarks Monday singling out the Ku Klux Klan and other groups for blame.

Mr. Trump spoke again about the violence in a combative news conference Tuesday in which he said that "both sides" were at fault. The news conference has caused divisions within his administration, including among his top advisers, and led to immediate rebukes from congressional leaders, including fellow Republicans.

On Thursday the Pentagon's top officer, Chairman of the Joint Chiefs of Staff Gen. Joe Dunford, denounced racial in-



The pedestal of the statue of Roger B. Taney, author of the Dred Scott decision, stands empty after Baltimore removed it Wednesday.

tolerance and bigotry, joining other senior military officers who had made similar pronouncements. "I can absolutely and unambiguously tell you that there is no place for racism and bigotry in the U.S. military or in the United States as a whole," Gen. Dunford said.

Mr. Trump's tweets Thursday echo language he used earlier in the week. At the news conference, he suggested there was a slippery slope from removing a statue of Lee to scrubbing from history Founding Fathers George Washington and Thomas Jefferson.

The two Virginians, the first and third U.S. presidents, owned slaves. The Confederate generals led armies into battle against the U.S., in defense of states that seceded from

nation Washington and Jefferson had founded.

Mr. Trump's tweets signal that he is seeking to keep the issue in the news. "Robert E. Lee, Stonewall Jackson—who's next, Washington, Jefferson?" Mr. Trump posted on Twitter. "So foolish!"

The president's comments come as mayors, governors and activists around the U.S. have responded to the violence in Charlottesville by accelerating efforts to remove statues of generals, Confederate flags and other symbols of the South's insurgency during the Civil War. While defenders laud the statues as testaments to Southern bravery and memorials to lost lives, detractors consider them inseparable from the violent movement to fracture the U.S.

and keep African-Americans in bondage.

Many of these local decisions have followed acts of violence. In the aftermath of the Charleston, S.C., mass shooting in 2015, for example, Nikki Haley, the state's governor at the time, helped lead a move to remove a Confederate flag from the state Capitol grounds. Ms. Haley now serves as Mr. Trump's ambassador to the United Nations.

After the clashes in Virginia, Baltimore Mayor Catherine Pugh ordered Confederate-linked monuments to be removed, dispatching contractors in the middle of the night, she said, to avoid protests.

A plaque honoring a Confederate leader was removed from a San Diego park on Wednesday morning, and the mayor of Bir-

mingham, Ala., ordered the covering up of a Confederate memorial to block it from view.

The debate over monuments was already prominent in Richmond, Va.—a former capital of the Confederacy—before the violence in Charlottesville. Richmond Mayor Levar Stoney formed an advisory group in June to redefine what he called the "false narrative" of the Confederate statues lining the city's Monument Avenue.

On Wednesday, the Democrat said the new commission will also examine removing or relocating some, or all, of the statues.

—Natalie Andrews contributed to this article.

◆ Apple's Cook joins CEOs criticizing Trump remarks... B2

# Fight Over Monuments Comes to Congress

BY NATALIE ANDREWS  
AND BEN KESLING

House Minority Leader Nancy Pelosi called on Speaker Paul Ryan (R., Wis.) to remove Confederate statues from the U.S. Capitol building, bringing the fight over Southern monuments to the halls of Congress.

Each state gets to display two statues to commemorate notable citizens. Among the people honored are about a dozen Confederate soldiers and politicians, including Confederate Gen. Robert E. Lee, who was placed in the Statuary Hall collection by Virginia.

"There is no room for celebrating the violent bigotry of the men of the Confederacy in the hallowed halls of the United States Capitol or in places of honor across the

country," Mrs. Pelosi (D., Calif.) said in a statement on Thursday.

Asked about whether Mr. Ryan would act on Mrs. Pelosi's request, spokesman Doug Andres said it was up to the states. "These are decisions for those states to make," he said.

States can request to replace a statue provided it has been approved by the state's governor and legislature, and to be replaced the statue has to have been displayed in the hall for at least 10 years.

Mrs. Pelosi, responding to the comment from Mr. Ryan's office, said Congress should change the rules. "The public laws governing the collection can be changed at any time, so Congress has the clear authority to remove Confederate statues," she said.

The origins of the statues date to the mid-1800s, when the House of Representatives relocated to a new, larger chamber, and lawmakers decided to do something with the vacated space.

In 1864, National Statuary Hall was enacted into law allowing each state to provide a pair of statues for display.

States have replaced statues before. For example, in 2009, California replaced a statue of Thomas Starr King, a minister and orator credited with keeping California in the union in the lead-up to the Civil War, with one of former President Ronald Reagan.

On Thursday, Mrs. Pelosi's office said that during her tenure as House speaker, she relegated Robert E. Lee to the basement and put Rosa Parks in his place.

## National Statuary Hall Collection

There are more statues in the U.S. Capitol's National Statuary Hall collection affiliated with the Confederate states than there are women, Native Americans and blacks.

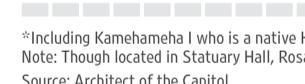
Confederates 12



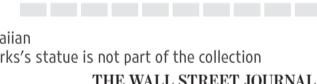
Women 9



Native Americans\* 5



Blacks 0



\*Including Kamehameha I who is a native Hawaiian

Note: Though located in Statuary Hall, Rosa Parks's statue is not part of the collection

Source: Architect of the Capitol

THE WALL STREET JOURNAL.



Colton Hammer tries his new eclipse glasses purchased from the Clark Planetarium in Salt Lake City.

# Eclipse Mania Closes Some Schools

BY TAWNELL D. HOBBS

Some school districts, looking to keep students safe while diminishing their legal liability, are keeping them home or indoors when the solar eclipse makes its appearance Monday.

The American Academy of Ophthalmology warns that while the eclipse is an amazing sight, looking at it directly can cause irreparable damage to the retina. The academy recommends watching it with specially designed eclipse glasses and viewers.

Crocker R-II Schools in Missouri isn't taking any chances,

and canceled classes on Monday, fearing lawsuits by families if their children suffer eye injuries from watching the eclipse. The rural district says its insurance company would require a liability waiver from all parents, even if their children have approved glasses.

"Our attorney told us this would be one of the highest-liability things that you do," said Gary Doerhoff, Crocker schools superintendent. "The issue is that once students turn 21, they can sue you anyway."

Other school systems, citing concerns with parents having to seek last-minute child care,

aren't canceling classes. Instead, some plan learning activities centered around the eclipse during the school day.

Lincoln Public Schools in Nebraska is keeping students in school and planning a "solar eclipse celebration." The district says that students and staff members will view the eclipse wearing special glasses. Children whose parents want them to remain indoors will have a virtual experience inside, the district said.

James Blake, Lincoln's K-12 science curriculum specialist, said he has been preparing for the eclipse for a while.

# Wisconsin Assembly Approves Tax Incentives for Foxconn

BY SHAYNDI RAICE

Taiwan's Foxconn Technology Group got one step closer Thursday to setting up shop in Wisconsin.

The Wisconsin state assembly voted to approve a controversial \$3 billion tax-incentive package for the Taiwanese firm to build a display-panel plant that Gov. Scott Walker says will bring thousands of jobs to the state.

The vote, which gained bipartisan support, allows the bill to proceed to the Wisconsin state senate. Mr. Walker said the vote was "the next big step in bringing a high-tech ecosystem to Wisconsin."

Foxconn, best known for assembling Apple Inc. iPhones in China, is planning to build a \$10 billion, 20 million square-foot campus that will primarily produce high-resolution liquid-crystal displays used in smartphones and car dashboards in addition to TVs. The deal was announced last month at a White House ceremony as part of President Donald Trump's efforts to revive the U.S. manufacturing industry.

Mr. Walker has touted the benefits of the plant, including

claims that it would hire 3,000 people initially and up to 13,000 workers eventually. Tens of thousands of other jobs would be created indirectly, according to reports from consulting firms hired by the state and Foxconn.

Mr. Walker has also argued the deal would be transformational for the state's economy.

*Company is planning to build a \$10 billion, 20 million square-foot campus.*

attracting an influx of investment and talent.

But a state fiscal analysis found that taxpayers would not recoup their investment in the 15-year tax-credit deal until the 2042-2043 fiscal year. The hefty tax bill has led some lawmakers to question whether the deal as it's currently structured makes sense. Others have also raised concerns about an easing of some environmental requirements for Foxconn.

Speaking on the assembly

floor earlier in the day, Rep. Gary Hebl, a Democrat who represents Sun Prairie, said "I don't want to gamble with the taxpayers money and if I'm going to break even in 25 years, that's a horrible gamble. I'm better off putting my money in a mattress." He voted against the bill.

The state Senate hasn't given a firm date for when it will take up the bill, but the majority leader expects the bill to pass before a Sept. 30 deadline.

Foxconn, formally known as Hon Hai Precision Industry Co., is the world's foremost contract manufacturer, making products for a range of companies, including Apple.

With this investment, Foxconn Chairman Terry Gou is betting the U.S. can re-create the supply chain that moved to China and lower-cost Asian countries in recent decades.

This wouldn't be Mr. Gou's first attempt at opening a U.S. display factory. In 2014, the firm explored a potential \$40 million investment in manufacturing and research facilities in Pennsylvania that didn't advance because local governments didn't offer terms that were favorable enough.

## U.S. NEWS

# Trump's Barbs Fire Up GOP Senators

President gives support to Jeff Flake's primary opponent, as he takes on others in his party

President Donald Trump's specific attacks on about a half-dozen U.S. senators, all but one of whom are fellow Republicans, in just the past four weeks are prompting senators to protect their own while casting a wary eye at an unpredictable White House.

By Natalie Andrews, Janet Hook and Kristina Peterson

Mr. Trump's latest target is Sen. Jeff Flake (R., Ariz.), who wrote a book that includes criticism of the president. In a Thursday tweet, Mr. Trump embraced Mr. Flake's Republican primary challenger. "Great to see that Dr. Kelli Ward is running against Flake Jeff Flake, who is WEAK on borders, crime and a non-factor in Senate. He's toxic!" Mr. Trump tweeted Thursday.

In response, Sen. Bob Corker (R., Tenn.) said in Chattanooga, Tenn., that Mr. Flake is one of the "finest human beings I have ever met" and the White House would be "well-served to embrace the character, the substance, of someone like Sen. Flake." The president, he said, "has not yet been able to dem-



Sen. Jeff Flake (R., Ariz.) is fighting a primary contender who has the support of the president.

onstrate the stability nor some of the competence that he needs to demonstrate in order to be successful."

Mr. Trump's antagonism toward Senate Republicans will likely complicate the fiscal negotiations looming this fall, and the push to overhaul the tax code. The government's funding will expire at the end of September and lawmakers must pass new funding before Oct. 1 to avoid a partial shutdown.

The president is expected to

push hard to include money to build a wall along the border with Mexico, according to an administration aide, which most Democratic and some Republican lawmakers have balked at.

Already, the president's sway is more diminished in the Senate, where a health-care bill collapsed in late July despite his cajoling and criticizing of the chamber's Republicans. And in the fall, Senate Majority Leader Mitch McConnell (R., Ky.), whom Mr. Trump sharply criti-

cized last week for the health bill's failure, will be the key to maneuvering legislation through a divided chamber.

"McConnell's the last guy I'd be picking on," said Jim Dyer, principal at public-affairs firm Podesta Group and a former senior House GOP aide. "There's going to have to be an almost 180 degree pivot away from the name-calling and attacks."

Mr. McConnell offered unequivocal support of the Arizona senator. "Jeff Flake is an

## Virginia Tensions Fuel Graham Spat

President Donald Trump's comments blaming both white nationalists and counterprotesters for violence last weekend in Charlottesville, Va., are churning discontent in Washington.

The president attacked Sen. Lindsey Graham (R., S.C.) on Twitter on Thursday, saying the senator was "publicity seeking"

when criticizing the president for his remarks. Mr. Trump said the senator couldn't forget his 2016 "election trouncing" during last year's presidential primary.

Mr. Graham issued a statement addressed to Mr. Trump saying in part "because of the manner in which you have handled the Charlottesville tragedy you are now receiving praise from some of the most racist and hate-filled individuals and groups in our country."

—Kristina Peterson

excellent Senator and a tireless advocate for Arizona and our nation," he said in an email. "He has my full support."

A Republican Senate aide said: "The president's involvement with Congress has been superficial at best up to this point, with occasional policy-free photo-ops and ham-fisted attempts to influence votes." The aide added that "we'll continue to see distance as members recognize that he is more likely to hinder than help their agenda, and his constant drumbeat of homemade scandals and unforced errors give them more incentive to speak against him than work with him."

Frustation is also building in the House. Rep. Charlie Dent (R., Pa.) said in an interview Thursday that it was "completely counterproductive to attack Republican senators

who the president will need on important agenda items."

Mr. Trump's backing of an incumbent's primary challenger, as in the case of Mr. Flake, is a sharp departure from previous presidents, who sought to protect and expand their congressional allies. Republicans hold 52 seats in the Senate, and Mr. Flake is one of two GOP senators deemed most vulnerable in the 2018 midterms.

"The tweets speak for themselves," White House spokeswoman Sarah Huckabee Sanders said Thursday regarding Mr. Trump's attacks.

Mr. Flake's campaign brushed off the attacks. "You don't serve Arizona by cutting backroom deals in Washington, D.C. That's why Senator Flake will always fight for the people of our state," said Will Allison, campaign spokesman.

## WASHINGTON WIRE

### ECONOMY

#### Fed Chairwoman Set To Speak in Wyoming

Federal Reserve Chairwoman Janet Yellen is planning to speak at the central bank's annual economic symposium in Jackson Hole, Wyo., next week, the Fed said Thursday.

Ms. Yellen is scheduled to speak Aug. 25 at the high-profile conference hosted by the Federal Reserve Bank of Kansas City, according to a schedule released by the central bank. Her remarks are to focus on financial stability.

This could be Ms. Yellen's last appearance at Jackson Hole as Fed chairwoman. Her four-year leadership term expires in February. President Donald Trump has said Ms. Yellen is under consideration for a second term as chairwoman, but several other candidates are in the running as well, including top White House economic adviser Gary Cohn.

—Kate Davidson

### CLEMENCY

#### Democrats Oppose Pardoning Ex-Sheriff

A group of Arizona Democrats is urging President Donald Trump not to pardon Joe Arpaio.

Reps. Ruben Gallego, Raul Grijalva and Tom O'Halleran wrote in a letter to Mr. Trump that the former Phoenix-area sheriff shouldn't get any "relief from the penalties he deservedly faces for his illegal conduct and brazen abuse of the public trust."

Mr. Trump told Fox News in an interview this week that he may pardon Mr. Arpaio, who was one of his early supporters.

"He has done a lot in the fight against illegal immigration," the GOP president said of Mr. Arpaio in the interview. "He's a great American patriot and I hate to see what has happened to him."

A federal judge ruled in 2013 that Mr. Arpaio's officers had racially profiled Latinos. But Mr. Arpaio refused to stop his immigration patrols, which led to his criminal contempt of court case.

The lawmakers told Mr. Trump a pardon would send a "clear message that your allies are immune from prosecution."

—Associated Press

### POLITICS

#### Ex-Trump Campaign Manager Joins PAC

President Donald Trump's first campaign manager is joining a growing outside political effort dedicated to helping him.

Corey Lewandowski is slated to be a senior adviser and spokesman for a super PAC called America First Action. That group and a related nonprofit aim to boost Mr. Trump's legislative agenda and the political candidates the GOP president supports.

—Associated Press

# Bannon Interview Stirs a New Controversy

By MICHAEL C. BENDER

Steve Bannon's standing as White House chief strategist took a hit after a liberal magazine published an extended interview in which he referred to white supremacist groups as "clowns," said President Donald Trump's pro-business advisers were "wetting themselves" and—contrary to the president's public positions—dismissed the potential for military action in North Korea.

People close to Mr. Bannon were concerned Thursday that the interview in *American Prospect* would lead to his termination.

Less than three weeks ago, a similar interview with Anthony Scaramucci resulted in his ouster as White House communications director. Mr. Scaramucci, who attacked West Wing colleagues in more vulgar terms during an interview with the *New Yorker* magazine, was asked to resign by White House Chief of Staff John Kelly, who has sought to bring more discipline and control to the administration.

While Mr. Bannon didn't use crude language like Mr. Scaramucci did, these people said his contrary position to Mr. Trump on North Korea may prove fatal.

There was no immediate reaction from the White House to Mr. Bannon's interview. "You're going to need to contact Steve Bannon for any further clarification" on his interview, White House spokeswoman Lindsey Walters said Thursday.

Mr. Bannon didn't respond to a request for comment on Thursday, but his allies said he didn't intend his discussion with the *American Prospect* to be on the record. Mr. Scaramucci had offered the same defense when his comments went public. Mr. Bannon's allies said he stood by the comments in the interview.

As of early Thursday morning, Mr. Bannon hadn't spoken to the president or Mr. Kelly, according to multiple White House officials. Jared Kushner, Mr. Trump's son-in-law and se-



White House strategist Steve Bannon, whose job security is uncertain, contradicted President Donald Trump's position on North Korea.

nior aide, and National Economic Council Director Gary Cohn, both more moderate members of Mr. Trump's team, have urged the president to sever ties with Mr. Bannon, according to a person familiar with the conversations.

Rep. Peter King (R., N.Y.) said Mr. Bannon should be terminated for trying to exploit racial issues for political advantage. "It's important for the president to fire Steve Bannon," Mr. King told ABC 7 in New York. "He should go."

And on Thursday, Secretary of State Rex Tillerson and Defense Secretary Jim Mattis affirmed that North Korea would face dire consequences if it went ahead with an attack, contravening Mr. Bannon's remark that "there's no military solution" to North Korea's nuclear threat.

In the interview, Mr. Bannon said Mr. Cohn, who is being considered by Mr. Trump to be the next Federal Reserve chairman, was lobbying against more restrictive trade policies. "That's a fight I fight every day here," Mr. Bannon

last weekend, Mr. Trump gave friends and advisers the impression that he was ready to part ways with Mr. Bannon, even as the president was preparing to announce his first major trade action against China, an issue Mr. Bannon has been deeply involved with.

But Mr. Bannon's job status seemed to become an ancillary issue on Tuesday after Mr. Trump delivered one of the most combative news conferences of his presidency. On Tuesday, Mr. Trump defended his initial response to racially charged protests in Virginia, saying both sides were to blame for the clashes.

The news conference came a day after Mr. Trump issued a statement singling out white supremacists for blame. He had faced heavy pressure for failing to do so over the weekend. One

woman was killed during the violence when a car driven by an alleged white supremacist plowed into a crowd of counter-protesters.

Inside the White House, Mr. Bannon had argued against issuing Monday's "white supremacists" statement, telling the president that he would be criticized in the media for changing this position, said one person familiar with the exchange.

On Thursday, Mr. Trump doubled down on another of his chief strategist's recommendations: lamenting the removal of statues commemorating Confederate leaders by likening it to a whitewashing of American history.

—Peter Nicholas contributed to this article.

◆ Officials say military option on North Korea remains open... A16

# CIA Psychologists, Ex-Detainees, Reach Settlement

By SARA RANDAZZO

Three former Central Intelligence Agency detainees and their families reached a settlement with two psychologists they accused of being the architects of the CIA's harsh interrogation techniques, both sides said Thursday.

The agreement comes weeks before the case was set to go to trial. Neither side gave any details of settlement terms.

The American Civil Liberties Union brought the suit almost two years ago on behalf of two men and the family of a third

who they said were tortured and experimented on using methods developed by the CIA-contracted psychologists.

The psychologists, Drs. James E. Mitchell and J. Bruce Jessen, have denied the allegations and didn't change that stance Thursday.

In a joint statement, the two sides acknowledged that the ACLU's clients were subject to coercive and abusive methods by the CIA resulting in pain and suffering to Suleiman Abdullah Salim and Mohamed Ahmed Ben Soud and the death of Gul Rahman.

The ACLU said their clients

were slammed into walls, stuffed in coffin-like boxes, starved, and exposed to extreme temperatures, among other methods.

The psychologists said in the statement that while "they worked with the CIA to develop a program for the CIA that contemplated the use of specific coercive methods to interrogate certain detainees," that they were not responsible for what happened to the three men.

The plaintiffs, meanwhile, "assert that they were subjected to some of the methods proposed by Drs. Mitchell and

Jessen to the CIA, and stand by their allegations regarding the responsibility" of the two psychologists.

Mr. Salim, a Tanzanian citizen, was captured in Somalia in 2003 and taken to a CIA prison in Afghanistan. Mr. Ben Soud, originally from Libya, was captured in 2003 in a raid on his home and taken to a CIA prison in Afghanistan. According to the ACLU, neither man was charged with a crime.

Mr. Rahman was an Afghan citizen who the ACLU said was abducted in a joint U.S.-Pakistani operation in 2002 and died in his cell in a CIA prison

in Afghanistan the next month.

The case went further than others in seeking to hold individuals accountable for interrogation methods that some consider to be torture. The lawsuit survived dismissal attempts and was scheduled to go before a jury Sept. 5 in U.S. District Court in Spokane, Wash.

Judges didn't allow similar, earlier lawsuits to proceed out of concern that the litigation would lead to the disclosure of classified government information, experts have said.

—Nicole Hong contributed to this article.

—Associated Press

THE WALL STREET JOURNAL.

# WORLD NEWS

## Despite Growth, Europe Lacks Jobs

Unemployment is still entrenched, and many are stuck in low-level, temporary positions

Irene Tsolka has barely worked since earning her civil engineering degree nearly a decade ago. When she finally got a job this summer, it was as a hotel receptionist—and yet she is grateful.

By Jeannette Neumann  
in Madrid, Giovanni Legorano in Rome  
and Nektaria Stamouli in Lefkada, Greece

"I was close to absolute catastrophe," said the 33-year-old Greek woman. "I guess I have to say I'm lucky."

In many corners of Europe, the recession cost millions their jobs. Despite a recent surge of growth, many remain unemployed with little hope of finding new jobs.

Many of those who do find work are stuck in low-skill and temporary jobs from which they will struggle to emerge.

At the end of 2016, nearly half of those in the European Union without work had been jobless for at least a year, compared with 13% in the U.S. And while the U.S. long-term unemployed rate has halved from its crisis-era peak, in the EU it has barely fallen.

In turn, in some European countries, structural unemployment—a kind of floor below which it is difficult for the jobless rate to fall—is currently at least double that of the U.S., according to economists. Structural unemployment can result from technological change or laws that make hiring and firing expensive, and can reflect a mismatch between the skills workers have and the skills employers need—or where they need them. It is particularly high in Europe's south.

Despite the gloom, Europe's

overall economic picture hasn't been so bright in years. On Wednesday, the EU raised its measure of eurozone growth during the second quarter to 2.5% annualized from a first estimate of 2.3%, meaning the region has grown for 17 straight quarters.

Solid growth has in turn brought eurozone unemployment to 9.1%, its lowest in eight years. Joblessness in Germany hasn't been so low since reunification. In Spain, unemployment—which hit 27% four years ago—now stands at 17% and is falling. Last week, Portugal said its second-quarter jobless rate dropped to 8.8% from 10.1% the previous quarter.

Amid fanfare about Europe's comeback, the labor-market scars of the recession present a challenge to policy makers and suggest political discontent in the region isn't going away.

The situation in Spain—the poster child of Europe's recovery and a country on track to record its third year of 3%-plus growth—is a case in point. Though Spain has created around 1.6 million jobs since 2013, the recovery has come at a price. Around 90% of the new jobs are temporary, some lasting only several days, according to government figures.

A tourism boom in Europe's south this summer—record arrivals in Spain, Greece and Portugal are powering growth there—is at the center of a debate now over the quality of the jobs recovery. Government officials say higher-quality jobs and more permanent contracts will come as the country's economic recoveries deepen further. Unions and opposition political leaders say change isn't coming fast enough.

In Spain, a quarter of all new jobs are estimated to be in tourism, according to a government agency's analysis. Many are seasonal, low-paying jobs that offer dim long-term prospects.

Greece now counts 341,000

LUCA PIERGIOVANNI/EUROPEAN PRESSPHOTO AGENCY

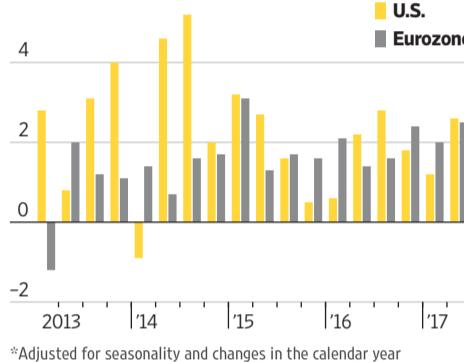


Thousands took part in a 'Dignity March' in Madrid in May to demand better wages and job security.

### Working Problems

The eurozone has grown for 17 straight quarters, but long-term unemployment rates are still high.

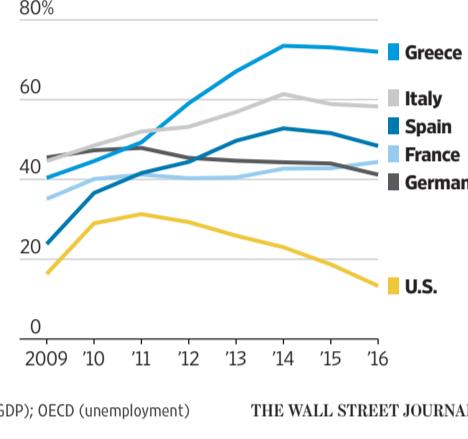
#### Quarterly change in inflation-adjusted GDP, at an annualized rate\*



\*Adjusted for seasonality and changes in the calendar year

Sources: U.S. Department of Commerce (U.S. GDP); Eurostat (Eurozone GDP); OECD (unemployment)

#### Those unemployed for a year or longer as a percentage of the total unemployed



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30% in four years, with hundreds of thousands of other jobs indirectly tied to the sector. Tourism enabled Ms. Tsolka to find her job on the Ionian island of Lefkada, and has helped cut Greece's unemployment rate to under 22% from around 28% in 2013.

However, Greek employers are increasingly firing older, more experienced full-time

staff, replacing them with inexperienced, low-paid seasonal or part-time staff, sector executives said.

But with other jobs scarce, many Greeks are resigned. "The mentality that was dominant back in the '80s and '90s that we don't want to become Europe's waiters has changed," said Manolis Karamolegos, head of the hoteliers associa-

tion on the island of Santorini.

Even low-skill jobs are a mirage for legions of Europe's long-term unemployed.

Southern Europe fares the worst. In Italy, nearly 60% of the unemployed—or 1.2 million people—have been out of a job for at least a year, the highest of any large Western economy, according to the OECD. A third of all Italian adults are inactive.

WSJ TALK / EXPERIENCE / OFFER / GETAWAY



## See 'Battle of the Sexes' Before Its Release

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## ECB Leery Of Ending Stimulus Program

By TODD BUELL

FRANKFURT—The European Central Bank is wary of pulling the plug too soon on its large bond-buying program, and worried that any move in that direction will push the euro higher, the accounts of its latest meeting showed.

The comments suggest that ECB President Mario Draghi will move with immense caution as he approaches two major public appearances in the coming weeks: A speech in Jackson Hole, Wyo., next week and a key policy meeting in early September in Frankfurt.

"The minutes of the ECB's July policy meeting suggest that there will be no fireworks from President Draghi in his Jackson Hole speech next week," Jessica Hinds of Capital Economics said.

A recently rising euro has made one of the central bank's principal challenges more difficult to achieve, namely elevating inflation in the currency bloc that remains meager, despite robust economic growth.

The European Union's statistics office confirmed on Thursday its initial estimate for July inflation of only 1.3%. The most recent ECB staff forecasts, issued in June, show average inflation at 1.5% in 2017 and only hitting 1.6% in 2019. The ECB, which is due to issue new forecasts in September, aims for an inflation rate of just below 2% over a medium-term horizon.

(A stronger currency weighs on inflation by making imports cheaper; a more restrictive monetary policy generally puts upward pressure on a currency.)

At their July meeting, council members expressed concern about the exchange rate "overshooting in the future," the minutes showed.

## TERROR IN BARCELONA

# Attack Shows Limits of Security Efforts

Spain toughened approach after 2004 Madrid assault, but strike reveals gaps

BY DEBORAH BALL

Spain toughened its antiterrorism strategy after a deadly 2004 assault on Madrid's train station and intensified its approach in 2015, but Thursday's attack in the heart of Barcelona underscores the limitations of such efforts.

Two years ago, Spanish authorities increased the country's security alert to its second-highest level and overhauled the antiterrorism law, providing for harsher penalties.

As a result, security has tightened, particularly around tourist areas. On the country's trains, passengers' bags are run through scanners before they can board, while checks at airports have also become more stringent.

However, the Las Ramblas promenade—where at least 13 people were killed and many more injured in the attack claimed by Islamic State—didn't have concrete barriers to block the assailant, despite attacks around Europe in the past year involving vehicles driving into crowds.

Following the 2004 attack, in which a jihadist cell tied to al Qaeda killed 191 people in the Madrid train station, Spanish authorities were criticized for not having acted on signs that a terrorist attack was in the works. Since then, they have adopted a strategy of disrupting terrorist activity in its early stages.

"The security forces are doing a very good job," said Carola García-Calvo, senior analyst at Elcano Royal Institute, a Spanish think tank. "But [Islamic State's strategy of hitting soft targets] makes things more difficult."

The tougher antiterror law were first aimed at ETA, the Basque separatist group that in a decadeslong campaign



Above right, armed police officers patrolled an empty street in Barcelona on Thursday after a van crashed into pedestrians near the Las Ramblas promenade, killing at least 13 people and injuring many others. Above, people observed the scene after the attack, while police and emergency-services workers, top right, transported a victim.



*'Islamic State wants to demonstrate that it can inflict the most damage possible to Western countries with attacks that are very complicated to detect.'*

Carola García-Calvo, senior analyst at Elcano Royal Institute



killed more than 800 people, including two paramilitary police officers on the island of Mallorca in 2009. However, authorities have turned the law to fighting Islamist terrorism.

Over the past several years, Spanish security forces have conducted periodic operations against suspected Islamist militants, most of whom are linked to Islamic State and whose activity in Spain centers on recruiting young men to fight in Syria and Iraq.

Authorities detained 130 people on suspicion of terrorist activities related to Islamic State between June 2013 and August 2016, according to a December 2016 report by Elcano Royal Institute. Of those detained, 43% were Spanish nationals and 41% were Moroccan nationals. According to the report, half were immigrants and 40% were second-generation descendants of Moroccan origin.

Spain, however, has had a small number of foreign fighters, with only about 200

known to have departed for the Middle East to join the ranks of Islamic State, compared with thousands from France, according to Elcano Royal Institute.

Spain's foreign policy has also shielded it from attacks, some experts said. Since the 2004 train bombings, Spanish politicians have been reluctant to back U.S. and North Atlantic Treaty Organization operations in countries such as Libya and Mali.

"Islamic State wants to

demonstrate that it can inflict the most damage possible to Western countries with attacks that are very complicated to detect," Ms. García-Calvo said. "It's not that it's impossible to stop. But of course, zero risk is not possible."

Spain has also taken a tough line on social-media posts inciting terrorism, making numerous arrests—a strategy that has generated criticism from free-speech advocates. Dozens of people have been prosecuted under the law in recent years.

Early this year, Spain's Supreme Court sentenced a popular singer to a year in prison for Twitter posts that were deemed to glorify terrorism. César Montaña Lehman, who leads the rap metal band Def Con Dos and goes by the artistic name César Strawberry, was sentenced for having joked about giving Spain's king a cake bomb for his birthday. Mr. Lehman said he had no intention of inciting terrorism.

He saw the moon as just the beginning.

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## TERROR IN BARCELONA



People fled the scene Thursday after a van plowed through hundreds in Las Ramblas, a central thoroughfare in Barcelona popular with both tourists and residents.

# Las Ramblas Is Latest Tourist Target

BY PIETRO LOMBARDI

When a terrorist's van rammed pedestrians in Las Ramblas, it struck one of the most popular tourist destinations in Europe.

Las Ramblas, a tree-lined promenade dotted with sidewalk cafes, restaurants and bars that is less than a mile long, is the heart of Barcelona, Spain's second city and a destination for tens of millions of visitors a year.

The summer is peak season, when the largely pedestrian boulevard spills over with shoppers, street performers and theatergoers.

But Thursday evening, Las Ramblas was a grim place. Hours earlier, scores of people lay injured on the ground, as police cordoned off sidewalks that had been full of young families, tourists and couples earlier in the day.

"I don't recognize the area," said Zuzanna Smyk, a 37-year-old Pole who has lived in Barcelona for 15 years. "Now it's a ghost city."

The attack in Barcelona comes at a time when Spain—which has emerged from an economic downturn with fresh confidence—is drawing a record number of visitors, as tourists avoid other spots in the Middle East, Turkey and France out of fears of terrorism. This year, Spain is expected to receive about 80 million visitors.

For many of those visitors, Barcelona is a must stop, a vi-

### A Deadly Wave: Recent Attacks In Europe

◆ **May 22, 2013** Two British-born Muslim converts drive into off-duty British soldier Lee Rigby in London, then stab and hack him to death.

◆ **May 24, 2014** A gunman kills four people at the Jewish Museum of Belgium in Brussels. A French national with ties to Islamic State is arrested and charged with the killings.

◆ **Jan. 7, 2015** Masked gunmen storm the Paris offices of French satirical magazine Charlie Hebdo, killing 12 people. In related attacks, a gunman kills a policewoman and four people taken hostage in a Jewish supermarket.

An 'I am Charlie' sign was held after the Charlie Hebdo attack.

ket in Paris.

◆ **Nov. 13** A string of coordinated attacks at a soccer stadium, bars, restaurants and a concert venue across Paris leave 130 people dead and hundreds of others injured.

◆ **March 22, 2016** Suicide

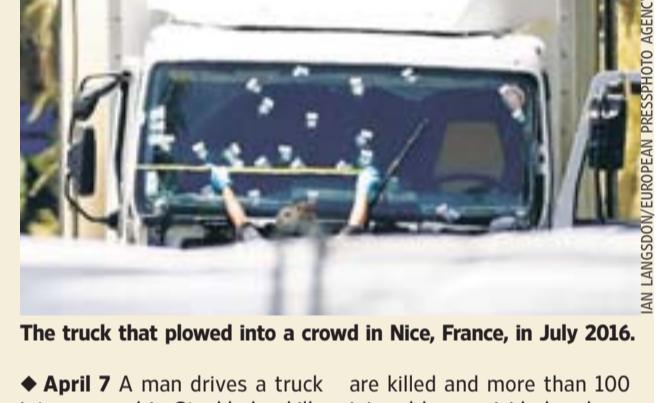


bombers strike a Brussels metro station and an airport, killing 32.

◆ **July 14** Extremist Mohamed Lahouaiej Bouhlel drives a truck through crowds watching Bastille Day fireworks in Nice, killing 86 people and injuring hundreds.

◆ **Dec. 19** Rejected Tunisian asylum seeker Anis Amri rams a stolen truck into one of Berlin's busiest Christmas markets, killing 12 people. He escapes and travels as far as Milan, where he is fatally shot by Italian police days later.

◆ **March 22, 2017** Khalid Masood plows into pedestrians on London's Westminster Bridge before crashing his car near the gates of Parliament and stabbing a policeman. Four people are killed and at least 50 injured; the attacker is shot and killed by police.



The truck that plowed into a crowd in Nice, France, in July 2016.

◆ **April 7** A man drives a truck into a crowd in Stockholm, killing four people. The suspect, an Uzbek who had voiced sympathy for radical Muslim groups, was wanted for failing to comply with a deportation order.

◆ **May 22** Twenty-two people

are killed and more than 100 injured by a suicide bomber at a concert hall in Manchester, England.

◆ **Aug. 17** A van plows into pedestrians in the center of Barcelona, Spain's second-largest city, in what police say was a terrorist attack.

try on high alert and prompted a national state of emergency that still stands.

"These things shouldn't happen," said Yi Yang, a 29-year-old Chinese tourist who was visiting Barcelona with her boyfriend.

They heard people screaming and hid until the danger had passed. The couple will probably remain indoors until they leave Spain, she said.

"Every tourist area feels unsafe," she added.

mocracy, open to the world and proud of its diversity," said Barcelona Mayor Ada Colau at a news conference on Thursday. "It is a cosmopolitan city and will continue to be a cosmopolitan city."

The attack is the latest in a string to hit soft targets in Europe. As Islamic State comes under growing pressure in Syria and Iraq, it has claimed a series of assaults in Western capitals, frequently aimed at people at their most relaxed

and using easily available weapons such as vehicles and knives.

In the U.K., which prides itself on its extensive security, three attackers rampaged in early June across London Bridge and through the buzzing bar-and-restaurant Borough Market area in a car-and-knife attack, killing eight, just weeks after a suicide bomber killed 22 at an Ariana Grande concert in Manchester.

In December, an attacker in

a semitrailer plowed through a Christmas market in Berlin, killing 12 people.

A truck driver in July 2016, ripped through Bastille Day revelers in Nice, France's seaside promenade, killing many who had packed to see celebratory fireworks. That attack came after a series of terrorist acts, including a coordinated 2015 massacre in a Paris nightlife district and soccer stadium that left more than 100 people dead, put the coun-

try on high alert and prompted a national state of emergency that still stands.

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"Every tourist area feels unsafe," she added.

side of the victims in this violent act," Catalan President Carles Puigdemont said. "London, Brussels, Paris and other European cities suffered this same experience. Today it's been Barcelona's turn."

Islamic State claimed responsibility for the attack via its official Amaq news agency, according to the SITE Intelligence Group, which monitors jihadist activity online.

Local police cordoned off the area in central Barcelona, where hundreds of people were evacuated by nervous police officers.

"Run away, it's dangerous—a fugitive is on the loose," a police officer yelled at a group of tourists a block away from the attack site, as paramedics wheeled an injured person into an ambulance.

Arlene Fox, a Canadian visiting Barcelona, said she was getting off a bus with her 15-year-old daughter near the scene when the attack occurred.

"We crossed the park and saw four people down," she said. "People started running."

She said they took shelter in a shopping mall after finding Ms. Fox's husband, Luigi Bizzarro. "This is why we avoided France," Mr. Bizzarro said.

Alice Gilmour of Saltaire, England, had just stepped into an art gallery on Las Ramblas with her husband and three children when the attack unfolded. They barricaded themselves with many others in a tiny office upstairs for more

than two hours. When police finally evacuated them, she said, "there were bodies still on the ground right outside of the gallery."

All over the city, police officers and cars moved to block access to train stations and other public places as helicopters circled above.

Gregorio Giménez, a waiter at a restaurant near the scene, said staff and patrons had locked themselves inside.

"The whole area is under a police cordon," he said by telephone. "We don't have a TV, so everything we know now is through the internet."

As news of the attack

spread, police set up checkpoints along major Barcelona thoroughfares. Around 7:30 p.m. local time—less than three hours after the attack along Las Ramblas—a vehicle sped through one of the checkpoints on the city's outskirts but didn't elaborate further.

Six civilians and one police officer were injured in Cambrils, the Catalan government said. Two of the civilians were in serious condition, the government said.

Deborah Ball, Marina Force and Inti Landauro contributed to this article.

### Tragedy on Las Ramblas

A van mowed down pedestrians as it drove for blocks on Barcelona's iconic tree-lined street. Arrests and other suspected connected events, including the discovery of another vehicle and a house explosion, took place outside the city. Hours after the Barcelona attack, seven people were injured and five terror suspects were killed in a second incident in Cambrils.



Sources: Google Earth (image); staff reports (events)

was shot and killed, Mr. Trapero said, adding that the incident wasn't connected to the attack on Las Ramblas. A government spokesman later said an autopsy showed the driver didn't die because of the shots fired but couldn't confirm the cause.

Separately, in the town of Vic, about an hour north of Barcelona, a local policewoman said authorities had located a white, rented van that could be related to the attacks. She declined to provide additional details.

Hours after the Barcelona attack, police launched an operation in Cambrils against what they called a "possible terrorist attack."

The alleged terrorists were driving an Audi A3, a spokesman for the Catalan government said, and appeared to have run over several people. The Audi then ran into a patrol of police and a shootout began, the spokesman said.

In a tweet, Catalan police said they are investigating whether the alleged terrorists were wearing explosive belts. The police also said they would be conducting controlled explosions in Cambrils but didn't elaborate further.

Six civilians and one police officer were injured in Cambrils, the Catalan government said. Two of the civilians were in serious condition, the government said.

Deborah Ball, Marina Force and Inti Landauro contributed to this article.

## WORLD NEWS

# Bomber Strikes Hamas in Gaza Strip

Attack comes as group deepens ties with Egypt, cuts them with Islamic State

A suspected Islamic State extremist killed a Palestinian security guard in a suicide attack near a crossing between the Gaza Strip and Egypt, the first deadly bombing by jihadis against Hamas.

By Abu Bakr Bashir  
in Gaza City and Rory Jones in Tel Aviv

Hamas didn't explicitly blame Islamic State for Thursday's bombing, which occurred at a time of shifting alliances in the Middle East. Officials from the Palestinian militant group, which controls Gaza, described the attacker as a jihadist who had either planned to kill its guards or was caught crossing to join Islamic State in Egypt's neighboring Sinai Peninsula.

The attack comes as Hamas deepens ties with Egypt and cuts them with Islamic State fighters. The change in allegiance is fueled by its desperate need for funding following aid cuts by the Palestinian Authority and an economic blockade imposed by Sunni Arab states on Qatar, the Persian Gulf nation that provides a large proportion of the international money funneled to Gaza.

Hamas has in recent weeks bolstered its forces on the restive border between Gaza and Sinai, a bid to prevent Islamic State militants from using Gaza as a haven from the Egyptian forces fighting to



Palestinian relatives of a security guard mourned him during his funeral in Rafah on Thursday. Hamas in recent weeks has bolstered its forces on the restive border between Gaza and Sinai.

defeat them.

In return, Egypt has begun providing financial assistance to Hamas.

Hamas's militant wing had previously focused on strengthening relations with Islamic State fighters in Sinai, using them to smuggle weapons into Gaza, according to Israeli and Western officials. Hamas offered medical support and weapons training to those fighters.

Hamas's support of Islamic State infuriated Egyptian President Abdel Fattah Al Sisi, who came to power promising to serve as a regional bulwark against terror but has been unable to dislodge the flourishing Islamic State insur-

gency in his country's north. Some Gazans, including members of the Hamas militant arm, left home and joined the group.

Hamas has also clashed with Islamist jihadists in Gaza in recent years, and has jailed young men who threatened the group's rule.

Like Hamas, jihadists in the Sinai are Sunni Muslim-led, but Hamas doesn't share the same strict interpretation of Islam and is considered a movement for Palestinian nationhood.

Hamas in recent months pivoted and began seeking help from Egypt as the Palestinian Authority squeezed it financially, spurred by leader

Mahmoud Abbas's desire for Hamas to cede control of Gaza to his West Bank-based government.

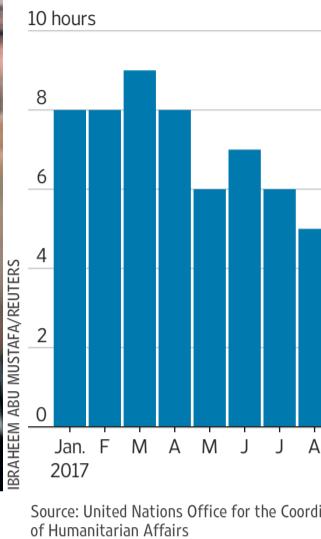
Mr. Abbas in April slashed wages of Palestinian Authority employees in Gaza, then refused to subsidize either electricity supplied by Israel, or fuel for Gaza's main power plant. The move increased widespread blackouts and has triggered public antagonism toward Hamas and its inability to provide basic services. It has also proved a boon for extremist groups in Gaza who wish to seize power from Hamas.

Egypt in June agreed to provide fuel for the power plant in Gaza in return for the added

### Losing Power

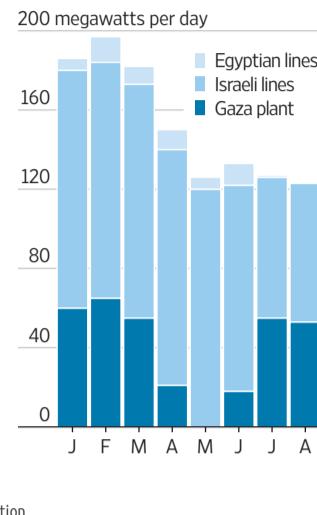
Hamas has turned to Egypt for fuel for the Gaza Strip's only power plant, as the Palestinian Authority has cut funding for electricity supplied from Israel.

Average availability of electricity per day



Source: United Nations Office for the Coordination of Humanitarian Affairs

Average electricity supply in Gaza by source



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tional Security Studies, adding that the group was in its weakest "strategic position" of the last decade.

Hamas's warming relationship with Egypt comes amid fears Qatar is under pressure to cut projects in the strip.

The Persian Gulf nation has in recent years spent nearly \$400 million on roads, hospitals, schools and housing projects in Gaza, effectively allowing Hamas to spend its income on weapons and defense.

But Sunni Arab states including Saudi Arabia, Egypt and the United Arab Emirates cut commercial and political ties with Qatar this year and imposed on it an effective economic blockade.

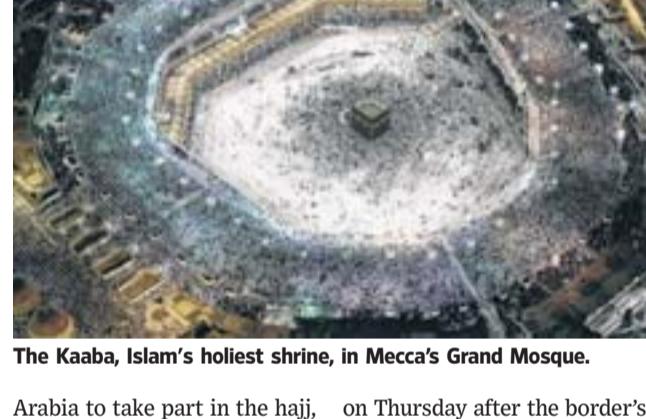
## Saudis Offer to Help Qatar Pilgrims

Saudi Arabia's king has ordered private planes to ferry in Qatari pilgrims for the hajj to Mecca this month, as Riyadh tries to contain the diplomatic fallout in the Muslim world from its decision to cut ties with Doha.

By Asa Fitch in Riyadh and Nicolas Parasie in Dubai

An unspecified number of planes belonging to national carrier Saudia will fly Qatari pilgrims at King Salman's expense from the Qatari capital to Jeddah in western Saudi Arabia to take part in the annual hajj, the official Saudi Press Agency said.

In addition, King Salman reopened the Salwa border crossing between Qatar and Saudi Arabia—Qatar's only connection to another country by land—to Qatari pilgrims so that they can drive into Saudi



The Kaaba, Islam's holiest shrine, in Mecca's Grand Mosque.

ily, according to the Saudi Press Agency.

Qatari Foreign Minister Sheikh Mohammed bin Abdulrahman Al-Thani welcomed the decision to open routes of travel but complained that the pilgrimage had been politicized, according to Qatar's Al Jazeera media network.

Saudi Arabia's decision is unlikely to help resolve an unprecedented political break between the two countries in June over Qatar's alleged support for Islamist and terrorist groups. Doha denies it supports terrorist organizations.

A Qatari official said Sheikh Abdullah wasn't a government envoy, but rather a private individual who traveled to the kingdom and sought meetings in connection with personal holdings there.

"We wouldn't send someone nongovernmental," the official said. "That's not how Qatar works."

### USS FITZGERALD

#### Top Officers Relieved Of Ship's Command

The U.S. Navy on Friday removed from command the top officers of the ship involved in a deadly collision in June off the coast of Japan.

Seven American sailors were killed when the USS Fitzgerald collided with a Philippine-flagged cargo vessel, the ACX Crystal.

A statement from the Navy's Seventh Fleet accused the officers of "inadequate leadership" and said those standing watch at the time of the collision weren't prepared.

The Seventh Fleet's commander removed the Fitzgerald's commanding officer, the executive officer and the senior enlisted sailor on the ship. The Seventh Fleet said the collision was avoidable and said junior officers were also relieved of their duties.

— Peter Landers and Gordon Lubold

### TRADE

#### U.S. and South Korea To Hold Talks on Pact

U.S. and South Korean negotiators will meet next week in Seoul to start talks on a possible amendment to a five-year-old free-trade agreement that President Donald Trump has called a "horrible" deal.

The agreement, known as Korus FTA, has been a source of tensions between the U.S. and South Korea. Mr. Trump has said he would either renegotiate or terminate the deal, which he says it has killed American jobs and boosted the trade deficit.

Trade watchers say Washington may want tweaks to the deal, rather than a deep renegotiation, given the often conflicting interests of various industries. The Trump administration is more focused on addressing trade issues with Canada, Mexico and China—rather than South Korea, they say. —Kwanwoo Jun

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which has more than \$2.3 billion assets across two funds, weighed adding to their position in Cisco in a Thursday morning meeting, but felt the networking company was competing against rivals that showed better growth, said Chief Executive Mark Stoeckle.

"Doing OK in an environment where you got too many opportunities isn't good enough," Mr. Stoeckle added.

As U.S. companies post profits and revenues that exceed expectations, many aren't being rewarded by investors.

The stock performances by companies that beat earnings expectations have been 0.03% better than the broader market in the trading session after they release results, the narrowest margin on record, according to a report from Goldman Sachs Group earlier this month.

At the same time, global fund managers have soured on their expectations for the strong pace of future profit growth—something that has helped many justify buying stocks that look expensive relative to historical values.

About a third of investors think corporate profits will improve over the next 12 months, down 25 percentage points from January and the lowest level since November 2015. Bank of America Merrill Lynch said in its August fund manager survey. Meanwhile, the share of fund managers saying equity markets are overvalued has risen to a record high.

## STOCKS

Continued from Page One  
cent," he said.

The Dow industrials' decline Thursday ended a 63-session streak without a move of 1% or more in either direction—the longest since 1995.

Stocks extended declines in afternoon trading, following a terror attack in Barcelona. Early in the session, stocks dipped and U.S. government bond prices briefly surged as unfounded rumors swirled that Gary Cohn, President Donald Trump's National Economic Council director, was resigning in the wake of Mr. Trump's remarks about the protests in Charlottesville, Va.

Two White House aides told The Wall Street Journal that Mr. Cohn hadn't resigned and wasn't planning to do so. Mr. Cohn is one of the president's closest advisers and Mr. Trump told The Wall Street Journal that he was considering Mr. Cohn for the chairmanship of the Federal Reserve.

Analysts said the response showed traders are closely following events at the White House amid worries Mr. Trump's fiscal agenda is being derailed by other events. Mr. Cohn is seen as a proponent of Mr. Trump's plans to cut taxes and boost the economy.

Two CEO councils were disbanded Wednesday amid backlash over Mr. Trump's response

to Charlottesville, adding to some investors' doubts about how effective the administration will be in pushing through policy changes.

The Dow industrials fell 1.2% to 21,750.73—their biggest drop since May 17. The declines eclipsed a selloff a week earlier, when shares fell following a spate of lackluster corporate results and rising tensions between the U.S. and North Korea.

The S&P 500 shed 38.10 points, or 1.5%, to 2,430.01 Thursday, with all 11 major sectors posting declines. The Nasdaq Composite fell 123.19 points, or 1.9%, to 6,221.91.

As U.S. stocks retreated, investments moved to assets considered to be relatively safe

stores of value, sending the prices of U.S. government bonds and gold higher. The yield on the benchmark 10-year U.S. Treasury note fell to 2.197% from 2.224% Wednesday. Bond yields fall as prices rise.

A measure of expected swings in the S&P 500, the CBOE Volatility Index, jumped 32%.

Companies that had just reported earnings were among the hardest hit Thursday. Retailer Wal-Mart Stores declined \$1.28, or 1.6%, to \$79.70 after the company said same-store sales rose but profit fell. Cisco Systems fell 1.30, or 4%, to 31.04 after it said revenue fell in the latest quarter.

Executives at Adams Funds,

### Stock Swoon

Major indexes continued to retreat throughout the day Thursday. Minute-by-minute:



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In memory  
of our friend  
and colleague  
**Bill Gorin**

For nearly two decades,  
Bill's steady hand guided MFA  
Financial to outstanding results  
for our shareholders  
and employees.

More importantly, he was  
a trusted friend, mentor,  
husband and father.

We will miss him greatly.



The Board of Directors and Employees of MFA Financial, Inc.

## IN DEPTH

# PLAY

Continued from Page One  
with it into their 80s.

"It kind of rejuvenates people, softball does," said Bill Klinkenberg, 82, who lives in Lenexa, Kan., and plays for a team called the Antiques, whose rivals include the Chicago Geezers.

There are some senior-women's softball leagues, but at these older age levels, men vastly outnumber women, organizers say.

Hugh Brotherton, an 85-year-old in Englewood, Fla., who has had both knees replaced, plays softball several times a week, sometimes with 50-year-olds. "I'm older than the fathers of many of these guys," he said.

It's a bittersweet experience for the older players, mixing the joy of feeling 12 years old again with the sorrow of fading abilities. The widening age gap also presents a challenge for softball leagues across the country: how to keep the game fair when the very old are playing with fairly spry sluggers in their 50s—league minimums can be age 50, 55, 60 or sometimes higher.

An estimated 393,000 Americans over 55 regularly play slow-pitch softball, according to the Sports & Fitness Industry Association. It isn't clear how many are over 70, but league managers around the country say the 70-plus set is a fast-growing segment.

That reflects demographics. There were 13.9 million men 70 or over in the U.S. in 2016, up 17% from 2011, according to census estimates. Dr. James Kirkland, director of Mayo Clinic's Kogod Center on Aging, credits medical care that allows more people to survive heart attacks, cancer and strokes.



JAMES R. HAGERTY/THE WALL STREET JOURNAL

**Paul Tomanio, 86, awaits a throw to home plate. 'Best thing that ever happened to me,' he says of his senior softball league.**

At a late-September Las Vegas tournament organized by Senior Softball-USA, six teams of men 83 and above are expected to compete in their own bracket. Two decades ago, the tournament's highest age bracket was 70-plus.

As more old men hang on, the skills gap grows. Some still run briskly. Others can barely shuffle to first base.

Managers in the South Hills Senior Softball league, where Mr. Tomanio plays, have been

squabbling all summer about rules for using pinch runners. Some managers think only players with a serious disability should qualify for a pinch runner. Others send in a speedier replacement for anyone considered a slowpoke.

"Guys try to take advantage, you know human nature," said Doug Houston, the league's commissioner. The league has changed its pinch-running rules twice this year to deter excessive use of pinch runners. The

latest version: No more than three members of a team may use surrogate runners.

In the South Hills league, all batters must make their way at least to first base before yielding to a pinch runner. Some other leagues now allow the least-mobile players to hit the ball and let someone else run to first.

Many leagues help older players by allowing them an automatic stroll to first base if they hit the ball out of the in-

field. Some leagues also allow as many as five people to play outfield, so none has to chase a ball very far.

Then there's the matter of making sure everyone is a genuine senior. In the Cleveland suburbs, the Huff-N-Puffers league last year discovered at the end of the season that its champion team had surreptitiously fielded two players a year or two below the league's 60-year-old threshold. All team members were stripped of their

championship jackets, and the league now requires a photo ID to prove age.

John Teron, league president, said nothing like that had happened in more than three decades of play: "Why would you want to join the senior league if you're not senior?"

In Pittsburgh, Mr. Tomanio is happy to be still competitive as he nears his 87th birthday in December. The retired delivery-truck driver has played baseball or softball since he was 12. Because of a sore back, he gave up the game for a spell in his 50s until one of his brothers prodded him to try senior softball. "Best thing that ever happened to me," Mr. Tomanio said.

Unlike many players his age, he never needs pinch runner. Though he is on medication for diabetes and cholesterol issues, Mr. Tomanio can still trot swiftly enough to beat out some of his ground balls. His arm is strong enough to throw batters out on the opposite side of the diamond.

"He plays hard and he knows how to hit," said Ken Meyer, manager of Mr. Tomanio's team. "He's a whiner and complainer, but you live with that. He can perform."

Even so, Mr. Tomanio can't always meet his own expectations. On a recent night, he was struggling to get on base. After striking out and then popping out to shallow center field, he sulked: "This is not my night. I shouldn't have even come."

Then he finally got a single by chipping a ball just over the first baseman's head.

"Yea, Dad!" shouted his daughter, Kathy Weir. "That was a bloop," Mr. Tomanio said. "I used to hit line drives."

His team lost. "Too many errors," he concluded. "If these people would listen to me, we could win. I tell them what to do but they don't do it."

# CISCO

Continued from Page One  
technology. Arista has denied the allegations, saying the Silicon Valley giant sued only because it lacked smart ideas to regain business. Each side has notched incremental wins over the past two and half years with no sign of a resolution.

By the time Mr. Chambers handed over the CEO position to Chuck Robbins in 2015, Cisco had been through its fifth consecutive year of layoffs, various restructuring and other cost cuts. It's struggling to regain the market share captured by Arista and other competitors, particularly in Cisco's crucial switching business, which links together computers on corporate networks.

Mr. Robbins said Cisco is now repositioning itself to build products with more automation and security.

"Because we see companies that get disrupted, you can dis-

able executives over her 15 years at the company, ran the switching division, which allows companies to shuttle data at high speeds. By the time she left, switching was Cisco's biggest business, with more than \$10 billion in annual revenue, a big reason why Cisco recovered from the dot-com bust.

Mr. Chambers and Ms. Ullal made a strong team, partly because they're both extremely competitive, according to former executives who worked with them. Their priorities and styles sometimes clashed. Mr. Chambers, a soft-spoken West Virginian, was a managerial guru and a salesman whose gracious manner skewed more senatorial than Silicon Valley. Ms. Ullal, raised in India, was an outspoken engineering and marketing whiz who disliked rigid rules.

Ms. Ullal grew frustrated as Cisco began moving beyond its core switching and routing business into areas such as high-end videoconferencing and consumer electronics, former executives who worked with her said. About a year before she left, Mr. Chambers had created dozens of internal councils and boards, which was at odds with her command-and-control approach.

Cisco's engineering team knew Ms. Ullal's departure would be bad news, say former co-workers.

Arista was a better fit. The Santa Clara, Calif., startup, founded in 2004 by former Cisco executives, was small and entrepreneurial. When Ms. Ullal joined as CEO in 2008, it had shipped its first product, an unusually fast networking switch for Wall Street trading networks. The market was worth only about \$50 million but it gave Arista a foothold.

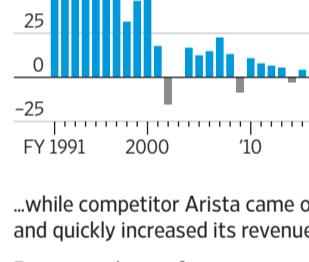
It was also a segment of the market Cisco hadn't prioritized. Ms. Ullal urged her employees to avoid attracting Cisco's attention at first, said a person familiar with her thinking. As the giant in the field, Cisco could have "destroyed us with a stray thought," this person said. In public, Arista said it planned to focus on narrow markets such as high-frequency trading. Privately it was working on building a flexible and easy-to-program switch that could be sold to large internet companies that were Cisco customers.

Mr. Chambers didn't see his protégé as a threat until two years later, when it was too late. In 2010, Arista was on the verge of winning about \$2 million of business from Microsoft, one of Cisco's biggest customers, according to a March 2011 briefing document for Mr. Chambers and his own court testimony. The amount was small, but to Cisco it was a "ca-

## Networking Business

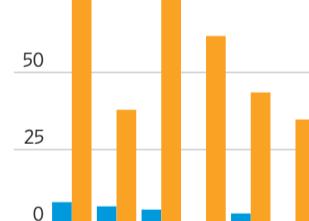
Cisco went public in 1990 and built itself into a giant in the markets for network switches and routers...

**Cisco revenue,**  
change from a year earlier



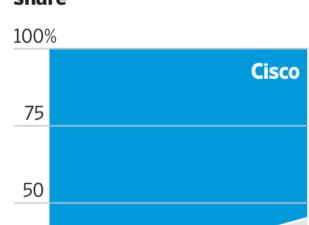
...while competitor Arista came on the scene nearly 20 years later, and quickly increased its revenue and stock price...

**Revenue, change from a year earlier**



...in part by gaining market share in one of Cisco's key sectors and wooing business from Microsoft, one of Cisco's biggest clients.

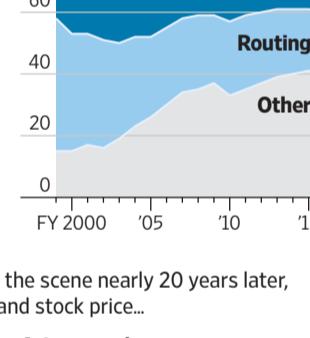
**Data-center switching market share**



Note: Cisco revenue and sectors data for fiscal years ending in July. \*First quarter

Sources: the companies; WSJ Market Data Group (stock); IDC (market share)

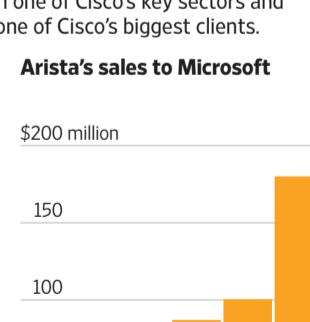
**Cisco sectors**



**Arista stock**



**Arista's sales to Microsoft**



Note: Cisco revenue and sectors data for fiscal years ending in July. \*First quarter

Sources: the companies; WSJ Market Data Group (stock); IDC (market share)

lacked discipline.

That month, the sales team created a "Tiger Team" to track Arista's every move, thwart its marketing efforts and forestall its initial public offering plan, according to internal presentations and emails. As many as 70 salespeople and engineers participated in "war room" calls where no detail was too small.

In 2012, Mr. Chambers asked four top Cisco engineers who had created some of its past hit products to secretly start a new company to compete directly with Arista's offerings. Cisco invested \$135 million in the company, Insieme Networks, and later bought it.

Arista's technology was faster, more flexible and less expensive than Cisco's, according to customers and internal sales documents. Facebook engineers described Cisco as "behind the curve and on target to become irrelevant" in the data center, according to a Cisco engineer's email to executives in March 2013. Facebook, now a customer of both Arista and Cisco, declined to comment.

A Cisco employee presented the slide deck with Ms. Ullal's photo on a bull's-eye a few months later, calling for "zero loss tolerance against Arista."

Other customers started complaining. An email from a customer support engineer in August 2013 to dozens of senior managers, including Mr. Robbins, the future CEO, said Morgan Stanley had lost confidence in one of the switching products "after more than 12 months of ongoing software defects, instability and a lack of needed features." The bank halted plans to use 400 Cisco switches and said it might turn to Arista.

Morgan Stanley declined to comment.

Cisco interviewed dozens of executives to understand the problem. The brutal conclusion in a September 2013 report: Cisco had good ideas and talented employees but a risk-averse culture, indecisive leaders and too big a focus on incremental products.

In November, Ms. Ullal ran into Mr. Chambers at a cocktail party in San Francisco, according to a person familiar with the encounter. The two hugged, and then Mr. Chambers joked to the former CEO of a big Cisco customer that his onetime treasured executive had become his toughest competitor. "Don't buy from her," he said.

Ms. Ullal was irritated by the exchange and told her staff that Cisco's gloves were coming off, according to the person.

Inside Cisco, a "Beat Arista" document in January 2014 warned that the impending IPO would provide the upstart the cash to strike Cisco's most profitable product lines. "Time is

now to target their top 100 accounts—slow momentum, impact revenue & market share and help drive an unsatisfactory IPO," one slide said.

About six months later, Arista had an initial public offering on the New York Stock Exchange. Its shares jumped 35% on the first day of trading, making Ms. Ullal's 7% stake worth about \$260 million, and climbed another 40% by November.

## 'This was so blatant'

In December 2014, Mr. Chambers approved two lawsuits against Arista with the blessing of his operating committee. He struggled with the decision. "It is hard to accuse people who are your friends—and they are still my friends—of

# GREATER NEW YORK

## 'Symbols of Hate' Targeted

City panel to review monuments, plaques for possible removal after Virginia violence

BY MARIANA ALFARO

New York Mayor Bill de Blasio promised to remove a plaque commemorating Nazi collaborator Philippe Pétain from the city's Canyon of Heroes, as the nation debates the future of monuments and statues honoring figures tied to racist movements.

Following the violent attacks in Charlottesville, Va., this past weekend, Mr. de Blasio said on his Twitter account Wednesday that the city would conduct a 90-day review "of all symbols of hate on city prop-

erty." One of the first to go will be that of Pétain—who led Vichy France during World War II—from a Broadway sidewalk.

Other New York institutions are expunging tributes to controversial figures. Bronx Community College of The City University of New York said it would remove and replace busts of Confederate generals Robert E. Lee and Thomas "Stonewall" Jackson from its Hall of Fame for Great Americans. According to its website, the hall honors "prominent Americans who have had a significant impact on this nation's history."

"There are many great Americans, many of them New Yorkers, worthy of a place of honor in this hall; these two Confederate generals are not among them," CUNY Chancellor James B. Milliken said in a

statement, adding that the removal would "occur without delay."

On Wednesday morning, two plaques honoring Lee were removed in Fort Hamilton, Brooklyn.

Pétain's name was laid down on the Canyon of Heroes in 2004, when the Alliance for Downtown New York commemorated the 202 ticker-tape parades the city had held up to that year. Pétain was honored as a hero of World War I in a 1931 parade.

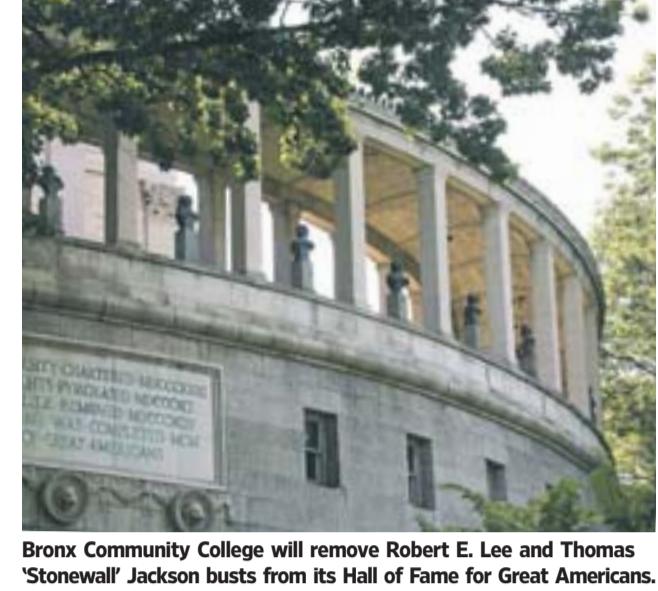
Less than 10 years after the parade, Pétain became head of France's Vichy regime, collaborating with Nazi Germany as he ruled France from 1940 to 1944. During his leadership, Pétain established a number of anti-Jewish measures and provided little protection to

France's Jewish population, according to Paul Webster, who wrote "Pétain's Crime," a book about the Vichy leader.

French officials under Pétain's rule sent more than 73,000 Jews to Germany between 1942 and 1944. Fewer than 2,000 of them survived.

There is no set date for when Pétain's name will be removed from the Canyon of Heroes. A city spokesman said details are still being worked out but that Mr. de Blasio's office is putting together "a panel of relevant experts and community leaders" to take part in the city's 90-day review.

"They will design the criteria and offer recommendations on specific items," the spokesman said. "It's the beginning framework of what will ideally be a long-term approach to the



Bronx Community College will remove Robert E. Lee and Thomas 'Stonewall' Jackson busts from its Hall of Fame for Great Americans.

evaluation of public structures and controversial pieces of public art."

A spokesman for the Alliance for Downtown New York

said the organization looks forward to working with the mayor's office to "wrestle" with questions regarding the future of the slate.

## Pizzerias Reshape Tastes of The City

BY CHARLES PASSY

A number of New York pizza makers are now offering the classic treat with different geometry: Their "pies" aren't pie-shaped.

Instead, they are based on a rectangular-shaped style, known as pizza al taglio, that is popular in Rome. Further distinguishing this version: Slices are often served at room temperature.

And when it comes to cutting the pizza, forget about the traditional wheel-style cutter. This is a pizza best divided with a scissors.

"It's so effective. It's not the same when you do it with a pizza cutter," said Michael Ayoub, owner of Fornino, a pizza restaurant with three locations in Brooklyn.

Mr. Ayoub rolled out pizza al taglio at his Williamsburg location a couple of weeks ago. He says he is well aware that New Yorkers love their circular pies, which are generally based on a Neapolitan style. But he also says they appear to be ready for something different.

"Whoever has it loves it," he said of his pizza al taglio, which sells for \$5 to \$7 a slice depending on the toppings. The full rectangular pies run from 4 to 6 feet; the 4-footer goes for \$75, including two to three toppings, while the 6-footer isn't sold whole.

Mr. Ayoub also offers traditional circular pies at his Williamsburg and other locations.

Fornino has plenty of company. Eataly offers a similar Roman style, known as pizza alla pala, at its downtown store. It has been a popular seller since the location's opening a year ago, with customers buying around 550 slices a day, said an Eataly spokeswoman.

More established purveyors of pizza al taglio also say they are seeing strong sales. Among them: Farinella with three locations in Manhattan and the Sullivan Street Bakery in Chelsea.

Another longtime establishment, Pie by the Pound in the Union Square area, is considering adding a second location in the city to meet demand. "Business



Michael Ayoub with a pizza at his Fornino restaurant in Brooklyn's Williamsburg neighborhood. More New York City pizza purveyors are offering such rectangular pies, which are popular in Rome.

ness is booming for us," said owner Jeffrey Reiss.

Following another Roman tradition, Pie by the Pound bases the price of its pizza on the weight of each slice, with customers indicating how much or little they want. The average slice runs \$2 to \$5, says Mr. Reiss.

To some extent, the interest in pizza al taglio speaks to the appetite New Yorkers have for a broadening array of pizza styles, circular or rectangular-shaped.

The city has seen restaurants offering everything including Detroit-style pizza and the classic Chicago deep-dish version.

And that is not to mention the Sicilian pie, another rectangular style, that has been a mainstay at New York pizzerias for decades.

Moreover, other Roman

styles are also finding their way to the city. Pensa Lab, which opened earlier this year in Brooklyn, specializes in a crispy circular style, known as pinsa, that is said to date back to ancient times. And Trapizzino, a newcomer in the Lower East Side, offers a Roman treat of the same name, which it describes as a pizza "pocket," filled with any number of classic and seasonal Italian dishes.

But pizza al taglio has special appeal for a host of reasons, say fans. Some like the fanciful toppings that are often used: At Fornino, for example, the pizza al taglio comes in versions with everything from heirloom tomatoes and goat cheese to radicchio and figs.

Others like the light crust that easily holds its shape.

"It's very easy to eat," said Scott Wiener, who runs Scott's

Pizza Tours, a local culinary tour operator.

Still, others balk at the fact that pizza al taglio is generally more expensive than the standard New York slice, which typically runs anywhere from \$1 to \$3. And they don't exactly embrace the idea of room-temperature pizza.

"You're buying pizza that's been designed to sit around for a while. I'm not a fan of that," said Arthur Bovino, a New York-based pizza expert who has written widely on the subject.

To that end, some pizza al taglio specialists defy the Roman tradition and warm up their slices, saying most New Yorkers won't have it any other way.

"People here like their pizza hot," said Mr. Reiss of Pie by the Pound.

## Paladino Ousted At School Board, Plans to Appeal

BY JOSEPH DE AVILA

The New York State Education Department removed former Republican gubernatorial candidate Carl Paladino from the Buffalo School Board, ending a months-long effort for his ouster.

State Education Department Commissioner MaryEllen Elia, who presided over a five-day hearing on his removal in June, announced Thursday that she ruled in favor of the school board.

The school board petitioned to remove Mr. Paladino, a real-estate developer who has served on the board since 2013, in the wake of racially inflammatory comments Mr. Paladino made in December about former President Barack Obama and former first lady Michelle Obama.

In seeking his ouster, the school board alleged that Mr. Paladino illegally disclosed confidential information regarding collective-bargaining negotiations in an opinion article. The school board argued that by releasing information he obtained as a member of the board, Mr. Paladino violated the board's code of conduct.

"His disclosures constituted a willful violation of law, warranting his removal from office," Ms. Elia wrote in her decision.

Dennis C. Vacco, an attorney for Mr. Paladino, said his client would appeal the decision in New York Supreme Court. He said Mr. Paladino's disclosure wasn't illegal because most of the information was already publicly known and the meeting where this information was discussed occurred in violation of open-meetings law.

"This is a drastic remedy by an administrative body to remove a twice-duly elected official," Mr. Vacco said. "This person who was standing up for the students and the taxpayers now finds himself having to fight for his seat."

Mr. Paladino, who has apologized for his comments made to a Buffalo publication, has said the board illegally retaliated against him in violation of his First Amendment rights



Carl Paladino was removed from the Buffalo School Board.

by seeking to oust him because of the derogatory comments he made about the Obamas. The board denies this allegation.

He also filed a federal lawsuit in the U.S. District Court in the Western District of New York in June against board members for seeking to remove him from the board, seeking compensatory and punitive damages.

*'His disclosures constituted a willful violation of law,' the ruling stated.*

In New York, if an individual is removed from a school district office, they are ineligible to be appointed or elected to any district office for one year, the education department said.

Raised in Buffalo, Mr. Paladino has been deeply involved in New York politics. He lost his gubernatorial bid in 2010 to Democrat Andrew Cuomo after a heated race and served as co-chairman of President Donald Trump's New York campaign.

But his remarks about the Obamas have hurt his political future, drawing widespread condemnation, including from Mr. Trump.

## Reputed Street-Gang Members Indicted on Murder Charges

BY CORINNE RAMEY

Federal prosecutors unsealed indictments Thursday charging 31 alleged members of rival upstate street gangs with crimes including the murders of two people, one of them a high-school basketball star.

The rival gangs, called Uptown and Downtown, had been feuding with each other for the several years in Poughkeepsie, N.Y., prosecutors said.

"Their war has left in its wake a bloody trail of tragedy—alleged murders, attempted murders, shootings and rampant drug dealing,"

acting Manhattan U.S. Attorney Joon Kim said in a written statement. He said law enforcement sought "to dismantle these gangs from the top down."

Lawyers for the alleged gang members couldn't be reached or declined requests to comment.

The alleged gang members, who range in age from 19 to 41 years old, face charges including murder, attempted murder, racketeering, conspiracy and other crimes.

Caval Haylett, 18, a local high-school basketball star,

died from a single gunshot wound to the head. An innova-

cent bystander, Mr. Haylett was shot while at a barbecue on March 9, 2016, authorities said.

The rivalry also led to the murder of Downtown gang member Daquell LeBlanc, 16, who in 2012 was killed by a single gunshot to the chest prosecutors said.

As New York City has become safer, there has been a migration of gang activity into areas of upstate New York said Eugene O'Donnell, a professor at John Jay College of Criminal Justice.

Some young people join gangs because they feel alienated and are searching for a

sense of belonging. But gangs are also fueled by economic concerns, he said.

**One of the murders was of a high-school basketball player shot the head.**

"We have a festering drug problem, particularly in rural and suburban counties," Mr. O'Donnell added. "You can't have drug sales without drug buyers."

Prosecutors said members of Uptown—also known as the

"Boogotti Boys" and "Mob Stars"—and Downtown—known by nicknames including "420 Boys" and "Bully Hard Hunna"—controlled different areas of the city. The gangs sold narcotics, including heroin and crack cocaine, and stored shared guns around their territories, prosecutors said.

Gang members posted on social-media sites, where they referenced shootings, guns and drug dealings, according to an indictment. On Facebook, one of the defendants posted a photo of a wad of cash earned from selling drugs, prosecutors said.



DARYL BAUTISTA/THE JOURNAL/ASSOCIATED PRESS

## GREATER NEW YORK

# Broadway Shows Look for Second Act on the Road

BY CHARLES PASSY

The Broadway musical "Groundhog Day" may be set to close on Sept. 17 after a run of just 176 performances. But the Tony Award-nominated show has hardly been grounded.

Instead, it will live on in an 18-month national tour set to start next year, say the show's producers.

"Groundhog Day," based on the 1993 film of the same name, isn't alone. Other Broadway shows are looking to the road for a second chance. "Bandstand," the Tony-winning musical that will close on Sept. 17 after 166 performances, is also considering a national tour.

Other shows from past seasons that didn't enjoy long runs are also planning to play out-of-town, including "Bright Star." The musical by Steve Martin and Edie Brickell, which closed in 2016 after 109 performances, is coming to Los Angeles in October.

While the touring circuit has traditionally been domi-

nated by Broadway hits, short-lived shows can also find success on the road these days, say theater-industry insiders.

The reason has largely to do with surging demand for shows at regional theaters and arts centers. Since the 2000-01 season, annual touring Broadway grosses have nearly doubled to \$1 billion, according to the Broadway League, a trade group that monitors the industry.

Plus, producers often feel that shows can resonate more on the road than in New York, where competition is greater.

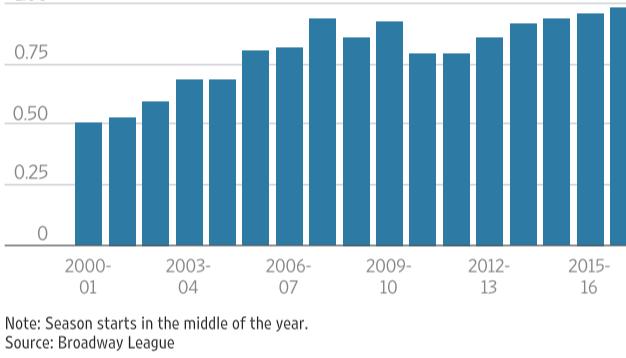
"We can go into a town, whether it's Tucson or Chicago, and there won't be much else," said Tom Smedes, lead producer for "Bandstand."

"Groundhog Day" producers didn't respond for comment.

Still, the math can be tricky for producers looking to head out on the road. Mounting a tour requires a whole new round of investment, often in the millions of dollars, say industry insiders. That's no small challenge for short-lived shows.

### On the Road Again

Touring Broadway gross ticket sales



Note: Season starts in the middle of the year.  
Source: Broadway League

THE WALL STREET JOURNAL.



MARY ALTAFFER/ASSOCIATED PRESS

Aides to Gov. Andrew Cuomo move a rendering of the Daniel Patrick Moynihan Train Hall through the construction site on Thursday.

## Work Started on Long-Sought Rail Station

BY MIKE VILENSKY

Gov. Andrew Cuomo on Thursday announced the start of construction on a sprawling New York City commuter rail station being built from a Manhattan post office.

The renovations to the James A. Farley post office, on Eighth Avenue across from the current Pennsylvania Station, mark the second phase of Mr. Cuomo's more than \$1.6 billion project redirecting passengers from the aging Penn Station to a train hall the governor says will rival the iconic Grand Central Station.

"We dream big, and we get it done," Mr. Cuomo said Thursday at a news conference within the post office construction site. "That's what New York is all about."

The governor first an-

nounced his plans for the post office in September 2016, after a string of other officials had drawn up similar ideas for overhauling Penn Station but didn't enact them. Earlier this year, as part of Mr. Cuomo's modernization plan, a new Long Island Rail Road station called the West End Concourse opened at what was once another part of the post office.

The new station will be named for the late New York Sen. Daniel Patrick Moynihan, who had devised a similar plan. Slated to open in 2020, the station will have high glass ceilings, modeled after an iteration of Penn Station demolished in 1963, and include retail and dining outlets. It will service Long Island Rail Road and Amtrak.

Costs for the Moynihan project will be shared among

the state, Amtrak, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey, developers and a federal loan, the governor's office said.

**\$1.6B**

The cost of a new commuter rail station across from Penn Station

The station is part of a portfolio of high-profile, high-priced projects Mr. Cuomo has pushed in his second term, including overhauls of LaGuardia and John F. Kennedy International airports in New York City.

The plan to construct Moynihan Station has the backing

of many city officials, who praised the governor Thursday for moving forward on it. It has also faced criticisms from transit officials and activists that it is too costly when the funds are also needed elsewhere, like modernizing the New York City subway system.

Supporters of Mayor Bill de Blasio's proposal to tax the wealthy and use the revenue to pay for subway upgrades protested outside the site of Mr. Cuomo's presentation. Jonathan Westin, a liberal activist among the group, called the plan for the Moynihan Station a "cosmetic" fix.

"We need a functioning public transportation system," he said.

Mr. Cuomo has said the station is needed to streamline commutes and that the current Penn Station is "disgusting."

### GREATER NEW YORK WATCH

#### NEW JERSEY

##### Lawmakers Outline Flood-Insurance Bill

Five years after superstorm Sandy devastated towns along the New Jersey shore, Sen. Bob Menendez and Rep. Frank Pallone want changes made to federal flood insurance they said will fix a system that often failed beleaguered homeowners.

Speaking Thursday on the waterfront in a town that was considered the most heavily damaged by the September 2012 megastorm, the two Democrats described legislation they have proposed that will reauthorize a 2012 flood insurance bill scheduled to expire next month and add key provisions.

Those include a 10% cap on flood-insurance premium increases, a mechanism to hold the Federal Emergency Management Agency to strict deadlines when paying claims and paying for advanced flood mapping technology. Currently, premiums can increase up to 25% a year for businesses and 18% for homeowners.

Mr. Menendez cited the case of a New Jersey family whose annual flood insurance premium rose from \$600 to about \$30,000 before it was corrected, due to a loophole in the flood mapping process. He said

the proposed legislation would close some of the loopholes.

—Associated Press

#### NEW YORK

##### Spokesman Fired After Unwitting Call

The New York state court system's longtime communications chief has been fired after inadvertently telling a reporter that he "barely" went to work.

The Office of Court Administration says David Bookstaver was terminated Thursday. Chief courts spokesman Lucian Chalfen says officials "take abuses of office extremely seriously."

Mr. Bookstaver declined to comment.

His firing came a day after the New York Post reported that he unwittingly dialed a reporter's voice mail, which captured him conversing with someone else. Mr. Bookstaver said he was "not doing anything" and "barely" showed up at his \$166,000-a-year communications director job. He had planned to retire in October.

Mr. Bookstaver, 58 years old, had been with the courts since 1996. But his portfolio shrank after then-new Chief Judge Janet DiFiore hired Mr. Chalfen as public information director in February 2016.

—Associated Press

#### HEALTH-CARE FRAUD

##### Two Men Admit Role In Insurance Fraud

Two men have pleaded guilty to defrauding New Jersey and health insurers out of \$25 million by submitting claims for unneeded prescriptions.

Matthew Tedesco, of Linwood, and Robert Bessey, of Philadelphia, pleaded guilty on Thursday to conspiracy to commit health care fraud.

Authorities say they used a network of recruiters, doctors and state and local employees to get reimbursed for phony prescriptions and expensive and medically unnecessary compounded medications.

Prosecutors say Mr. Tedesco, a pharmaceutical sales representative, Mr. Bessey and others persuaded people to get the drugs from an unnamed out-of-state pharmacy. That included recruiting public employees covered by state and local health benefits to obtain the drugs without being evaluated by a doctor.

Prosecutors say the pharmacies then paid kickbacks. Mr. Tedesco admitted receiving more than \$11 million and Mr. Bessey nearly \$500,000. They both must forfeit that money.

—Associated Press

### Lineup Outside Radio City



MICHAEL NOBLE JR./ASSOCIATED PRESS  
TRAFFIC STOPPER: The Rockettes hit the streets Thursday to promote the 'Christmas Spectacular' show.



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# LIFE & ARTS

## THEATER REVIEW

By Terry Teachout

### Memory And Madness



Sarena Parmar, Fiona Byrne, Diana Donnelly and Tara Roslin in 'Dancing at Lughnasa'

Niagara-on-the-Lake, Ontario

**THE SHAW FESTIVAL**, one of North America's most ambitious classical theater festivals, is presenting 11 plays and musicals in four different performance spaces this season. After five visits to Niagara-on-the-Lake, the Shaw's small-town home, I've long since learned that its productions are of consistently high quality. But the two shows I saw last week in the 313-seat Royal George Theatre, a renovated 1915 vaudeville house of unrivaled beauty and intimacy, are noteworthy even for the Shaw, and one of them, a perfectly wrought version of "Dancing at Lughnasa," Brian Friel's 1990 masterpiece, is a major event by any conceivable standard. This revival, directed by Krista Jackson, is so completely involving that you'll hold your breath as you follow its characters down a path that winds from gentle nostalgia to piercing heartbreak.

A memory play influenced to like degree by Chekhov and "The Glass Menagerie," "Dancing at Lughnasa" unfolds in and near the cottage of five spinster sisters (Fiona Byrne, Diana Donnelly, Claire Jullien, Sarena Parmar and Tara Roslin) whose uneventful existence is about to be shattered by the coming of modernity. The time is 1936, the place rural Ireland, but there is nothing alien about the plight of the Mundy sisters—they could be from Appalachia or Arkansas—or the tightknit family life that they share, a life whose closeness cannot survive the centrifugal forces of industrialization, war and sexual desire. We see them through the eyes of a grown man not unlike Friel himself (Patrick Galligan) who is the illegitimate son of one of the sisters (Ms. Parmar) and whose recollections of his childhood are, in his words, "more real than incident...simultaneously actual and illusory." They are also richly poetic, for "Dancing at Lughnasa" is the work of a great artist whose genius it was to quarry poetry out of the daily speech of the common folk. No modern play, not even "Menagerie," is more sensitively and resonantly written.

Ms. Jackson's staging unfolds in an unadorned, nonrealistic playing area designed by Sue LePage whose cheap sticks of furniture are framed by the drab blue-greens and washy blue sky of fading memory. Her ensemble cast, most of whose members are Shaw Festival veterans, performs with a telepathic singleness of purpose. Nothing is allowed to get between you and the play: It is as though Friel's words had come directly to life in your mind and heart. I've reviewed two other notable revivals of "Lughnasa," by Fort Myers's Florida Rep. Please see SHAW page A11



SUMMIT ENTERTAINMENT/MILLENIUM MEDIA (2)

## FILM REVIEW

### Funny, Bloody 'Hitman' Is a Near Miss

Ryan Reynolds and Samuel L. Jackson star in Patrick Hughes's formulaic action comedy.

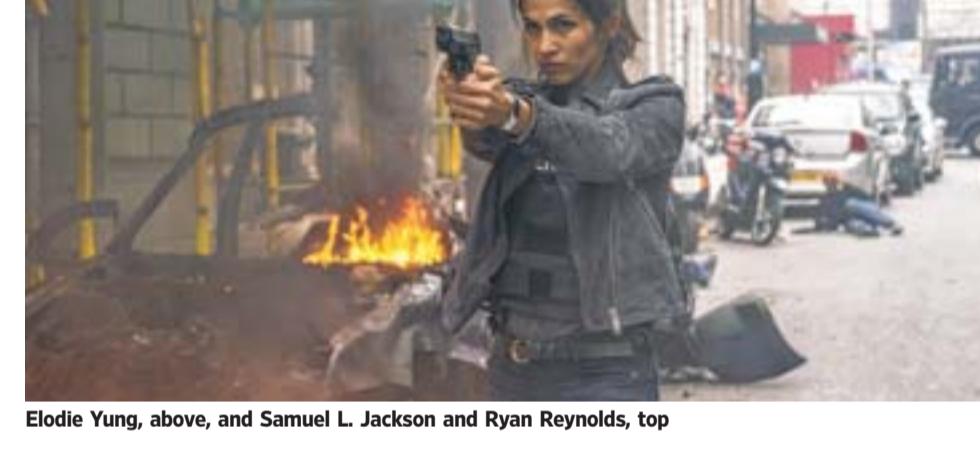
BY JOHN ANDERSON

**THERE ARE A LOT OF CLOSE CALLS** in "The Hitman's Bodyguard," the closest being the movie's proximity to really, really funny. It probably looked like a great recipe: Ryan Reynolds as a suave, handsome and long-suffering "security specialist," Samuel L. Jackson as the sarcastically foul-mouthed hitman who needs to get to The Hague. Bomb blasts. Evildoers. International intrigue. Then the cooks assembled, apparently by the hundreds.

The film has its moments, to be sure, with each lead actor in his respective wheelhouse, along with a director, Patrick Hughes ("The Expendables 3"), who seems to know his way around a truck full of high-grade explosives. Mr. Reynolds is Michael Bryce, a "triple A-rated" bodyguard to the world's leading oligarchs and corporate criminals until he loses a client to a bullet on a tarmac. Two years later, he's sleeping in his Ford and escorting coked-up paranoids (Richard E. Grant, in a hilarious quasi-cameo) through exploding buildings and crowds of hired killers.

Then, as we knew it must, destiny calls in the person of Michael's lost love, Amelia (Elodie Yung), now an Interpol agent offering him a job: Escort a witness from London to the World Court, for the genocide trial of Belarusian mass-murderer Vladislav Dukhovich (Gary Oldman). And make sure to keep the witness—hitman Darius Kincaid (Mr. Jackson)—alive. After a bit of back and forth, Michael takes the job. As we somehow knew he would.

What follows was probably formulaic when Martin Brest did it in "Midnight Run" (1988): Two profoundly incompatible comic figures, sidestepping their pursuers and each other's barbed insults, while trying to cross a problematic expanse of geography. They hate each other, till they don't. The



Elodie Yung, above, and Samuel L. Jackson and Ryan Reynolds, top

bromance is always on the horizon, in this case a European horizon, featuring collapsing London office buildings and speedboat chases on Dutch canals.

One has to give Mr. Hughes credit for the numerous, creative and explosive obstacles he puts in the way of Michael and Darius, not so much for the scattershot tone of the movie as a whole. Both lead actors can deliver a laugh line, and occasionally do. Salma Hayek, who as Darius's imprisoned wife, Sonia, shows a flair for eloquent vulgarity, is consistently funny. Of course, she has an advantage over, say, Mr. Jackson, for whom a steady torrent of expletives is his stock in trade. No one expects such colorful language to spew from the comely Ms. Hayek.

But you can't help feeling that, with a little directorial tweaking, "The Hitman's Bodyguard" would have been much funnier because, on paper, Tom O'Connor's script was probably a scream. What adds to the unevenness of the whole affair is a propensity for extreme violence that just seems in-

compatible with what is ostensibly a comedy. Dukhovich murders the wife and child of one character, Professor Asimov (Rod Hallett), in front of his eyes. Sonia slits a guy's throat during what is otherwise a comedy bar brawl. In a flashback, Darius recalls a preacher in his hometown being beaten to death with a tire iron. (It's done as shadow play, but nevertheless.) Darius explains to Michael, during one of their few restive moments, that the preacher's murder set him on the path to killing what he claims to be 250 people. All bad guys. It's the kind of rationalization that sets a viewer's teeth on edge.

The sense one gets is that "The Hitman's Bodyguard" was intended as a pastiche of buddy movies and action thrillers, with the various ingredients overdone to the point of spoof. What they neglected to elevate, probably because it's a lot harder than blowing things up, were the laughs.

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

## TELEVISION REVIEW

### THE PEOPLE'S COURT

BY JOHN ANDERSON

**A LOVELY**, bittersweet film about an intensely delicate subject, the "POV" presentation "Tribal Justice" looks at the community courts of two different American Indian communities in California and the women in charge of those courts: Abby Abinanti, chief judge for the Yurok of northwestern California, and Claudette C. White, Ms. Abinanti's counterpart among the Quechan who live in the southeastern part of the state. How their system negotiates with California's state courts is an essential part of the story, but so is the community-centric basis of each woman's approach to justice—as the film says, "healing and resolution, not punishment and incarceration."

"There's a winner and a loser when you walk out of state court," says Ms. Abinanti, who was the first Native woman lawyer in California. "That isn't OK here." State court, she says, "is essentially justice by strangers. But in a village, that's not true." No Yurok, she said, would have thought of going outside the tribe for justice a couple of hundred years ago. And while Ms. Abinanti agrees that the people she serves have to live "in this world, how it is now," the tribal court is still the model. "If we had not been invaded," she says, "how would that have evolved?"

Veteran documentarian Anne Makepeace, who has made several films with American Indian themes, gets wonderful access to her principal subjects as well as those she uses as case studies: a young boy with neurological prob-

lems who has spent time in state care; Taos Proctor, a hardworking father who's had skirmishes with methamphetamine, and 17-year-old Isaac Palone, who is Ms. White's nephew and whose legal problems are traced to his time in state custody and group homes. The issues raised, like meth use and the removal of children from their parents, are sensitive for the people we meet in "Tribal Justice," and for all American Indian people, but Ms. Makepeace manages to get them addressed openly and honestly. There is, as a result, a somewhat melancholic tone to much of the movie. But also a reassuring wisdom to be found in the women Ms. Makepeace has made that movie about.

**Tribal Justice**  
Monday, 10 p.m., PBS



Abby Abinanti, chief judge for the Yurok of northwestern California

ANNE MAKEPEACE/PBS

## LIFE & ARTS



Brett Gelman, Nia Long, Keith L. Williams and Conrad Roberts in Janicza Bravo's 'Lemon'

### FILM REVIEW

# A Highly Original Movie Where Sour Meets Sweet

BY JOHN ANDERSON

**THE MOST BUOYANT** moment in "Lemon," and there aren't many, is when the otherwise contentious guests at a Seder table start singing "A Million Matzoh Balls" by Dean Friedman ("My mama loves to cook / At least three times a day / But every now and then / She gets carried away..."). A dining room's worth of savage breasts are soothed by the upbeat music and the comic lyrics about Mama's matzo balls. Mostly, though, they're happy because nobody is talking to anyone else.

The dialogue in "Lemon," co-written by the film's star, Brett Gelman, and its director, Janicza Bravo, is in the Pinter-by-way-of-Beckett school of oblique misery and indirection, albeit with an Los Angeles-centric spin: Statements between characters are either naively honest, or masked by the social urge to maintain a flow of niceties, lest something honest be said. The viewer can't help but either feel sympathy for the characters in their desperation, or recoil from it, because we've all felt it—perhaps just not this painfully. "Lemon" is all about this pull and push, toward and away from the characters and the movie itself. It's also one of the more original films in recent memory.

While the people around him are just uncomfortable and unhappy, Isaac (Mr. Gelman) may in fact be insane. Or, maybe, just in the grip of a certain middle-class white man's anxiety. That he has a girlfriend at all—Ramona, played by the casually wonderful Judy Greer—is a surprise. That she's blind perhaps isn't. But Ramona has seen some kind of light and is moving on, leaving Isaac in despondency. Though there's a question whether despondency isn't his default state.

Ms. Bravo, a Panamanian Brooklynite with TV and a number of shorts under her belt, is in total control of "Lemon," its tone and its look. The work by production designer Grace Alie ("Short Term 12") is noteworthy, as is the cinematography by Jason McCormick. But the space in the universe occupied by "Lemon" seems to have sprung whole from Ms. Bravo's very original brain, and its deliberate sensibility provides some assurance and comfort in the midst of the unease emanating from Isaac and his circle. These would include Martin Starr as his brother, Adam; Shiri Appleby as his sister, Ruthie; Fred Melamed and Rhea Perlman as his agonized parents; and Hannah Heller as Adam's wife, Zelda, whose recent brain damage no one really wants to address. Or the fact that she's

throwing dishes on the floor. There are two other more or less parallel storylines to the Seder taking place in "Lemon": Isaac's acting workshop, where he's staging a weird version of Chekhov's "Seagull," and consistently demeaning his lead actress, Tracey (Gillian Jacobs), for the benefit of his lead actor, Alex (Michael Cera), with whom he seems inexplicably infatuated. Mr. Cera plays the egomaniacal-actor role to the hilt. The other story involves Cleo (Nia Long), whom Isaac woos in the wake of Ramona's infidelity and who brings him to a family barbecue. "I didn't know there'd be accents," Isaac says uneasily, hearing the Caribbean lilt of Cleo's relatives.

And then there's the great David Paymer, who delivers a small but spectacular performance as a Seder guest, Dr. Gold, whose emotional distress and desperation are, like much of what's said in "Lemon," ducking behind the shrubbery of good manners. "It takes all the running you can do," he finally says, "to keep in the same place." The arcs traveled by Dr. Gold and Isaac are, no doubt, intended to intersect in some troubled eternity of Ms. Bravo's imaginings.

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

effects of the sycophancy of his toadying subordinates. That may not be medically sound, but it makes for a smart play, and Mr. Bennett—the-director has had the clever idea of staging it in the hectic manner of an artificial comedy: Mr. McCamus plays George as a Wodehouse-like upper-class clown, which makes his descent into lunacy all the more frightening.

Ken MacDonald's set incorporates two tiers of stage boxes, and Mr. Bennett's actors play directly to the members of the audience, both on and offstage, al-

Continued from page A10  
etry Theatre in 2009 and New York's Irish Repertory Theatre in 2011—something about the play always seems to bring out the best in those who do it—but this one, perhaps because it is performed at a moment of what for many Americans feels like cultural disintegration, speaks with an uncommonly timely eloquence.

As for the Shaw's production of Alan Bennett's "The Madness of George III," it is arguably even more important as an event, since revivals of Mr. Bennett's 1991 play, a costume piece with two dozen speaking roles, are very rare. (The only important American production in recent years was at San Diego's Old Globe in 2010.) Kevin Bennett, the director, has contrived to perform "George III" on a smallish stage with 12 actors, a feat of legerdemain that I hope will inspire others to emulate it, though what I'd really like is for this revival to be remounted in New York. Totally different in tone and approach from Nicholas Hytner's 1994 film version, which was based on the original National Theatre stage production and preserved Nigel Hawthorne's acclaimed performance of the title role, it's just as successful in its own distinctive way, and features a sumptuous star turn by Tom McCamus.

"George III" tells with dazzling clarity the twisty tale of how King George was stricken in 1788 with a mysterious bout of mental illness that left him spouting word salads and led to a parliamentary crisis. Its real theme, though, is the corrupting effect of power: According to the playwright, King George was driven mad by the spiritually enervating

ways to attention-seizing effect. Most of them cover two or three parts, switching roles as easily as they change hats. The result is a show that hurtles from scene to scene with burgeoning energy, one no less emblematic than "Lughnasa" of the Shaw Festival at its formidable best.

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](mailto:tteachout@wsj.com).

### Shaw Festival

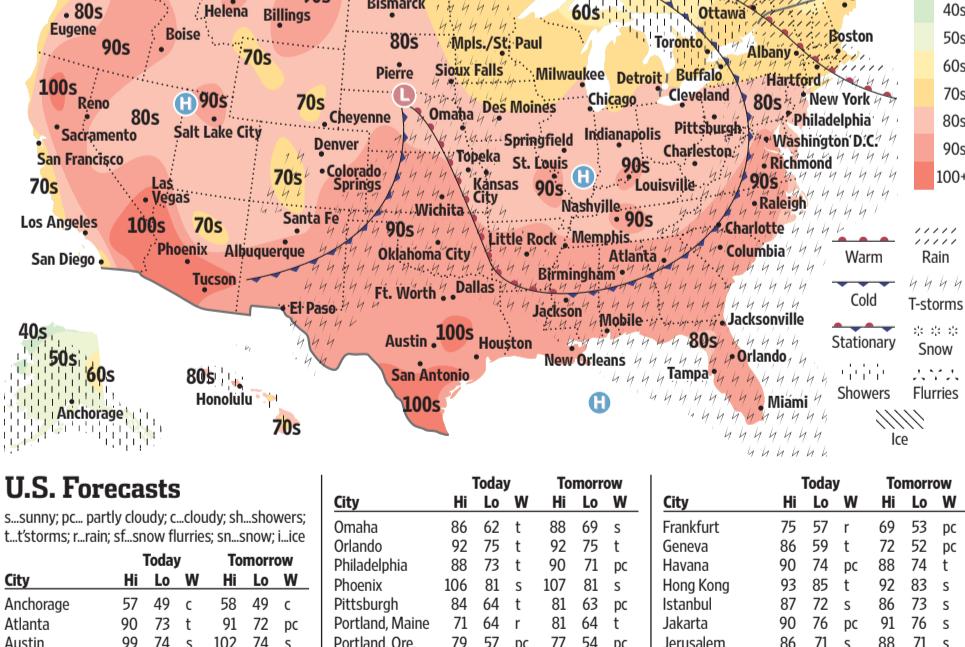
Royal George Theatre, 85 Queen St., Niagara-on-the-Lake, Ontario, Canada (\$60 and up, varying with availability), 800-511-7429

Dancing at Lughnasa, closes Oct. 15  
The Madness of George III, closes Oct. 15



Tom McCamus as George III in 'The Madness of George III'

### Weather



### U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; sn...snow; Li...ice

Today Tomorrow

Hi Lo W Hi Lo W

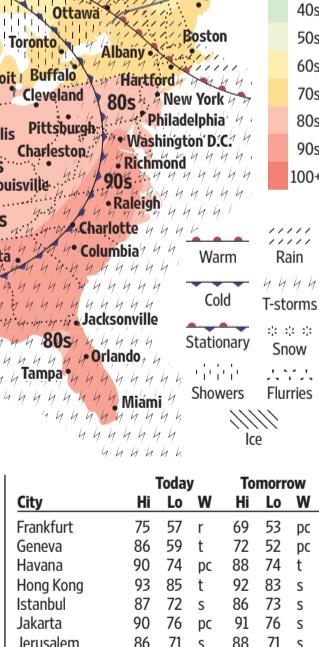
City Anchorage Atlanta Austin Baltimore Boise Boston Burlington Charlotte Chicago Cleveland Dallas Denver Honolulu Houston Indianapolis Kansas City Las Vegas Little Rock Los Angeles Miami Milwaukee Minneapolis Nashville New Orleans New York City Oklahoma City

Today Tomorrow

Hi Lo W Hi Lo W

City Amsterdam Athens Baghdad Bangkok Beijing Berlin Brussels Buenos Aires Dubai Edinburgh

### AccuWeather.com



### International

Today Tomorrow

Hi Lo W Hi Lo W

City Frankfurt Geneva Havana Hong Kong Istanbul Jakarta Jerusalem London Madrid Manila Melbourne Mexico City Milan Moscow Paris Rio de Janeiro Riyadh Rome San Juan Seoul Shanghai Singapore Sydney Taipei Tokyo Vancouver Warsaw Zurich

### The WSJ Daily Crossword | Edited by Mike Shenk



# SPORTS

NFL | By Jason Gay

## My Flimsy Farewell to Football

Another round of national anthem protests has our sports columnist ready to walk away from the game. Or...maybe not.

 More NFL players are declaring they'll follow Colin Kaepernick's lead, and won't stand for the national anthem this season.

There are fans who say they'll quit watching the game because of this.

Should I join the herd? Say bye-bye to football?

Wait...am I really doing this? It seems so dramatic!

Am I really not supposed to watch the NFL anymore? Apparently, this is the first move you're supposed to make. I'm expected to cancel ESPN, ESPN2, ESPN14...all the ESPNs. I'm supposed to cancel Fox? Also CBS, ABC and NBC, too.

But NBC has "This Is Us." I'm going to wind up divorced if I can't get episodes of "This Is Us."

Who else has football? Nickelodeon? E? C-SPAN? Is the NFL even on C-SPAN? I'll go ahead and cancel that, to be safe. Farewell, C-SPAN. That's what you get for showing football, nerds.

Should I throw the television in the trash, to be 100% sure I don't see any football? The kids may complain, but to be honest, they prefer to watch shows on their mother's phone. They're little; they don't even know what a TV is. TV is for old people. I'm going to get pliers and pry the flat screen out of the wall. It's going to leave an ugly hole in the sheetrock, but at least it won't be football.

Let me know if you want my television. It's in good shape, and has 11 million episodes of "House Hunters" and "Fixer Upper" on it. It's also really good for watching "This Is Us" and...football.

Why am I doing this again?

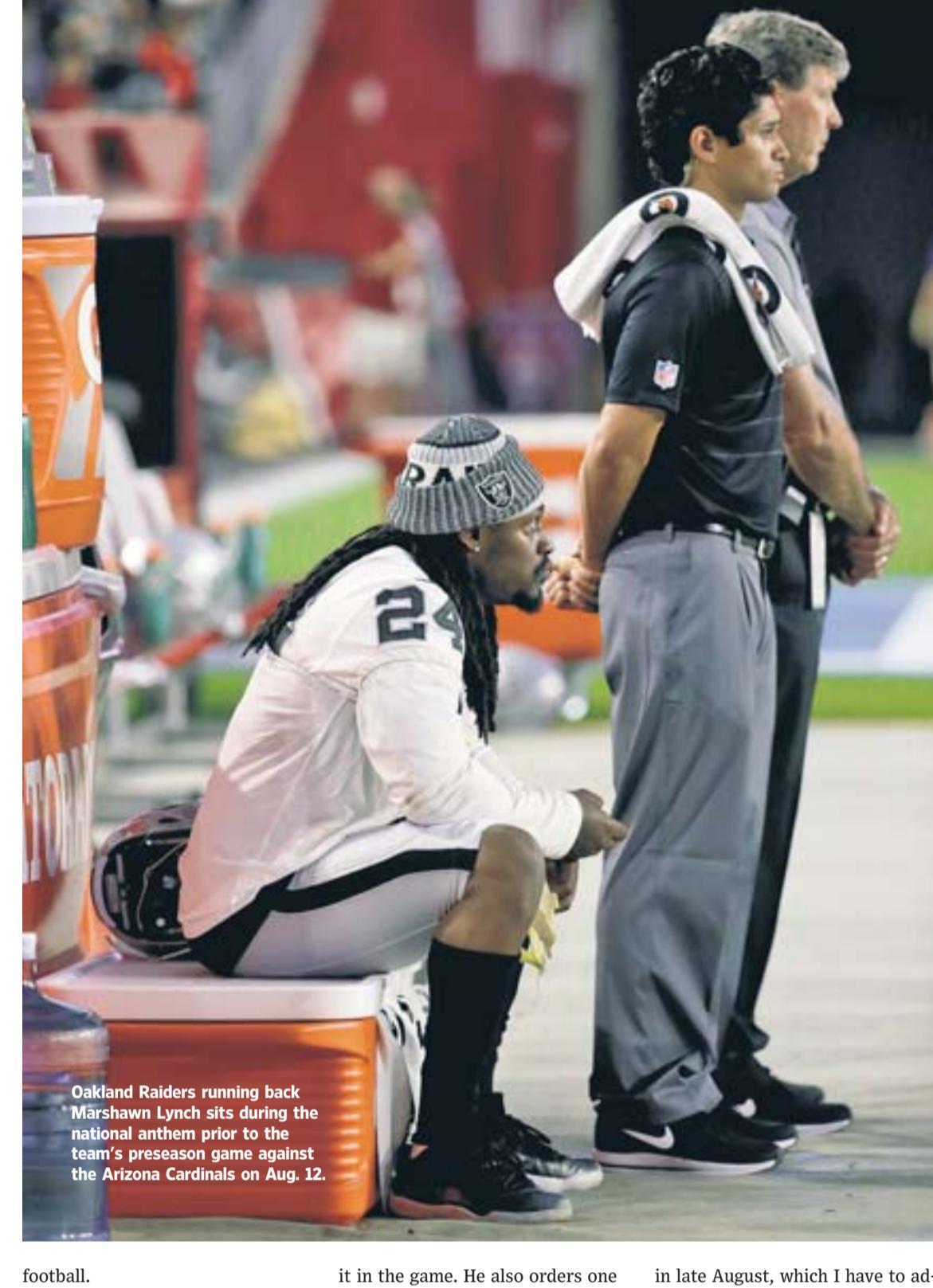
I'm probably going to have to stop going to the deli and the car wash and probably my doctor's office, because they're always talking about football there. Or whatever it is that the Jets play. I can't go to the coffee shop around the corner, because they're into the Giants. This is terrible. I love that coffee.

Can I send my kids to get coffee? Is that against the rules?

I guess I can keep going to Whole Foods. Nobody at Whole Foods knows what the hell the NFL is.

I'm going to boycott the sponsors. That's another thing I'll do. No more Nike, or Adidas, or Under Armour sneakers. I hate the way they spell "Armour" anyway. I'm going to go barefoot. Or find my Tevas. Does anyone in the NFL wear Tevas? I bet Bill Belichick loves himself a pair of Tevas. Let me know if I need to boycott Tevas, too.

I'm going to stop drinking beer, because beer is synonymous with



RICK SCUTERI/ASSOCIATED PRESS

football.

Well, first, I'm going to finish this beer in the fridge.

OK, I'm finished. That's it for me and beer.

Hold on: there's one more beer.

To do this right, I'll have to say goodbye to my brother. He's the biggest football fan I know. He's the kind of person who stands up and yells at the television really loudly, like the coaches might hear what he has to say and start using

it in the game. He also orders one pizza for nine people. To be honest, I'm probably not going to miss watching football with my brother.

Hey, I found another beer.

Sweet.

Is it possible to cancel the radio? I don't even know if I can cancel the radio. The radio is, like, in the air. But I want to make sure I don't hear anybody talking about football, arguing about football, or Kaepernick, who doesn't have a job

in late August, which I have to admit is a little weird. Instead of signing Kaepernick, NFL owners would rather just hire a guy named Matt. Any Matt.

Besides, people paid to yell about football never actually get to the core of what these protests are about, whether it's about law enforcement, governmental inaction or the treatment of African-Americans in this country, or maybe some of the other, depressing mad-

### OLYMPICS

## NORTH KOREA LOOMS OVER WINTER GAMES

BY JONATHAN CHENG

Seoul

**THE LAST TIME** South Korea hosted the Olympics, in 1988, North Korea was keen for a piece of the action and offered to co-host events. After it was rebuffed, Pyongyang bombed a South Korean jetliner and launched its own rival sports extravaganza.

Now, the Olympics are returning to South Korea—and this time North Korea is looming as an ominous problem months ahead of the Games. The 2018 Winter Games are set to take place next February in the South Korean ski resort town of Pyeongchang, just 50 miles south of the demilitarized zone, or DMZ—which is actually heavily fortified—that separates the two Koreas. And this time, North Korea's actions are raising concerns months ahead of time, in the form of intensifying nuclear-war rhetoric with the U.S.

That is undercutting hopes that the coming Winter Games will promote harmony, not further discord, between South and North Korea. And it is making Pyeongchang look like one of the least opportune Olympics sites.

Olympics have been staged against nasty political backdrops before. The 1936 Summer Games were held in Berlin amid the rise of Nazi Germany. During the Munich Olympics in 1972, 11 Israeli

athletes and coaches were killed by Palestinian terrorists. At Sochi in 2014, Russia moved to annex part of neighboring Ukraine as that year's Winter Games ended.

South Korea long ago learned to live with risks in North Korea that terrify the rest of the world. But the sudden flare-up in tensions on the Korean peninsula has sparked concerns at the International Olympic Committee, as thousands of athletes, sponsors, supporters and fans prepare to descend on the remote skiing village.

The IOC, in a statement Friday, said that the Pyeongchang Games "continue to be on track, but added that it is "monitoring the situation on the Korean peninsula and the region very closely," and "keeping itself informed about the developments."

Denis Massoglia, president of the France Olympic Committee, told the Associated Press that the situation would be discussed at an upcoming IOC meeting, adding:

"There is no reason to be too worried at the moment." He added: "Of course if the tension escalates, we'll need to adapt."

Pyeongchang organizers have touted these Games as the "Peace Olympics." Gangwon Province, where Pyeongchang is located, was the only province divided by the Korean War, and organizers have held events, like a "peace walk" of several hundred international students along the DMZ carrying a



PEDRO UGARTE/AGENCE FRANCE PRESSE/GETTY IMAGES

"peace banner."

"It is important to remember that Koreans have lived under this tension of political relations for decades," said Nancy Park, a spokeswoman for the Pyeongchang organizing committee. She noted that South Korea had successfully hosted the 1988 Olympics and the 2002 FIFA World Cup, despite concerns about North Korea.

Without offering specifics, Park said that the police, military, intelligence agencies and international authorities are developing a "comprehensive security plan."

Moon Jae-in, South Korea's newly-elected president and the son of North Korean refugees, is a longtime advocate of engagement with Pyongyang, the North Korean capital. Since taking office in May, Moon has repeated a constant refrain: the two Koreas should find

some way to cooperate at the Olympics.

"Sports have the power of connecting one heart to another," he said last month during his first major policy address on North Korea as president. "The world will witness peace through the Olympic Games," Moon said.

It isn't a crazy idea. The two Koreas have walked into the opening ceremonies together twice at the Olympics, at Sydney in 2000 and Athens in 2004.

Though the two Koreas competed separately in events in both Games, the inter-Korean bonhomie foreshadowed the only two inter-Korean summit meetings, in 2000 and 2007, between then-North Korean leader Kim Jong Il and his South Korean counterparts.

Moon has set his sights even higher. In June, his new sports

minister, Do Jong-hwan, proposed that North Korea could host some skiing events at a lavish ski resort that it opened in 2013.

During an international taekwondo competition in South Korea a few days later in June, Moon met with a visiting North Korean delegation and suggested publicly that the two Koreas field a joint team next year. A North Korean official, Chang Un, Pyongyang's sole representative at the International Olympic Committee, appeared to dismiss the idea.

Of course, for the Koreas to compete together, or even walk into the opening ceremonies together, North Korean athletes will have to qualify for competition.

While North Korea is competitive at the Summer Olympics and in global soccer, it isn't exactly a winter sports power. It has only sent athletes to eight Winter Games since the Korean War in the early 1950s, and won just two medals—a silver in 1964 and a bronze in 1992.

Its last remaining hope to qualify for the 2018 Winter Games is a figure-skating duo, Ryom Tae Ok and Kim Ju Sik, who will have to place in the top four at the Nebelhorn Trophy in Oberstdorf, Germany in late September, to win a berth at Pyeongchang.

There is at least one good reason to root for the North Koreans to qualify, security experts say: The presence of North Korean athletes in Pyeongchang would lower the probability that the Pyongyang government tries any hijinks or provocations.

"To have the North there would almost be like a security guarantee," says Andrew Gilholm, a Seoul-based director of Northeast Asia analysis for Control Risks, a consultancy.

# OPINION

## The ‘Resistance’ Goes Lower



POTOMAC WATCH  
By Kimberley A. Strassel

In a better world, Americans would never hear the name Samantha Dravis. She wouldn't be pictured on the front page of the New York Times or added to environmentalist "watch lists."

This is no knock on Ms. Dravis, who is a talented attorney. Rather, it's an acknowledgment that in the grand scheme of the federal government, she's one of hundreds upon hundreds of "staffers." As associate administrator for policy at the Environmental Protection Agency, she didn't need Senate confirmation. She's no cabinet secretary and never chose a public role.

But in today's anti-Trump "resistance," that counts for nothing. The left lost the election, lost the argument, and is losing President Obama's precious legacy. Its response is a scorched-earth campaign against not only EPA Administrator Scott Pruitt, but anyone who works for him.

Most vicious has been the retribution against Mr. Pruitt for his work to undo Obama-era climate rules. Environmentalists and Rhode Island Sen. Sheldon Whitehouse have ginned up an investigation at the Oklahoma Bar Association into whether Mr. Pruitt lied during his Senate confirmation. He testified that he didn't use private email for work

while serving as Oklahoma's attorney general. Then out came a handful of emails, over years, sent to Mr. Pruitt's private address. This is hardly Hillary Clinton behavior, yet Mr. Pruitt is having to pay for a personal attorney to fight the charges. The activists' stated goal: disbarment.

Meanwhile, California Attorney General Xavier Becerra is suing the EPA for documents as part of a laughable claim that Oklahoma's past lawsuits against the agency mean Mr. Pruitt has too many "conflicts of interest" to make policy.

### Green groups are attacking staffers merely for working in Trump's government.

California has no authority whatever to arbitrate such things. The federal Hatch Act sets out the rules surrounding conflicts, and the EPA's ethics officer (a career staffer) has said Mr. Pruitt is well within that law. The suit is simply Mr. Becerra's excuse to delegitimize Mr. Pruitt.

High-ranking appointees have always been demonized, but what makes this environmentalist campaign different is its purposeful extension of intimidation tactics to anyone willing to serve in the Trump administration. Political staffers have been put on notice that they may be watched, smeared and harassed, putting

future job prospects at risk. Ms. Dravis is tasked with reviewing the EPA's current rules to ensure that they aren't duplicative, that they live up to cost-benefit analyses, etc. The Obama administration, for the record, did the same sort of review. But Mr. Obama's officials were never targeted like this.

The Natural Resources Defense Council has a "Trump Watch" that noted Ms. Dravis's hiring under the heading: "Pruitt picks a fellow enemy of the EPA." ThinkProgress.org tracks Trump staffers, lists their ties to "fossil fuel lobbying groups" and "climate-denying lawmakers' offices," and invites members of the public to submit their own smears. Clearly aware of how obnoxious this is, ThinkProgress justifies the tracking by lamely noting that "these staffers are tasked with making decisions."

The New York Times even featured Ms. Dravis—a staffer!—in a picture on its front page. The story was titled, "The Deep Industry Ties of Trump's Deregulation Team." It essentially accused her, with no evidence, of doing the dirty work of energy donors in her past job at the Republican Attorneys General Association.

When green activists are poached from the NRDC or Sierra Club to work for Democratic administrations, they are praised for having experience. But when lawyers with a knowledge of regulated industries are hired to the EPA

in a Republican administration, they are assumed to be unethical.

Ms. Dravis is already the subject of more than 100 Freedom of Information Act demands. Green groups and the likes of ProPublica have requested her daily schedule and tons of her email. It helps that at least some of the EPA's 15,000 employees are happy to help with the harassment from inside. Political staffers say federal information officers are suddenly searching doggedly through email accounts themselves, rather than letting employees comply with their own FOIA requests as they did in the Obama years. Ethics officers suddenly have whole new readings of the rules. This is happening governmentwide.

These columns have occasionally noted Obama staffers or officials who had been named for doing something untoward (say, conducting off-grid correspondence with the green lobby, the sort of "deep ties" the Times always ignored). But the current campaign to malign Trump staffers personally for nothing more than serving in government is a new and troubling tactic.

All the more reason for Mr. Trump to avoid inflaming controversy for more than one day running, if that's possible. Many staffers and appointees came to this administration for the cause. The president has enormous ability to provide them public backing and policy leadership—and do they ever need it.

*Write to kim@wsj.com.*

## The Acton Institute's Moral Capital

**HOUSES OF WORSHIP** By Mene Ukuweberuwa

American Christians may have more in common with Bernie Sanders supporters than you think. A slim majority of self-identifying Christians hold an unfavorable view of capitalism, according to a 2013 Public Religion Research Institute survey. Pope Francis, the world's most prominent Christian, consistently critiques free-market economics. Today millions of well-meaning Christians worry about capitalism's compatibility with Christian values. What's a committed Christian capitalist to do?

For a better sense of how the Christian social vision can work alongside capitalism, look to the Acton Institute for the Study of Religion and Liberty. The Grand Rapids, Mich., think tank remains confident in the American economic system, researching ways to restrain its worst qualities while promoting its best.

This task hasn't gotten easier with time. When the Acton Institute was founded in 1990, America was in a heyday of harmonious thinking about capitalism and Christian values. Catholic intellectuals such as Michael Novak, Richard John Neuhaus and George Weigel gained renown for defending economic freedom. Novak described the ideal Christian economic creed as "ordered liberty": a system that acknowledges the risks of consumerism and competition and mitigates them with a moral culture rather than state regulation.

This cohort influenced Acton Institute co-founder and president Father Robert Sirico. His ordination as a Catholic priest in 1989 followed his conversion from the leftism that marked his early career as a Pentecostal minister and political activist. One year after the think tank opened, Pope John Paul II published his encyclical "Centesimus Annus." The document rejected socialism and embraced private property. Father Sirico calls it a limited but explicit blessing of the union between faith and economic freedom.

This school of economic thought transformed politics in the coming years. Jack Kemp, the Republican vice presidential nominee in 1996, argued that limited government would help lift up poor Americans, a direct appeal to the needy largely missing from the middle-class orientations of the Reagan and Bush administrations. In the same year, Congress enacted welfare reform that brought millions of Americans back to the work, guided by the premise that there is more dignity in a job than an endless stream of checks.

Two decades later, the capitalist consensus has begun to crumble. Pope Francis often urges audiences to consider the harm free markets can wreak upon the disadvantaged. Even right-leaning commentators have joined the choir of capitalism's critics. First Things editor R.R. Reno warned in 2013 that because "economic freedom creates social and therefore political problems," conservatives should be willing to limit it.

Far from the Christian capitalist caricature—ignoring the Gospels while clamoring for top-bracket tax cuts out of sheer self-interest—the Acton Institute is engaging the skeptics on economic and philosophical grounds. Recent issues of its journal, *Religion & Liberty*, have included essays about income inequality and millennials' growing fondness for socialism. In June Father Sirico took on a pair of critics in a debate about the best way to serve the poor at the annual Acton University conference.

### Economic liberty may be unfashionable, but the think tank hasn't given up on it.

Despite these efforts to dispel the mounting Christian critiques of capitalism, the organization has carefully avoided taking an openly polemical stance. "We're not here to lobby the Vatican," explains Kishore Jayabalan, director of the institute's outpost in Rome. Acton's values have lost ground in the Francis era, but Mr. Jayabalan demurs at the thought of "turning back the tide." Instead the group remains focused on its own activities. For Mr. Jayabalan, this means organizing economics seminars for priests studying in Rome—a program Acton hopes will improve the clergy's grasp of the financial and political issues that shape parishioners' lives.

For Father Sirico, maintaining a local focus has offered an ideal opportunity to put Acton's values to work. In 2013, he embarked on a mission to revitalize the then-dwindling Sacred Heart Academy, the school at the Grand Rapids parish where he serves as pastor. He instituted a classical curriculum and boosted the amount of regular prayer while weaning the school off all government support. The reforms have driven a fourfold increase in enrollment in as many years, a small but solid victory for the mixture of faith and unencumbered industry Father Sirico preaches at Acton.

The same mixture is working wonders on a larger scale throughout Grand Rapids, where Acton has chosen to remain despite temptations to relocate to Washington or New York. The Michigan city's robust industry and its residents' Lutheran work ethic have helped preserve its culture of philanthropy—anchored by Acton supporters like Dick and Betsy DeVos.

A generation ago more Christian commentators sought to redeem rather than renounce capitalism. They worked to turn their conclusions into policy. But even as this vision has lost favor in some Christian circles, the Acton Institute has kept up the mission, spreading the word about the uplifting potential of a free economy to believers and skeptics alike.

*Mr. Ukuweberuwa is a Robert L. Bartley Fellow at The Wall Street Journal.*

## Why Georgia Sticks With Nuclear Power

By Tim Echols

Georgia's decision to continue building two new nuclear reactors—the only commercial ones now in development in the U.S.—means my state stands alone. Vermont's Yankee plant went offline in 2014, and Massachusetts' Pilgrim Station is scheduled to close in 2019. The company behind two half-finished reactors in South Carolina may abandon the project.

Georgia has been down this road before. The first two reactors at the Vogtle Electric Generating Plant near Augusta were completed in 1987 and 1989, in the aftermath of the 1979 Three Mile Island accident. What was supposed to be a \$1 billion project turned into an \$8 billion one. Still, it was a great deal for ratepayers, delivering low-cost power for decades.

Today, finishing the Vogtle

plant's two new Westinghouse AP1000 reactors is the right call—for their owners, including Southern Co., as well as for Georgia and the U.S.

Diversifying the energy supply makes sense, because no one knows what the future holds. The U.S. could institute a carbon tax, or even regulate frackers out of a job. No matter what happens, nuclear reactors will ensure Georgia's electric rates stay competitive.

They also will keep the U.S. from forfeiting its nuclear leadership. As other states have decommissioned reactors without replacing them, the world has begun looking to nations like China and Russia. The World Nuclear Association reports China is increasing its nuclear generation capacity 70% by 2021 and will surpass U.S. output by 2030. The only way for America to continue setting international standards for safety

and security is to invest in reactors and technology.

Nuclear reactors produce isotopes needed for medical imaging and cancer treatment. Last week a Canadian electric company, Bruce Power, announced a partnership to expand isotope production.

It's a hedge against a low-carbon future—and much more.

And reactor technology gives American naval vessels a distinct advantage. The U.S. has 10 aircraft carriers and dozens of nuclear-powered submarines. They can go years without refueling, but the Navy relies on a strong commercial nuclear industry to provide employment and training and to keep the supply chain humming.

I understand the angst surrounding such massive construction projects, as well as the concern over their costs. I know that Yucca Mountain, where the nuclear waste would ultimately be stored, is only now emerging from limbo. And I do value renewables like solar.

But the job of a state utility commission is to plan for the future. Georgia is pressing ahead—despite fears fanned by the 2011 tsunami in Fukushima, Japan, and despite the financial meltdown that put the reactor designer, Westinghouse, in bankruptcy this year.

Against great challenges Georgia and Southern Co. persist.

With vision, perseverance and God's help we will make the Vogtle reactors America's next nuclear-energy flagship.

*Mr. Echols is a member of Georgia's Public Service Commission.*

**BOOKSHELF** | By Meghan Cox Gurdon

## For Mature Audiences

### Wild Things

By Bruce Handy  
(*Simon & Schuster*, 307 pages, \$26)

Midway through life's journey, many of us find ourselves returning to a realm that we had left ages ago and may not have thought about much since. That country is the land of children's literature, a place as vivid, varied and tumultuous as any that ever existed on a real map. When we're young, if we're lucky, we spend lots of time with its scenes and characters: Hansel and Gretel nibbling the witch's candy house; Max sailing "in and out of weeks" to where the Wild Things are; Charlotte weaving the word "radiant" into her web to save Wilbur, the pig; Lucy stepping into a wardrobe and emerging in snowy Narnia. The world of children's literature is rich and enchanting and formative, but by the time most of us reach late adolescence we're out of it. We put away childish things, as it were, and get busy with the fascinations and requirements of adulthood.

So it can be surprising and thrilling, and disconcerting too, to get a return ticket when our own children come into the world. Having given only an occasional nostalgic thought to Oz or Neverland or the Hundred Acre Wood, we're plunged back into the joyful scrum. As to the sensations of re-entry and the unexpected complexities that grown-ups may find in the books they loved when they were small—well, that is the stuff of "Wild Things," a charming, discursive encounter with classic children's literature from the perspective of a parent.

Our Virgil, on this journey, is both guide and wanderer. Bruce Handy is a widely published essayist and critic and a contributing editor at *Vanity Fair*. With his wife, Helen, he has two children, and it was while reading bedtime stories to Zoë and Isaac that the author felt he was "revisiting a favorite old neighborhood after many years and finding not only that it hadn't been chain-store into submission or paved over altogether, but that it was far more interesting and complex than I knew."

For parents who are embarking on this phase of rediscovery, for those in the thick of it, and for those for whom it is a warm and recent memory, "Wild Things" will be a delightful excursion. Mr. Handy writes with zip, sincerity and good humor. He has a gift for witty phrasing: Fairy tales have a "rude verve," and in their number is one so ghastly that it lurks "like a moldy berry" in the collected stories of the Brothers Grimm.

**It can be surprising, thrilling and disconcerting to return to children's books as adults, when our own children come into the world.**

The book is organized in a way that approximates the developmental stages of a growing child. We start with the ur-baby book, "Goodnight Moon," whose author, Margaret Wise Brown, Mr. Handy discovers, was not a kindly gray-haired woman with an ample lap but a glamorous hottie with amazing talent. He goes on to tackle the picture books and life stories of Maurice Sendak, Theodor Geisel (aka Dr. Seuss) and Beatrix Potter before progressing to C.S. Lewis, L. Frank Baum, Laura Ingalls Wilder and Louisa May Alcott—all the time giving his personal responses. Mr. Handy is an atheist but confesses himself "charmed and persuaded by the religious undercurrent of [C.S.] Lewis's ['Narnia'] tales—in the sense that I am moved and persuaded not by the theology itself but rather by Lewis's ability to convey in tangible, organic terms what his religion means to him, what Christianity *feels* like for him." All the same, Mr. Handy's heart, I think, belongs to Beverly Cleary (born in 1916 and thus 101 today) and E.B. White (1899-1985).

The chapter about Ms. Cleary and her books, which include "Henry Huggins," "Beezus and Ramona" and "Ramona the Pest," occupies the physical and emotional center of this volume. "To call Cleary a realist, the godmother of fiction about quirky but essentially normal kids, is to limit her achievement," Mr. Handy writes. "Her best books are gems of emotional insight, and also most important of all, they are very, very funny, though never jokey—they're comedies of manners for children." His open-hearted reflections on "Charlotte's Web," meanwhile, will make readers want to return with a rush to E.B. White. (Mr. Handy confesses to blubbering his way through the end of the story, unlike his "utilitarian . . . even hard-hearted" children: "What are you crying about, Dad? Wilbur has all these new friends now.")

"Wild Things" is light on politics, though Mr. Handy gets a few digs in. He includes the president in a list of famous con men, compares Paul Ryan to the Wizard of Oz and defends "dedicated educators, especially in the current political environment," which I suppose must mean—who knows? Is he referring to public school teachers? Charter-school teachers? College professors?

Also light but unmistakable is the author's pre-emptive placation of the social-justice furies. At one point he describes himself in a jaunty way as "conventionally gendered." At another, he purchases indulgence for an extended quotation from "The Adventures of Tom Sawyer" by adding a footnote in which he objects to Mark Twain's "treatment of the book's villain, Injun Joe, who is repeatedly referred to in racist terms." Twain does deal in a hard way with Injun Joe, whose moniker offends today, but he is footnoted here, it seems, only to indemnify the author.

It has become dangerous to discuss classic children's books as works of art unto themselves. With certain classics, modern writers must pull back and show that they object to solecisms, lest they be accused of endorsing them and be ruined. Still, as Mr. Handy remarks in the context of "Little Women," "you can't fault a book for being a product of its era, though you are free not to like it." That's true of "Wild Things." It is a book of its era. It is also engaging and full of genuine feeling, and I liked it very much.

*Mrs. Gurdon reviews children's books for the Weekend Journal.*

### Coming in BOOKS this weekend

Listening to Toscanini • Don't forget Diana Trilling • Women who sat for Sargent • Novels by Orhan Pamuk and Karl Ove Knausgaard • How bugs run the world • What tides can teach us • The madness of stadiums • & more

## OPINION

### REVIEW & OUTLOOK

## All the President's Advisers

Even many opponents of Donald Trump as a candidate were cheered by the quality of his early appointments, especially his Cabinet. But as his behavior as President has become more erratic, and especially after the moral confusion of his response to Charlottesville, the question becomes whether there will be a rush to the exits that sends this Presidency into an even faster decline.

This is no exaggerated fear. John Kelly, the new chief of staff, looked visibly uncomfortable as he listened to Mr. Trump's self-destructive, off-the-cuff riff about Charlottesville on Tuesday. The former general is supposed to bring order to White House chaos.

Gary Cohn, the chief economic adviser who is Jewish, is widely reported to have been upset as he stood nearby as Mr. Trump struggled to distinguish between neo-Nazis, whom he condemned, and "very fine people" who merely wanted to support Confederate statues. The press event was supposed to be about infrastructure.

Some conservatives deride Mr. Cohn as a Wall Street Democrat, but he has assembled a first-rate policy team with free-market views. They are crucial to pulling off tax reform in the autumn and to holding off destructive ideas like withdrawing from Nafta.

Then there's the national-security team that is trying to navigate the dangerous world they inherited from Barack Obama. Jim Mattis at Defense, National Security Adviser H.R. McMaster, CIA Director Mike Pompeo and U.N. Ambassador Nikki Haley are clear-eyed about the threats posed by Russia, Iran and North Korea. Whatever their policy differences, they know the value of alliances and diplomacy backed by military power.

They're also reassuring to a world that doesn't know how to read Mr. Trump's Twitter outbursts. There's no evidence they plan to leave, but if they did it would send a political shock that would ignite calls for Mr. Trump's resignation.

These voices of common sense are all the more important given this week's declaration of political war by Stephen Bannon. The White House strategist cold-called Robert Kuttner of the American Prospect and proceeded to trash his colleagues, boast about his plans to purge opponents at State and Defense, and dilate on the urgency of economic war with China.

Mr. Kuttner says that as a man of the left he was startled to get the call and quotes Mr. Bannon as saying, "They're wetting themselves,"

about his foes. "There's a fight I fight every day here" and "we're still fighting. There's Treasury and Gary Cohn and Goldman Sachs lobbying." Mr. Bannon has a Manichean view of politics, at home and abroad, that is sure to become destructive. "To me," he told Mr. Kuttner, "the economic war with China is everything."

Most striking is Mr. Bannon's willingness to undercut Mr. Trump's policy of pressuring China by saying there's "no military solution" on North Korea. He said he'd consider a deal in which North Korea freezes its nuclear program with verifiable inspections in return for U.S. withdrawal from the Korean peninsula. But this would be a strategic windfall for China and North Korea, leveraging the nuclear threat to push the U.S. out of East Asia.

Mr. Kuttner reports that Mr. Bannon dismissed white supremacists as "clowns" and "losers" who are "a fringe element." But he also said he welcomes the left's preoccupation with racial politics as self-defeating, which might explain Mr. Trump's willingness to goad the left by indulging in it himself.

Mr. Bannon says he didn't realize his chat with the journalist was on the record, which is hard to believe given his years of media experience. We almost wonder if it's a dare to Mr. Kelly to fire him. If Mr. Trump retains Mr. Bannon after such a public declaration of disdain for his colleagues, the President will risk other departures. And if Mr. Trump rejects such a request from Mr. Kelly, the chief of staff will have to wonder whether he can do his job.

\* \* \*

The men and women who have joined the Trump Administration aren't doing so because it enhances their reputations. They have no illusions about Mr. Trump's character flaws, or if they did, they don't any more. They are trying to serve their country.

They know nearly 63 million Americans voted for Donald Trump, and that it does the country no good to root for a Presidency's disintegration. They see a rare moment of united Republican government to move in a better direction on domestic policy. Or they want to correct the erosion of American power and influence that accelerated during the Obama years.

But that task gets harder with every reckless Trumpian flight from normal presidential behavior. Every person has to decide how long he or she can serve in good conscience. But we hope the best stay as long as they can for the good of the country.

## This Time, Terror Hits Spain

Recent terror attacks in Europe have been concentrated in the north, but Thursday's assault in Barcelona shows that the danger continues elsewhere. One or more attackers drove a van into a crowd, and officials say at least 12 people were killed and dozens injured. Islamic State claimed responsibility.

The attack occurred on Las Ramblas, a pedestrian boulevard popular with tourists in the height of Europe's vacation season. Terrorists have learned that vehicles can be effective weapons. Trucks killed 86 in Nice, France, and 12 in Berlin in 2016, and cars and vans were used in deadly sprees in London and Paris. ISIS offers a how-to manual online for this type of attack.

Spain last suffered a major attack in 2004, when al Qaeda killed 191 on commuter trains in Madrid. Al Qaeda was trying to punish Spain for joining America's coalition in the Iraq war and to sway an election. But Spain remains an Isla-

mist target no matter its foreign policy. The Iberian peninsula was under Islamic rule for centuries, and extremists want to reconquer it.

They lack the military means to do so, but an internet connection is the only tool ISIS needs to radicalize individuals or small groups. Defeating ISIS in Syria and Iraq will diminish the group's claim to success and thus its power to inspire. But authorities warn that it could take a generation or more for extremism to burn itself out in the West. Governments in Europe will have to accelerate their crackdown on funding for extremist preaching and increase support for deradicalization.

Europe has also come late to the use of big data, tighter border checks and other counter-terror techniques. The dangers are continental, not national, and authorities across Europe have to better coordinate their efforts to protect their public squares from mass murder.

## Refighting the Civil War

In fewer than seven days after the Charlottesville violence last weekend, statuary and other symbols of the American Confederacy are disappearing. Others are being vandalized—someone in Washington on Tuesday, perhaps a Middlebury history major, even spray-painted an expletive on the memorial to Abraham Lincoln.

Standing at the center of this tumult is President Trump, who in a succession of statements and tweets since Saturday has tried to make himself understood on the status of Confederate statues and the people who wish to preserve them. Suffice to say, it hasn't gone well.

The practical political lesson is that there are good reasons why U.S. Presidents and the people who work for them try to choose their words carefully when commenting on public events. Myriad political forces—some active, some dormant—sit beneath America's political life, and what a President says can put those forces powerfully, even dangerously, in motion.

Absent Mr. Trump's comments, it is doubtful that the counter-Confederate movement would have extended to the attempted renaming in Austin of Robert E. Lee Road or that New York Governor Andrew Cuomo would be demanding, as a "stand against intolerance and racism," that the U.S. Army rename two streets at Fort Hamilton in southwest Brooklyn commemorating Lee and Stonewall Jackson.

In our view cities can properly decide whether they wish to take down Confederate symbols, many of which arose in the Jim Crow years of white supremacy in the early 20th Century. But erasing a nation's history is a bad idea. Mr. Trump is being ridiculed for suggesting that George Washington or Thomas Jefferson could

be next because they were slaveholders.

We're glad to have the clarifications on the false equivalence between Confederate generals and the Founding Fathers, but we hope these clarifiers will be around when campus demonstrators or even historians start demanding that the Founders' legacies be repudiated because they owned slaves.

"Racist" is a powerful accusation to make against anyone, but it is heard today in an ever-widening set of circumstances, not just against Confederate generals. It might be useful if more people understood the role race has played in American history, as well as that history's effort to get past discrimination based on race.

It might begin with Jefferson and Washington, who wrote the language and built the institutions of the bedrock American belief that "all men are created equal" and possess inalienable rights. Those words planted the seeds of freedom for the slaves, an idea that advanced through the awful Civil War and, not without setbacks, for a century after, culminating in the Civil Rights Act of 1965.

That is a long and difficult history of progress, one that deserves to be known in its complexity, rather than not known or forgotten. Robert E. Lee spent the rest of his life after the Civil War, notably as president of what became Washington and Lee University, trying to heal the wounds between north and south.

That's at least one legacy of Lee we can all celebrate because we can't see much purpose beyond political symbolism in reopening the Civil War 152 years later. It won't educate an inner-city child trapped in a rotten school, it won't create more economic opportunity, and it won't lead to more racial tolerance.

Once was enough,  
as Robert E.  
Lee understood.

## LETTERS TO THE EDITOR

### Mixed Reviews for Damore, Former Googler

Despite James Damore's whining, he has nothing to complain about ("Why I Was Fired By Google," Review, Aug. 12). One can and sometimes should disagree with an employer's policy. And an employer can and should fire an employee for misconduct. Mr. Damore claims he was fired for disagreeing, when he was in fact fired for his stereotyping of women. His most dishonest claim is that his views were suppressed. Can you call it suppression when his 10-page letter was freely circulated at the company? It wasn't removed, and he wasn't forced to delete it. Mr. Damore calls for a rational debate on policy but responds with whining when his shameful views are exposed.

SCOTT WILLIAMS  
Mountain View, Calif.

How precious of the young Mr. Damore that he has enough years and breadth of experience in engineering to declare that men are generally better suited to technical and leadership roles than women. I don't disagree that there are probably biological or neurological differences that account in part for why there are more women in some professions and more men in others. But fewer women in engineering doesn't mean that women are less suited to it than men. If Mr. Damore believes that women may be hindered in the engineering profession by their gender, he may be less likely to hire a woman engineer and less likely to promote a woman to a more technical role that demands skills he deems more suited to men. Maybe that's why Google fired him.

Emphasis on gender in hiring decisions may or may not be a successful corporate strategy at Google or any other organization. Ideally, hiring should be gender neutral. Someday the pendulum may come to rest there, but when a young man makes gender-based generalizations, as Mr. Damore did, to argue against gender

based preferences, then we've been progressing in the wrong direction.

By the way, I've been coding longer than Mr. Damore has been alive. For me, it is a creative outlet for my "artistic" side.

ANN DEFRENCO  
Superior, Colo.

Thank you for allowing James Damore to articulate and appropriately present his situation and his fears for the future. I believe Mr. Damore's essay explains why Donald Trump got elected. It completely explains why I voted for Mr. Trump. While I don't claim to represent any majority, I believe that there were enough people who had similar concerns about Hillary Clinton that overrode any concerns we might have had about Mr. Trump and his behavior. Specifically, Mr. Damore's situation demonstrates the extremes to which political correctness can be taken by those in power. I came to believe from listening to Mrs. Clinton's speeches that what we have just seen at Google would begin happening at the federal government level, the best example being Mrs. Clinton's "deplorables" speech. I came to believe that those of us who held opinions that dissented from progressive political correctness would be "suppressed."

DAVID K. WINSTANLEY

Mesa, Ariz.

I forgive Mr. Damore his youth and its attendant impatience and frustration. But with time comes perspective. After several thousand years of teeth-grinding stupidity, women and companies have the right to be a little touchy on this subject. Let's all try to be as patient as women were. We will sort out the best way to proceed with this shift in an ancient hierarchy. I don't think it will take a thousand years. I think women are better at kindness and reason than we are.

JOHN GRASSILLI  
Putnam Valley, N.Y.

### Surprising Number of Vocations Via Military

I read Matthew Hennessey's "The Priesthood Is a Heroic Vocation" (Houses of Worship, Aug. 11) as I was getting ready for a road march with several of my fellow chaplains and chaplain assistants. As an Army chaplain and Presbyterian minister, I have served with many faithful, inspirational Catholic chaplains. Roman Catholic soldiers make up the largest denominational group in the Army, and the sacramental ministry our Catholic chaplains provide is irreplaceable. One of our heroic priests, Chaplain Emil Kapaun, posthumously received the Medal of Honor in 2013 for his actions as a POW in the Korean War. We, too, struggle with finding enough priests who are able to serve, especially

when it is up to their bishops, who are under tremendous pressure to keep their own parish positions filled, to release a capable priest to serve in the military. However, on closer inspection the largest group of young men who are taking their vows are prior-service military. If you want heroes for the parish, send us heroes for our soldiers and you might find that in our soil the larger Roman Catholic Church will reap a hundredfold harvest.

LT. COL. KEVIN WAINWRIGHT

Fort Campbell, Ky.

### Chart Shows the Political Center Hasn't Held at All

The most distressing takeaway from the diagram in F.H. Buckley's "How Trump Won, in Two Dimensions" (op-ed, Aug. 10) is the absence of a substantial cluster of more or less equally mixed blue and red dots around the center crossing point.

William Butler Yeats seems to have had it right in 1919 when he wrote, "Things fall apart; the centre cannot hold." It's hard for the center to hold when there no longer is a center. And things do indeed fall apart.

RUSSELL S. CARSON

Rocky River, Ohio

STEPHEN BORKOWSKI

Pittsburg, Texas

### Ignore This Tiny Minority

In "A Fringe," (Notable & Quotable, Aug. 14), Roger Simon beautifully articulates the most important and underreported fact regarding the Charlottesville march. Neo-Nazi views are shared by only a minuscule portion of Americans. Considering 99.97% of the population rejects their bigoted beliefs, the best response to future marches might be to completely ignore them.

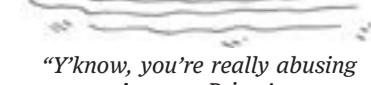
The Constitution endows even racist idiots with the right to speak, but nowhere does it require anyone to listen. Counterprotests and constant media coverage provide white supremacists with the national attention they crave and give the false impression their views are widely held. If future marches are boycotted rather than protested they'll quickly lose their luster for racists looking for relevance. Let's hope the woman and peace officers who perished during the Charlottesville protest are the last lives lost fighting an idea so senseless that it appeals to only 0.03% of the population.

SAM O'BRIEN

Raleigh, N.C.

Pepper ...  
And Salt

THE WALL STREET JOURNAL



"Yknow, you're really abusing Amazon Prime's two-day free shipping."

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## OPINION

# Why Not Put Truth on a Pedestal?

By **Dave Shiflett**

**Richmond, Va.** I'm a descendant of a soldier who served under Gen. Robert E. Lee and a resident of the Richmond metro area, where one can take very few paces without bumping into a reminder of the Confederate past. Yet I can't work up much enthusiasm about Civil War monuments.

My lackadaisical attitude has nothing to do with race or heritage and is quite widespread. Most people are far too busy worrying about losing their house, finding a job, making payroll and wondering why their dog's tongue is turning blue to spend much time contemplating statues of guys who lost a war 152 years ago.

**Richmond's mayor has a solution for Confederate monuments: Leave them up but provide context.**

The violence in Charlottesville last weekend is deeply distressing. In this neck of the woods it's commonly held that thugs who run down people with cars should go to the crocodile pit (after a fair trial, of course). But it's hard not to cringe over the way a growing list of American locales are responding to the rise of the dead confederates.

In Baltimore, four monuments were purged Tuesday night in a scene reminiscent of the nocturnal vamoose of the Baltimore Colts to Indianapolis in 1984. (By contrast, three of the statues were parked at a wastewater treatment plant.) You didn't have to be a soldier, or even a rebel, to get the hook: A statue of Chief Justice Roger B. Taney, the Marylander who wrote the

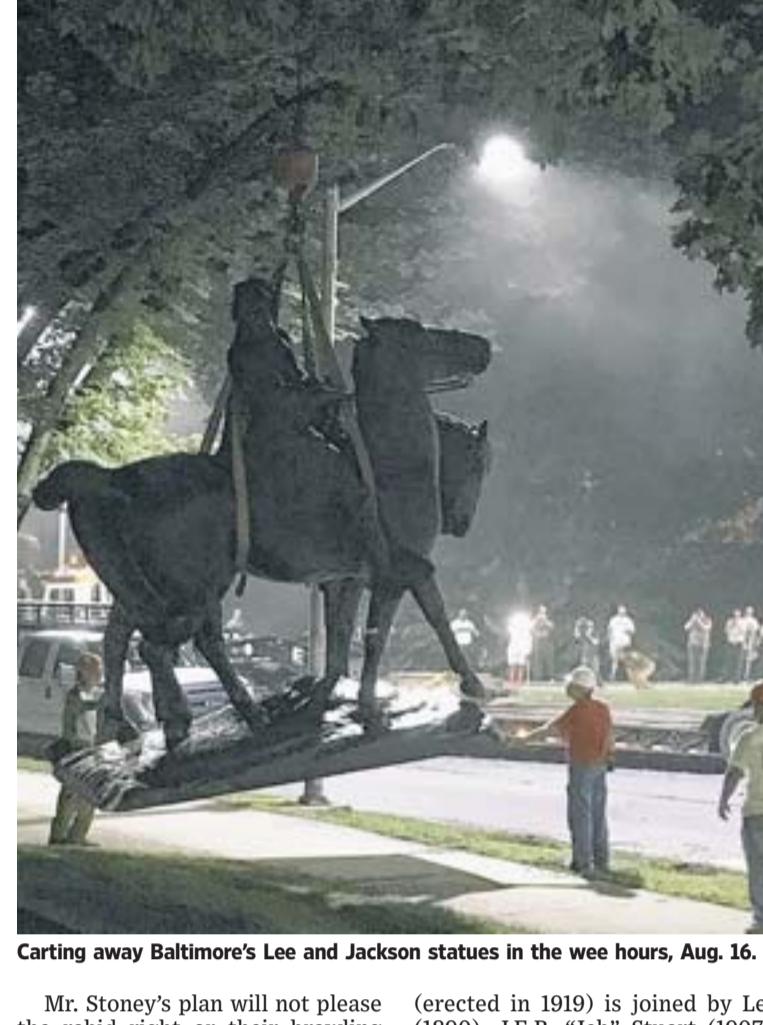
*Dred Scott* decision and served on the U.S. Supreme Court until his death in 1864, was hauled off, along with a statue dedicated to Confederate women. Lexington, Ky., plans its own official purge, while a Confederate statue in Durham, N.C., was toppled Monday and kicked by protesters after it bit the dust.

Where will it stop? President Trump was widely mocked for saying Tuesday: "I wonder is it George Washington next week, and is it Thomas Jefferson the week after?" He didn't have to wait that long. The next day, a Chicago pastor demanded the removal of a Washington statue from a city park. Last October activists gathered outside New York's American Museum of Natural History to demand the removal of a statue of "racist" Teddy Roosevelt. The Rough Rider still stands, but Gov. Andrew Cuomo tweeted Wednesday that "Robert E. Lee and Stonewall Jackson will be removed from the [City University] hall of great Americans because New York stands against racism."

Is anyone in public life not freaking out about Confederate monuments?

Yes. Here in Richmond, once the Confederate capital, Mayor Levar Stoney is keeping his cool. He believes the rebel luminaries have important truths to teach our hysterical and miseducated era.

"Whether we like it or not, they are part of our history of this city, and removal would never wash away that stain," the mayor, who is African-American, said recently. He advocates adding "context" signage to the monuments, which will "set the historical record straight"—a record based on "a false narrative etched in stone and bronze more than 100 years ago not only to lionize the architects and defenders of slavery, but to perpetuate the tyranny and terror of Jim Crow and reassert a new era of white supremacy."



AP/GETTY IMAGES

**Carting away Baltimore's Lee and Jackson statues in the wee hours, Aug. 16.**

Mr. Stoney's plan will not please the rabid right or their brawling partners on the left, who imagine Lee, Jackson and Jefferson Davis as rustic versions of Hitler, Himmler and Speer. But converting chaos into what Barack Obama might call "a teachable moment" will resonate with anyone who agrees that allowing street-fighting crazies to set public policy is a bad idea.

Context contractors will be in deep clover along Monument Avenue, where Stonewall Jackson

(erected in 1919) is joined by Lee (1890), J.E.B. "Jeb" Stuart (1907), Davis (1907) and Matthew Fontaine Maury (1929)—plus Richmond native Arthur Ashe Jr. (1996). The tennis legend's inclusion on the avenue was met with great criticism, in part because he appears to be beating a group of children over the head with his racket. Yet the Ashe placement might have been ahead of its time. "Integrating" the avenue by placing monuments to triumphant African-Americans among the

defeated rebels could be highly educational.

Worthy candidates would include local heroes Maggie Walker, the first woman to charter a bank in the U.S., and dancer Bill "Bojangles" Robinson—both of whom are memorialized on a smaller scale elsewhere in the city. Martin Luther King Jr. might make a nice neighbor for Jeb Stuart, while Mr. Obama, who carried Virginia twice, could keep Stonewall Jackson in good company.

And how to answer Jefferson Davis, a vibrant bigot with a theological bent? He once said of blacks: "We recognize the fact of the inferiority stamped upon that race of men by the Creator, and from the cradle to the grave, our Government, as a civil institution, marks that inferiority."

Since we're looking for truth, we couldn't do better than a monument to abolitionist Sojourner Truth. To my mind her "Ain't I a Woman" speech is more powerful than the Gettysburg Address: "Look at me! Look at my arm! I have plowed and planted, and gathered into barns, and no man could head me—and ain't I a woman? I could work as much and eat as much as a man, when I could get it, and bear the lash as well—and ain't I a woman? And I have borne 13 children—13 children!—and seen most all of 'em sold off into slavery, and when I cried out with a mother's grief, none but Jesus heard me! And ain't I a woman?"

Few will have any trouble deciding who the superior being truly was, or drawing wider conclusions. If Mayor Stoney's plan helps keep the lid on, he might end up in the governor's mansion. And funding should be no problem. Pitch it to Mr. Trump as an infrastructure project.

*Mr. Shiflett posts his original music and writing at [DaveShiflett.com](http://DaveShiflett.com).*

## When CEOs Play Politics, Shareholders Can Take Them to Court

By **Jon L. Pritchett**  
And **Ed Tiryakian**

**M**emo to activist CEOs: Dust off your notes, open your textbooks, and reread the basics of corporate finance taught at every credible university. The fiduciary responsibility of a CEO is to safeguard the company's assets and acknowledge this overriding principle: "It's not our money but that of the shareholders."

In today's heated political climate, some executives have rejected the fundamentals in favor of short-term publicity for themselves and their corporations. When several CEOs quickly resigned over the past few days from the now-disbanded White House Council on Manufacturing, they cited personal views or political disagreement as their reason for leaving. Those may be truthful reasons, but are they in the best interests of the companies they represent? Wouldn't shareholders be better off with their interests represented in this powerful group of government officials who control regulatory policy?

Some might call Merck CEO

Kenneth Frazier's decision to resign from the council brave, but his company would have gained a significant competitive advantage from retaining its seat on the council. Shareholders may have legitimate questions about the risk of Mr. Frazier's bravery. And if high-profile CEOs have the authority to take such risks, should they bear responsibility for any long-term damage to shareholder value? We say yes.

Target Corp. shareholders have watched helplessly since last year as another case of political posturing played out in North Carolina, where we work and live. Target's activist CEO, Brian Cornell, responded to the state's contentious House Bill 2, also known as the bathroom law, by announcing a new "inclusive" bathroom policy in April 2016. What were the results? Plummeting sales due to a widespread boycott, an erosion of market share and, most important, a 40% drop in Target's stock price between April 2016 and July 2017. That devastation equated to a \$20 billion loss of shareholder value while the market rose 15% in that same period.

For the owners of the company—the thousands of small shareholders and the millions of Americans whose pension plans own Target stock—this performance did not affect their annual incomes, but it affected their life savings and retirement. They got sucker-punched. They should punch back.

**After Target established an 'inclusive' restroom policy, its share price plummeted by 40%.**

When shareholders suffer damages at the hands of corporate management, they can pursue one of two legal remedies: class-action suits, in which multiple plaintiffs belonging to a defined "class" join a suit seeking compensation, or shareholder derivative lawsuits, in which company managers are sued on behalf of all shareholders. Take your pick, Target shareholders. Willful and controversial CEO activism shouldn't be viewed any differently

from malfeasance or bad policies. They all reek of leadership malpractice.

In the landmark 1919 case *Dodge v. Ford*, the Michigan Supreme Court laid out the ruling that has guided corporate America ever since. Ford Motor Co. must make decisions in the interests of its shareholders, the court ruled, rather than in a charitable manner. The case is often cited as affirming the principle of "shareholder primacy." The ruling affirmed a wide latitude in running a company, but also noted "a corporation should have as its objective the conduct of business activities with a view to enhancing corporate profit and shareholder gain."

Did Mr. Cornell really see a rational link between shareholder gain and Target's inclusive bathroom policy? When Howard Schultz of Starbucks decides to take away Christmas cups or hire refugees as a challenge to President Trump, and the stock fares miserably compared with its competition, do the coffee chain's 24,000 small shareholders have the right to sue? Again, we say yes.

Justin Danhof, general counsel for the National Center for Public Policy Research, travels the country to attend shareholder meetings of public corporations. According to Mr. Danhof, "activism is driven by the CEOs' belief that progressive ideas are popular among media and that good public relations follows those who espouse those views." This might explain why 127 companies signed on to oppose Mr. Trump's immigration executive order or why 68 companies opposed North Carolina's HB2—even before enough information was available to understand either.

Our message to small shareholders of companies like Starbucks, Merck and Target: You can sue when a CEO decides to institute a corporate social-responsibility program that has no benefit to the business. If you want to ensure shareholder primacy is protected, keep your legal options open.

*Mr. Pritchett is senior vice president of the John Locke Foundation. Mr. Tiryakian is professor of corporate finance and business economics at Duke University.*

## How to Take On China Without Starting a Trade War

By **James Bacchus**

**P**resident Trump ordered an investigation Monday into China's alleged theft of intellectual property that could lead to retaliatory tariffs under the 1974 Trade Act. Before taking unilateral action in violation of international law, the Trump administration should bring cases against China at the World Trade Organization. It stands a good chance of winning precedent-setting judgments, which the WTO would enforce through economic sanctions.

Intellectual property accounts for nearly 40% of the U.S. economy,

and the U.S. government has a duty to protect American rights holders abroad. The annual cost to U.S. companies of pirated software, counterfeit goods, and the theft of trade secrets is as much as \$600 billion. Most of these losses occur in China.

After 16 years in the WTO, China still falls far short of fulfilling its obligations to protect intellectual property rights. About 70% of the software in use in China, for example, is pirated.

Beijing's mercantilist industrial policy, the Made in China 2025 program, aspires to make China a global leader in 10 strategic industries,

including medical devices, artificial intelligence, driverless cars, and robotics. It requires that the domestic content of manufactured products be increased to 70%, state subsidies be granted, and companies in these targeted industries be protected from foreign competition.

U.S. and other foreign companies report being pressured by the Chinese government and by Chinese companies to turn over their patent rights, trade secrets and other intellectual property. Many major U.S. firms have long regarded this behind-the-scenes intimidation as simply a cost of doing business in China. Now that it could place them at a competitive disadvantage globally, they are turning to the U.S. government for help.

Most WTO rules impose negative obligations: Don't discriminate. Don't apply tariffs higher than you promised. But the rules on intellectual property are affirmative obligations: Do respect intellectual property rights. Do enforce them. Yet this aspect of the WTO intellectual property rules is largely unexplored in dispute settlement.

WTO members are required by these rules to "ensure" that enforcement procedures are "available" that will "permit effective action against any act of infringement." Moreover, these procedures "shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse." The WTO Appellate Body, the final court of appeal for trade, has said that

"making something available means making it 'obtainable,' putting it 'within one's reach' and 'at one's disposal' in a way that has sufficient form or efficacy."

Is this happening in China? Some maintain that the WTO rules on enforcement only require good laws on the books and good procedures in principle, which the Chinese increasingly have.

**On intellectual property, Washington has a strong case against Beijing at the World Trade Organization.**

The better argument is that enforcement means enforcement and that these positive WTO obligations aren't being met if laws exist but intellectual property rights are widely infringed. The U.S. could bring a systemic challenge to China's intellectual property regime on the basis that the government is not fulfilling its affirmative enforcement obligations.

Trade secrets could be one part of a broad WTO challenge. The WTO agreement includes a rule requiring the protection of trade secrets, but it has yet to be asserted in a dispute settlement.

Another WTO rule requires that members administer all their laws, regulations and other actions in an "impartial" and "reasonable" manner. Is coercing foreigners out of their rights acting impartially and

reasonably? If it can be shown using solid evidence that the Chinese government is engaging in such coercion, this could be another strong legal claim.

Some in the Trump administration evidently assume that protectionist Chinese actions aren't covered by WTO rules, but a lot of them are. In its membership agreement with the WTO, for example, China promised to ensure that approvals for foreign investments wouldn't be "conditioned on: whether competing domestic suppliers of such products exist; or performance requirements of any kind, such as local content, offsets, the transfer of technology, export performance or the conduct of research and development in China." That sounds like the makings of another strong legal claim.

If the U.S. insists on acting unilaterally under the Trade Act, the Chinese are correct that this would break WTO rules. It would lead to retaliation by China, emulation by others and a cycle of tit-for-tat trade actions that would shrink trade and the world economy.

Before the U.S. damages the trading system by acting unilaterally, White House lawyers should read the fine print of the rule book. The Trump administration can better protect Americans' intellectual property by working within the WTO.

*Mr. Bacchus is a former chief judge of the World Trade Organization's Appellate Body. He served as a Democratic U.S. representative from Florida, 1991-95.*

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, August 18, 2017 | B1

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## Alibaba Returns on a Big Online Surge

Mobile shopping lifts Chinese titan's results, dispelling old doubts and driving up stock

By LIZA LIN

SHANGHAI—Alibaba Group Holding Ltd. reported a surge in revenue and profit on surprisingly strong online sales, sending its shares to new altitudes Thursday—a scenario

few investors saw coming two years ago.

Back then, Alibaba investors were wary of slowing revenue growth for the e-commerce giant and a costly battle for mobile market share in China's vast online retail marketplace.

Today, naysayers are hard to find as Alibaba has filled its coffers by tapping into China's mobile shopping spree with its Taobao shopping app. Investors have sent Alibaba's share

price soaring 87% since the start of the year.

On Thursday, Alibaba said its fiscal first-quarter earnings nearly doubled from the year-earlier period to \$2.2 billion. Sales rose 56%, to \$74 billion, beating analysts' estimates.

Alibaba shares closed up 2.8% to \$163.92 in New York trading, above the stock's record close Wednesday of \$159.50 a share. The stock's more than 80% advance so far this year compares with gains

of about 28% for Amazon.com Inc. and 9% for the S&P 500.

Alibaba is cruising on a wave of spending by China's growing middle class, which now numbers about 130 million people, nearly all carrying smartphones. With consumer-to-consumer selling on its Taobao app and website, and its Tmall online marketplace for branded products, Alibaba has captured a huge portion of China's online retail activity, not to mention a trove of con-

sumer-behavior data. By adding video and other content innovations to Taobao, Alibaba has managed to keep shoppers engaged and coming back.

"Alibaba has been very successful in transforming the business to mobile from the desktop," said Hans Chung, a Portland, Ore., based analyst with Pacific Crest.

Just as Facebook had to re-position to adapt to consumers' needs as they shifted to mobile, so Alibaba has faced

challenges, Mr. Chung said. Alibaba in 2015 posted its slowest revenue growth in more than three years, and investors, spooked by its seeming fallibility, sent shares plunging almost to the stock's 2014 listing price.

Since then, Alibaba has taken large strides in improving users' experiences with its app, leveraging its technology to personalize shoppers' home pages and to send them tar-

Please see MA page B4

## Deal Nears For Power Producer Calpine

By DANA MATTIOLI

Private-equity firm Energy Capital Partners is nearing a deal to buy power-generation company Calpine Corp., according to people familiar with the matter.

Energy Capital will pay \$15.25 a share in cash for Calpine, one of the people said, which would value the company at \$5.5 billion. A deal could be announced as soon as Friday, the people said. As of Thursday, Calpine had a market value of \$4.9 billion.

In May, the Wall Street Journal reported Calpine was working with bankers to pursue a sale. The impending deal would be a premium of 51% to Calpine's closing price the day before that report.

Including debt, the deal's enterprise value is \$17 billion, and Energy Capital has enlisted co-investors and limited partners for the deal, one of the people said.

Calpine sells power and related services to wholesale customers—including utilities and industrial and agricultural companies—and retail affiliates.

Founded in 1984, Calpine owns and operates mainly natural-gas-fired power plants. As of the end of last year, its retail subsidiaries served the equivalent of about 6.5 million residential customers in Texas, California, the Northeast and elsewhere.

The company has been expanding its retail platform through a number of acquisitions in recent years.

According to its annual report, Calpine is one of the top consumers of natural gas in North America, accounting for an estimated 8% of consumption in the region last year.

Energy Capital Partners is a firm that invests in energy infrastructure.

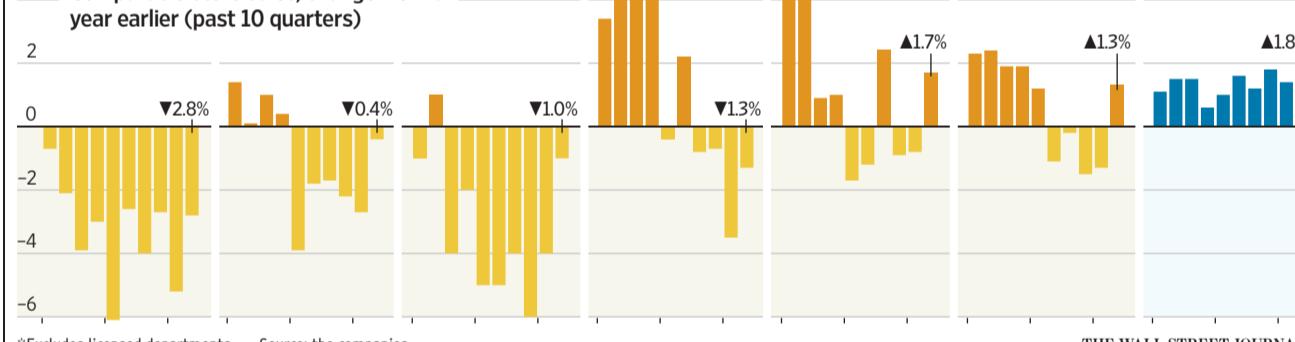


MIKE BLAKE/REUTERS

In a tough retail environment, Wal-Mart has boosted sales by expanding online and giving shoppers good reasons to visit its stores.

### Bucking the Trend

As many retailers struggle, Wal-Mart has continued to post sales increases for its stores open at least a year.



\*Excludes licensed departments Source: the companies

## U.S. Hub Sets Tone For Gas Prices

By ALISON SIDER  
AND CHRISTOPHER M. MATTHEWS

ERATH, La.—An unassuming confluence of pipelines here in the heart of Cajun Country is becoming the most important place in the world for natural-gas prices.

The Henry Hub has for years been a benchmark for U.S. contracts. Now it is helping to set prices from Mozambique to Japan, as a wave of U.S. natural gas being unlocked by shale drillers reaches Europe, South America and Asia.

In the first half of the year, there was a 31% increase in the volume of Henry Hub natural gas futures traded outside of typical U.S. trading hours, compared with the same period last year, according to CME Group, which owns the New York Mercantile Exchange. That is a sign that traders abroad are increasingly dabbling in the U.S. gas benchmark.

Henry Hub's growing prominence underscores how the burgeoning trade in liquefied natural gas is weaving disparate regions together into an increasingly unified global marketplace, more like that for crude oil. That could transform what has been a niche market that swings on slight shifts in the weather forecast into a reflection of the global economy.

"The U.S. is going to be the price setter for majority of the freely traded market," said Peter Keavey, global head of energy at CME. "You're exporting the Henry Hub benchmark to the rest of the world."

U.S. LNG exporters are hoping Henry Hub will emerge as the global price setter because it would remove significant

Please see HUB page B2

## Wal-Mart Steers Steady Growth

By SARAH NASSAUER  
AND AUSTEN HUFFORD

Wal-Mart Stores Inc.'s sales rose in the latest quarter, boosted by an e-commerce surge and strong grocery sales, as the world's largest retailer continues to brush off the malaise afflicting some competitors.

But as has become typical for brick-and-mortar stores,

the growth came at a cost. The company invested in lowering prices, improving stores and driving online sales, and in the quarter its expenses rose and margins fell.

Sales at Wal-Mart's U.S. stores open at least a year rose 1.8% in the fiscal second quarter ended July 28—the 12th consecutive increase—boosted by a 1.3% rise in foot traffic.

"Our customers are responding to the improvements in stores and online," Wal-Mart Chief Executive Doug McMillon said Thursday.

The company's sales growth comes at a time of stiff competition among retailers under the shadow of online giant Amazon.com Inc. While U.S. consumer spending appears strong, according to July sales

data at retailers and restaurants released Tuesday, some apparel and department-store chains are struggling with customers' changing shopping habits. U.S. grocers, of which Wal-Mart is the largest by sales, are battling over prices.

Recent results from other retailers have varied, with department stores Macy's Inc.

Please see RETAIL page B2

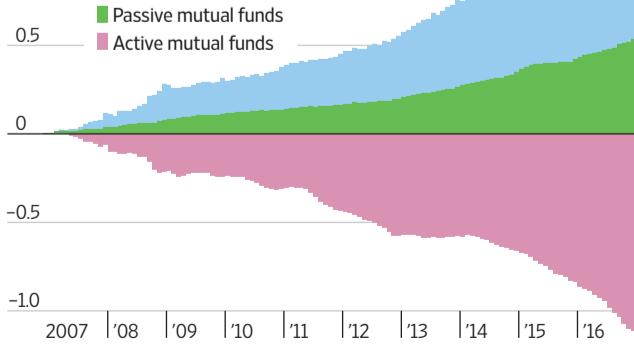
STREETWISE | By James Mackintosh

## Let's Prevent ETFs From Eating the Economy

### Passive Aggressive

Money has poured into U.S. index-tracking mutual funds and exchange-traded funds since 2007.

Cumulative net flows, domestic U.S. equity funds



\$1.0 trillion

ETFs (passive)

Passive mutual funds

Active mutual funds

Index trackers as percentage of U.S. domestic mutual funds

30%

20

10

0

1996 2000 2004 2008 2012 2016

Index trackers as percentage of U.S. domestic mutual funds

30%

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1996 2000

## INDEX TO BUSINESSES

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

A	Partners.....B1
Aetna.....B2	Ernst & Young.....B2
Alibaba Group Holding.....B1,B4,B6,B12	F
Allianz.....B10	Facebook.....A1,A2,B4
Alphabet.....A2	Future World Financial Holdings.....B12
Amazon.com.....B1, B3	G
Anadarko Petroleum.....B2	GIC.....B6
Anbang Insurance Group.....B10	GlossGenius.....B3
Ant Financial Services Group.....B6	Goldman Sachs Group.....B10
Apple.....B2	H
AT&T.....A1	Harvest Fund Advisors.....B10
B	Hearst.....B3
Baidu.....B4	Home Depot.....B2
Bank of America.....B10	Hulu.....B3,B4
Blackstone Group.....B10	J
BP.....B2	Jagran Prakashan.....B5
C	J.P. Morgan Chase.....B2,B10
Calpine.....B1	K
CBS.....B3	Kohl's.....B2,B12
Charter Communications.....A2	M
Cheniere Energy.....B2	Macy's.....B1
China Unicom.....B6	Massachusetts Mutual Life Insurance.....B6
Corvex Management B10	MassMutual Asia.....B6
Credit Suisse Group.....B10	Meituan-Dianping.....B4
D	Mogul.....B3
Dentsu Aegis Network.....B5	Morgan Stanley.....B10
Dick's Sporting Goods.....B2,B12	Mylan.....B5
Didi Chuxing Technology.....B4	N
E	Nestle.....B4
Elliott Management.....B10	Netease.....B4
Energen.....B10	Netflix.....B3
Energy Capital	News Corp.....B3

## INDEX TO PEOPLE

B	Fraser-Jenkins, Inigo.....B1
Barrett, Andrew.....B10	Fusco, Jack.....B2
Biggs, Brett.....B2	G
Bogle, Jack.....B1	Green, Mitchell.....B4
Bossley, Liz.....B2	H
Brandt, Cameron.....B11	Hancock, David.....B6
C	Hurley, Mary Ann.....B12
Cain, Rob.....B6	I
Chambers, John.....A1	Ingram, Mitch.....B2
Chung, Hans.....B1	J
Cook, Tim.....B2	James, Tony.....B10
D	Joshi, Arif.....B11
Dale, Spencer.....B2	K
Daniels, Lenny.....B3	Keavey, Peter.....B1
Dimson, Elroy.....B2	L
E	Lapthorne, Andrew.....B11
Earl, Tom.....B2	Lebas, Guy.....B12
F	Lee, Christopher.....B6
Foran, Greg.....B2	W

## HUB

Continued from the prior page  
risk from their business model. These exporters buy all of their natural gas at Henry Hub prices and could stand to lose money if they have to sell it to their customers at oil-linked prices if the margins are unfavorable.

Until recently, natural gas markets remained staunchly regional. But that is changing rapidly. Analysts say the U.S. is set to become the world's swing supplier of LNG as construction is completed on several new terminals that will chill natural gas until it turns to a liquid that can be carried away on tankers.

The actual shipments from those terminals may rise and fall depending on global supply and demand, analysts say.

And since cargoes departing from the U.S. Gulf Coast can typically be rerouted and resold on a growing spot market—a relatively new development—that could help pull other regional prices down toward Henry Hub levels and keep them closely aligned.

"The economics suggest that U.S. gas prices will act as a natural anchor," said Spencer Dale, chief economist at BP PLC.

Henry Hub entered the global marketplace when Cheniere Energy Inc. signed the first export contract of U.S. liquefied natural gas from the U.S. Gulf in 2011. Before that, almost all LNG was sold at prices tied to oil, around 98% in 2000.

Cheniere predicts the share of Henry Hub-indexed contracts will rise to 30% by 2025 as U.S. LNG export facilities come online. Shipments from Cheniere's Sabine Pass export terminal began last year.



U.S. LNG exporters hope the Henry Hub will emerge as the global price setter because that would significantly reduce their risk.

BERICK E. HUNIGE/BLOOMBERG NEWS

"We have seen interest around the world in accessing Henry Hub indexed natural gas because it comes from a stable source, it is affordable, and U.S. LNG has the most flexible contract terms in the market," said Jack Fusco, chief executive of Cheniere.

"The world is becoming more knowledgeable and comfortable with Henry Hub."

It isn't only U.S. LNG that is being priced at Henry Hub. Anadarko Petroleum Corp. has signed deals to sell LNG from gas discoveries off the coast of Mozambique at Henry Hub prices, according to Mitch Ingram, Anadarko executive

vice president.

Though it has become more prominent globally, there are challenges to Henry Hub's growing influence. Falling oil prices have slowed Henry Hub's progress. Even Cheniere has noted that the lower price of oil has generated renewed interest in linking LNG contracts back to oil.

Asian buyers have become more reluctant to buy LNG at prices linked to Henry Hub, according to analysts.

And since European buyers have options between coal, gas delivered on pipelines and liquefied gas that arrives on tankers, demand there will

help determine global prices.

"The market is much too rigid and sticky at the moment. There are too many barriers," said Liz Bossley, chief executive of the Consilience Energy Advisory Group Ltd.

Still, the growing connection between these hubs is a sign of how the gas market is evolving. The anticipated rise in U.S. exports of liquefied gas will strengthen the links between the U.S. and global gas markets, analysts said.

Analysts at Société Générale expect European gas prices to "show signs of convergence to Henry Hub" by the middle of next year as more

LNG from the U.S. floods the market.

Tom Earl, chief commercial officer for Venture Global LNG, is bullish on Henry Hub's prospects and predicts it could take on the prominence Brent crude or West Texas Intermediate crude hold for oil markets. Venture plans to build two export facilities in Louisiana.

"It's a phenomenally deep and liquid pricing mechanism that can be relied on," Mr. Earl said. "It's driven by an abundant and enduring supply in the U.S. and it now has a track record as an index that is trusted by the market."

## RETAIL

Continued from the prior page  
and Kohl's Corp. posting declining sales, though both pointed to signs of improvement. Earlier this week, sporting-goods retailer Dick's Sporting Goods Inc. reported sluggish sales, while Home Depot Inc. and discount TJX Cos. said their quarterly sales were strong. On Wednesday, Target Corp., which like Wal-Mart has put a renewed focus on lowering prices, reported sales growth and raised its profit forecast.

Wal-Mart's second-quarter online sales in the U.S. surged 60%. The company purchased online retailer Jet.com in September, followed by deals for smaller sites such as ModCloth, Moosejaw and ShoeBuy. Jet.com founder Marc Lore took the helm of Wal-Mart's U.S. e-commerce operations, and he has helped advance services like two-day shipping on more products and discounts on in-store pickup for some orders.

Wal-Mart U.S. CEO Greg Foran said the company plans to offer online grocery pickup in 1,100 stores by year-end.

To pay for the efforts, the company over the past year

has used automation to replace some jobs and laid off more than 1,000 corporate employees. It has also pressured suppliers to cut their prices, increased the fees they pay to pass inventory through warehouses and narrowed the shipping window suppliers must hit to avoid fines.

Even so, Wal-Mart's U.S. gross margin fell and operating expenses rose 3.9% in the second quarter.

"We are not at the place we want to be from an expense standpoint," Wal-Mart finance chief Brett Biggs said in an interview.

Wal-Mart shares fell 1.6% to

\$79.70 on Thursday.

In a note, GlobalData Retail analyst Neil Saunders said that Wal-Mart can withstand the pressure, calling it "one of the few firms that have the firepower to cope with the push toward compressed prices and margins."

Wal-Mart's grocery sales grew as it lowered prices and worked to improve its fresh offerings. Executives are focused on the category in the wake of Amazon's purchase of Whole Foods Market Inc. in June and the U.S. expansion of discount grocers like Germany's Aldi and Lidl. Food categories delivered Wal-Mart's strongest

quarterly sales in existing stores in five years, aided in part by inflation.

Over all, Wal-Mart earned \$2.9 billion, or 96 cents a share, compared with \$3.77 billion, or \$1.21 a share, in the year-earlier second quarter. On an adjusted basis, which excludes certain debt and asset-sale-related charges, earnings were \$1.08 a share, up from \$1.07 a share.

Revenue grew 2.1% to \$123.36 billion.

The world's top retailer by sales said it sees full-year profit of \$4.30 to \$4.40 a share, compared with an earlier estimate of \$4.20 to \$4.40.

## STREET

Continued from the prior page  
indexed stocks.

"So far it looks like the market system's working pretty well," Mr. Bogle said from his holiday home in the Adirondacks. "When [passive] gets to 50%, I might want to think about it a little more, but I just don't see that the problem is even on the horizon."

In the U.S., that is true, with credit-ratings firm Moody's Investors Service calculating that 29% of assets under management in the U.S. are now passive. But the share is rising rapidly:

Moody's reckons that index funds will take a majority of the market by 2024.

Japan is further advanced in the move to passive investing, in part thanks to the Bank of Japan, which owns ¥14.9 trillion (\$135 billion) of exchange-traded funds, or ETFs, tracking Japanese indexes and has bought another \$4.3 billion worth already this month.

So far, big investors elsewhere are showing little concern about the damage passive investment might one day do to the market economy. They are probably right to think that they can free-ride on active managers for several years yet. But no one knows at what point markets will be impaired, or even how we will be able to tell.

Elroy Dimson, a finance professor at London Business School, said that in previous decades academics also fretted about the growth of passive management and postulated critical levels beyond which it would impair the market. Yet we have zoomed past them,

without any obvious signs of trouble. "It's plucking numbers out of the air" to put a figure on it, he said.

The uncertainty in itself is a reason for caution. Perhaps the market economy could work well even if only a few hundred active investors were involved in setting prices, but I suspect not. The point of tapping the wisdom of crowds is that it needs a crowd, and the smaller the crowd is, the less effective it is likely to be.

It is time other big investors started thinking like Japan's GPIF, because if the rise of passive does undermine economic growth, it will do a lot more damage to their portfolios than a bit of active underperformance.

## BUSINESS & FINANCE

# CEOs Speak Out on Trump

BY TRIPP MICKLE  
AND KELSEY GEE



Apple CEO Tim Cook at a tech roundtable hosted by President Trump at the White House in June.

**A** Apple Inc. Chief Executive Tim Cook joined the chorus of leaders of high-profile U.S. companies who have felt compelled to share their views on Donald Trump's response to Saturday's white-supremacist protests amid widespread unease on the part of their employees, customers and others.

Mr. Cook called the events in Charlottesville, Va., "repulsive" in an email to employees, saying he disagrees "with the president and others" who see a moral equivalence between white supremacists and Nazis on one side and those who oppose them by standing up for human rights on the other.

"Equating the two runs counter to our ideals as Americans," Mr. Cook wrote in the email late Wednesday, a copy of which was reviewed by The Wall Street Journal. He said that he felt compelled to speak out on the events, which he found personally troubling, in part because he heard from many people at Apple "who are saddened, outraged or confused."

"What occurred in Charlottesville has no place in our country," he wrote. "We must not witness or permit such hate and bigotry in our country, and we must be unequivocal about it. This is not about the left or the right, conservative or liberal. It is about human decency and morality."

Mr. Cook's memo echoed sentiment expressed in staff memos penned this week by Wal-Mart Stores Inc. CEO Doug McMillon, Doug....B1,B2

McMillon, Doug....B1,B2  
Mizuno, Hiromichi....B1  
Orseth, Kate.....B4  
Reynolds, Brian.....B11  
Siegel, Simeon.....B12  
Stankey, John.....A2  
Sundquist, Renee....B10  
Weinberger, Mark.....B2  
Wu Xiaohui.....B10

**B** **Aetna Inc.** Chief Executive Mark Bertolini said in a memo to his staff that he was "ashamed of our President's behavior and comments. ... We are not a country of hate, and we are all judged by our own god based on the compassion and humanity we show others."

Beyond the sheer number of prominent CEOs taking such public action, the memos are noteworthy because they don't address administrative policy positions that affect day-to-day business, but rather rebuke the president on his leadership approach on a broad social and moral issue.

The executives' overarching message was that they couldn't remain silent as the president appeared to equate white supremacists and Nazis with counterprotesters standing against racism.

William W. George, a Harvard Business School professor and former chief executive of device-maker Medtronic PLC, said

that while corporate leaders have in the past criticized policy decisions by previous administrations, such direct opposition to a president is unusual.

"I've never seen this before," Mr. George said.

CEOs he had spoken to said they "didn't want to embarrass the president, but they felt they needed to stand up and be counted in the absence of moral clarity from the White House."

Not all CEOs who weighed in on the past week's controversy directly criticized Mr. Trump.

International Business Machines Corp. chief Ginni Rometty, for example, didn't mention the president directly in her memo criticizing the actions in Charlottesville and calling for unity, which she sent to staff after the dissolution of the President's Strategic and Policy Forum, on which she sat.

The CEOs' criticism of the president marked a departure from some of the optimism many expressed at the outset of the Trump administration that

the new president would be a business-friendly leader who would revise the tax code and reduce regulation.

Much of that goodwill had eroded even before this week, thanks to policies that many executives and workers, many of whom were born abroad, were especially angered by Mr. Trump's initial immigration order that banned entry to the U.S. of nationals from seven majority-Muslim nations.

Mr. Cook's latest memo said Apple will contribute \$1 million each to the Southern Poverty Law Center and the Anti-Defamation League. The company also plans to match employee contributions 2-for-1 to those organizations and other human-rights groups through next month, and to enable iTunes customers to join in contributing to the Southern Poverty Law Center.

"These have been dark days, but I remain as optimistic as ever that the future is bright," Mr. Cook said.

## BUSINESS NEWS



# Hearst Looks To Aid Women With Startups

BY JEFFREY A. TRACHTENBERG

**Hearst**, the parent of media brands including *Cosmopolitan* and *Esquire*, is financing an “incubator” lab focused entirely on making early-stage investments in women-led startups, one of several such ventures aimed at leveling the playing field for female entrepreneurs.

The closely held company has launched HearstLab, which over the past year has invested about \$5 million in 11 companies involved in media, information or services. The incubator has provided free space inside Manhattan’s Hearst Tower, plus access to Hearst executives in such core areas as legal, human resources and public relations.

HearstLab’s bets include **GlossGenius**, a company focused on serving beauty professionals; **Wellthy**, which provides care advice and direction for families whose members are sick or elderly, and **Mogul**, a women-focused advice-sharing company.

Eve Burton, who co-founded HearstLab with Hearst Senior Vice President Lincoln Millstein, said the group doesn’t have a specific investment budget. However, its goal is to invest in about 10 companies a year, with a total annual investment level of \$2.5 million to \$5 million.

Hearst’s efforts come at a time of growing discussion over the relative paucity of funding opportunities for female entrepreneurs compared with men, and the reasons for it. In 2016, startups founded by men received \$63.5 billion in investments while startups founded by women received \$1.5 billion, according to analytics firm PitchBook Data Inc.

Critics have blamed a variety of factors, including the lack of women in venture firms and

deep-rooted biases and stereotypes among the decision makers. Hearst is one of several efforts focused on female founders that have sprung up, in part, because of these concerns.

Ms. Burton, who is Hearst’s general counsel, said she saw qualified, educated women with ideas who weren’t starting companies. “They couldn’t get venture money and needed more help than just money would provide,” she said. “Support, confidence and the ability to test your product gets you a great company.”

HearstLab has looked at more than 700 companies, Ms. Burton said.

## \$1.5B

Funding of female-led startups last year vs. \$63.5 billion for men

# Turner to Stream Soccer

Time Warner unit acts as more media target consumers directly, bypassing cable

BY JOE FLINT

Time Warner Inc.’s Turner Sports is launching a streaming, direct-to-consumer subscription service that will be a platform to air the **Union of European Football Associations’ Champions League and Europa League soccer matches**.

The move is part of a push by traditional media companies to launch digital services that reach consumers directly, instead of relying on traditional cable and satellite distributors. Such experiments are becoming

more common as consumers drop cable service and embrace newer outlets such as **Netflix**, **Amazon Prime** and **Hulu**.

The as-yet-unnamed Turner network, with a price to be decided, will launch in 2018 when the company’s new rights deal for UEFA matches starts. Turner Sports acquired English-language rights in a three-year deal valued at more than \$180 million, a person familiar with the matter said.

It is the third streaming service Turner has unveiled in less than two years. It has an animation service called Boomerang and a movie service called FilmStruck that specializes in art-house films.

“This is part of a company-wide strategy to innovate beyond the traditional ecosys-

tem,” said Turner President David Levy.

Last week, **Walt Disney Co.** said it was creating direct-to-consumer subscription streaming services for its ESPN sports unit as well as its entertainment programming. **CBS Corp.**, which already has a streaming news service and a direct-to-consumer version of its CBS network that also features exclusive content, said last week it was launching a digital sports service later this year.

Turner, owner of TNT and TBS, won’t be putting all of its available sports rights, such as **National Basketball Association** and **Major League Baseball** games, into the online service, much as ESPN is only putting a selection of its sports rights into the online service.

While most of the more than 340 UEFA games annually that are part of the package will appear on the online sports service, Turner’s TruTV network will have a significant number, and games will also appear on TNT and TBS.

UEFA rights were previously held by **21st Century Fox**’s Fox Sports unit. **Univision** holds the Spanish-language rights.

Turner will look to use its popular sports news and commentary website Bleacher Report as a platform to promote the league and a gateway to the streaming network.

Soccer won’t be the only sport on the service. Turner Sports President Lenny Daniels said he is having conversations with other sports leagues.

For HearstLab to invest, a business must be led by a woman, have a product generating at least some revenue, and be willing to move to Hearst Tower. “It’s a seed that has been created and we put it in the greenhouse,” she said.

A separate women-focused, early-stage investment fund, Female Founders Fund, invests primarily in e-commerce, technology services, web services, and new platforms. It has invested in 30 firms through two separate funds since launching in 2014, including Zola, a wedding registry, and Maven, a digital clinic for women’s health.

“It’s typically been quite difficult for women to raise startup financing,” said Anu Duggal, the fund’s founding partner.

# News Corp Sets a TV Deal

BY LUKAS I. ALPERT

**News Corp** and Australian telecom company **Telstra Corp Ltd.** announced plans Thursday to merge their jointly owned pay television company, Foxtel, with Fox Sports Australia, in a move that could set up an eventual initial public offering.

If approved, the deal would result in News Corp controlling 65% of the new company, and Telstra owning the remaining 35% of what would be one of the largest pay-TV, sports and entertainment outlets in Australia, the companies said.

“The proposed restructuring of Foxtel and Fox Sports

will unlock value for News Corp shareholders and provide a clearer vision into the depth and strength of our Australian assets,” said News Corp Chief Executive Robert Thomson.

The companies expect the deal to be completed in the first half of 2018. Approval will largely rest with the Australian Competition & Consumer Commission, though other regulators also are likely to have input.

News Corp, which owns The Wall Street Journal, said the deal would leave the new company in a stronger position for a potential initial public offering in the future.

For News Corp, the company said the deal also would allow it to consolidate the earnings of the new company into its financial statements, which would result in a more diversified mix of revenue and earnings before interest, taxes, depreciation and amortization. That could help the company reduce its reliance on newspaper properties hit by weakness in advertising.

For its fiscal year ended June 30, News Corp reported Ebitda of \$885 million, 47% of which came from its newspaper properties and 37% from its digital real-estate business. Foxtel’s Ebitda came in at \$568 million in the same period.



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## TECHNOLOGY

# Uber Wins Ruling On User Rights

BY GREG BENSINGER

A federal court Thursday ruled that the often-lengthy online agreements customers face when registering for sites and apps are binding, even if they don't fully understand or take the time to read them, giving a boost to companies seeking to avoid class-action lawsuits.

The U.S. 2nd Circuit Court of Appeals found that **Uber Technologies Inc.**, customers sign over their rights to sue in court when they click to agree to the ride-hailing company's terms of service, which include a provision requiring arbitration.

The case had been closely watched by technology companies, which favor such agreements as a way to keep customers from taking them to court, where sensitive business practices and unfavorable rulings could become public. Arbitration typically allows businesses to reach settlements privately and may not require them to make broad changes to their practices—a possible outcome in class-action suits.

The case strikes at a fact of everyday life for users of websites and mobile phones, who encounter these agreements before being allowed to use a site or app for the first time. There typically is no way for customers to strike out provisions or reject the terms outright and still hope to use the service.

Circuit Judge Denny Chin overturned a ruling that found Uber's terms of service were difficult for users to access, and therefore couldn't be enforced because users didn't always know what they were agreeing to. New Uber users agree to terms that include resolving disputes through arbitration when they click to register for the app—even though the full list of provisions is only available on a separate Uber website.

"The district court erred in concluding that the notice of the Terms of Service was not reasonably conspicuous," Judge Chin wrote. "While it may be the case that many users will not bother reading the additional terms, that is the choice the user makes."

An Uber customer, Spencer Meyer, sued then-Chief Executive Travis Kalanick in late 2015 over what he said was price-fixing through Uber's use of software algorithms to set fares.

The case mostly revolved around whether Mr. Meyer had the right to sue after agreeing to Uber's terms. Uber as a company was later added as a defendant in the case. Brian Feldman, an attorney for Mr. Meyer, said his client plans to press ahead with his price-fixing case.

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## BUSINESS NEWS

# Radio Sets India's Airwaves Abuzz

Hundreds of FM stations pop up, and rake in revenue, as listeners tune in on their cellphones

BY CORINNE ABRAMS  
AND DEBIPRASAD NAYAK

MUMBAI—As radio stations struggle in the West to attract new advertising and remain relevant in the internet age, India is in the middle of a belated radio revolution.

Hundreds of new radio stations are hitting the airwaves in the South Asian nation of 1.3 billion people and attracting a record amount of revenue, thanks to deregulation, small-town consumption and cheap cellphones with built-in FM receivers.

"Suddenly FM stations are being listened to," said Piyush Pandey, executive chairman for South Asia and India at ad agency Ogilvy & Mather, which now often recommends radio to clients who want to target specific regions or cities.

Radio has existed in India since the early part of the last century, but was largely limited to state programming until the 1990s. While New Delhi has slowly opened radio to more private-sector competition, the industry remains nascent. Its 313 commercial FM-radio stations and state broadcasters made \$416 million in revenue last year, according to data from PricewaterhouseCoopers LLP—a fraction of the \$22 billion brought in last year by over 6,700 FM stations in the U.S., the largest radio market.

Still, radio revenue in India climbed 18% in 2016 from \$352 million a year earlier and is expected to continue to grow, according to PwC. In the U.S., Japan and the U.K., revenue has averaged growth of less than 2% over the past four years, while growth in China and Brazil has been below 3%.

"I don't think anybody is seeing that anywhere in the world," said Apurva Purohit,

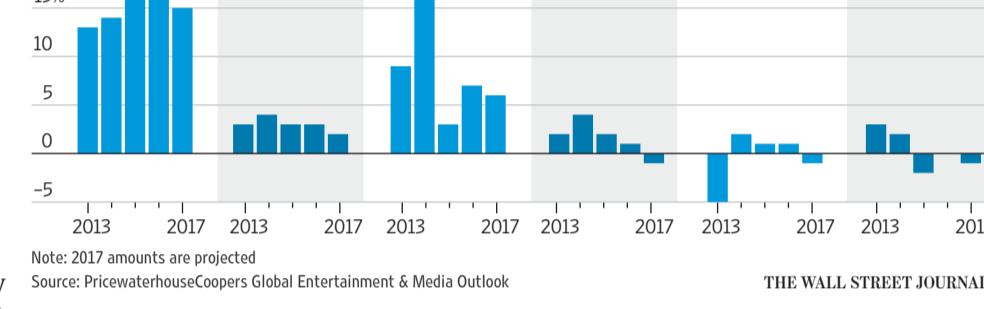


Radio broadcasts like this one in Mumbai attract customized ads targeting the country's many niche markets and languages.

### Digital Revived the Radio Star

In India, radio revenue is growing in part because of the adoption of mobile phones.

Annual change in radio revenue



Note: 2017 amounts are projected

Source: PricewaterhouseCoopers Global Entertainment & Media Outlook

president of media company Jagran Prakashan Ltd., which has 39 stations across India.

As the market opens up, media companies are scrambling to start new stations and develop the content and talent to fill them. More than 70 stations launched in the year ended March 31, and another 90 are expected this fiscal year. The government will auction rights for 800 more stations in coming years, said one official.

The growth comes as companies look for ways to reach deeper into India, to second- and third-tier cities that are in the middle of a consumption boom, and as advertisers shift strategies.

After years of focusing on print and television, many ad agencies are returning to radio, said Ashish Bhasin, South Asia chief executive at global media group Dentsu Aegis Network. "We are re-learning how to do creative

services during religious festivals that are celebrated in just one region, said Ravi Desai, director of marketing for Amazon in India.

But so far, big international media giants haven't stepped into the market to set up their own stations. The lengthy FM auction and security-clearance processes, and government restrictions on foreign ownership and content, have kept them at bay, said Girish Menon, a partner at KPMG in India.

The radio industry has been an unlikely beneficiary of the spread of cellphones. The least expensive and most popular phones usually have FM receivers and speakers, putting mini radios in the pockets of hundreds of millions of Indians. Only 20% of Indian households have radios, according to the 2011 census, while 53% have cellphones.

"We didn't really fight the mobile revolution. We grew with it," said Tarun Katial, chief executive of Reliance Broadcast Network Ltd., which has 61 stations across India.

for radio."

Indian brands such as cellular company Bharti Airtel Ltd. and auto maker Mahindra & Mahindra Ltd. are being joined on radio by international names including Unilever NV, Toyota Motor Corp. and Uber Technologies Inc. Amazon.com Inc. is using new stations to customize its ad campaigns for India's many niche markets and languages. The company, for example, uses radio to promote its ser-



Solange Knowles performing in June at Spotify Beach Party during Cannes Lions.

## Spotify Has Big Ad Goals

BY ALEXANDRA BRUELL

With acts like Phoenix and Solange Knowles, two coveted venues and a team of sales executives, no company was more present at the Cannes Lions International Festival of Creativity this summer than Spotify AB (except maybe for Snap and its bright yellow Ferris wheel).

The music-streaming service for years has been focused on generating awareness of its app and adding new paid subscribers across the globe. But its presence at the ad conference marked a heightened attention to its ad sales business.

Spotify, which launched its free, ad-supported service on mobile over three years ago, in June said that it had increased its total user base to 140 million monthly active users (the company has 60 million paying subscribers) and boosted its ad revenue 50% from 2015 to 2016.

Now, as it prepares for a possible direct listing as a public company, Spotify is trying to convince marketers that it has the tuned-in users,

reams of data and scale to target listeners through various ad formats, such as sponsored playlists and audio ads.

Spotify's marketing chief, Seth Farbman, who joined the company after leaving his top marketing post at Gap in 2015, recently discussed his goals for the streaming service.

**'We want to have a stand-alone, high-quality, ad-supported service'**

music fans to recognize that they could stream in a legal environment. The fact that you could monetize with advertising was good but it wasn't like the mission critical. Then we started to see that with scale there was real opportunity.

**What's the breakdown in revenue from subscriptions versus advertising? What's the ultimate business objective?**

Mr. Farbman: The ambition has changed tremendously. A vast majority of our revenue still comes from subscriptions. In the foreseeable future, that will still be a main driver, but we started to watch the media landscape

change. We saw what was happening with a real sort of bifurcation of digital media. Basically, it's Google, Facebook and everybody else. We thought, it seems like there's an opportunity for a third way, for another option. We said this is where we'll put even more emphasis.

**You really have an ambition to be a third-largest player? How do you plan on growing that much?**

Mr. Farbman: Absolutely, but it's a journey to get there. We need to tell our story better. Marketers of today are really worried about brand safety. Here [at Spotify] you're inside a controlled environment. We have to reinforce that and then continue to introduce a lot of the simple ways you can access the platform.

**What role does Spotify's ad business play in the planned IPO? In global growth?**

Mr. Farbman: In the growth of the company, it's important.

We want to have a stand-alone, high-quality, ad-supported service that allows people to engage with Spotify,

with the music, at a much higher rate. We're not in India.

We're brand-new in Japan, and there are many more markets like that. To be able to

have a free consumer service that we can monetize and continue to invest in is enormous.

So for the growth, to have that as a viable business model on its own is tremendous.

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## BUSINESS NEWS

# Chinese Box Office Stages Revival

Movie revenue rises at faster pace after slowdown last year; sequel powers gains

BY WAYNE MA

**BEIJING**—A Chinese action film that taps into nationalist fervor has become the highest-grossing movie ever in China, showing that the box office here can still pack a punch following last year's abrupt slowdown.

"Wolf Warrior 2"—about a former Chinese special-forces soldier who fights off rebels and mercenaries in a fictional African country—has taken in more than \$720 million in the three weeks since its release July 27, according to data from Beijing-based film-research firm EntGroup. That shatters the \$508 million record established last year by "The Mermaid," a co-production between China and Hong Kong.

"You can expect China's box office to hold its own this year," said David Hancock, director of film and cinema analysis at IHS Technology.

China's box-office revenue had been growing exponentially—averaging 34% growth between 2011 and 2015—making it an appealing market for Hollywood.

However, doubts emerged last year when China's box office grew by less than 4% because of cutbacks in dis-



Chinese action film 'Wolf Warrior 2' has taken in over \$720 million since its release on July 27.

counted tickets and a crackdown on so-called ghost screenings, in which movie distributors buy tickets in bulk to make a flop look like a hit.

Before the release of "Wolf Warrior 2" in late July, China's box-office take was up about 7% compared with the same period last year, largely because of the strong performance of imports such as "The Fate of the Furious." The success of "Wolf Warrior 2" helped China's box office grow to about 18% as of Tuesday.

In the U.S., box-office reve-

nue is off about 5% compared with the year-earlier period. The highest-grossing hit so far this year was Walt Disney Co.'s "Beauty and the Beast," which earned about \$504 million domestically during its theatrical run.

"Wolf Warrior 2," a sequel to 2015's "Wolf Warriors," was helped by its release during the summer, when the Chinese government keeps imported films out of theaters to give a lift to domestic productions.

The original, which did about \$82 million, was released in

April 2015.

Analysts say the film's intensely jingoist theme is resonating with Chinese audiences. China's navy is featured prominently, and its military is portrayed as a peacekeeping force that works with the United Nations to help evacuate refugees, aid workers and Chinese factory workers from a fictional war-torn region.

The last shot of the film displays a Chinese passport with the message: "Citizens of the People's Republic of China:

## That's the Ticket

'Wolf Warrior 2' has passed 'The Mermaid' to become the highest-grossing film in China.

### Top-grossing films in China

Wolf Warrior 2 (China)

4.8 billion yuan\*

The Mermaid (China-Hong Kong)

3.4

The Fate of the Furious (U.S.)

2.7

Monster Hunt (China-Hong Kong)

2.4

Furious 7 (U.S.)

2.4

Transformers: Age of Extinction (China-U.S.)  
2.0

Note: 1 billion yuan = \$149 million  
\*As of Aug. 16  
†Co-production  
Source: EntGroup

THE WALL STREET JOURNAL.

# Jack Ma's Firms Buy An Insurer

BY JULIE STEINBERG AND CHUIN-WEI YAP

**Massachusetts Mutual Life Insurance** Co. agreed to sell its Hong Kong-based operations for about \$1.7 billion to a group of Asian investors that includes two companies affiliated with Chinese billionaire Jack Ma.

The cash-and-stock deal will see MassMutual collect \$1 billion cash and take a roughly 25% stake in **Yufeng Financial Group** Ltd., a Hong Kong-listed financial services company that trades securities, sells investment products and is expanding into the growing financial technology, or fintech, sector.

**Yufeng Financial**, whose main backer is a private-equity firm controlled by Mr. Ma, will own about 60% of MassMutual's Hong Kong business, known as **MassMutual Asia** Ltd.

Seven other investors, including **Ant Financial Services Group** and a company backed by Singapore's sovereign-wealth fund **GIC** Pte. Ltd., will own minority stakes in the business.

**Ant Financial** is an affiliate of e-commerce giant **Alibaba Group Holding** Ltd., where Mr. Ma is chairman and co-founder.

# Beijing Faces Setback With Its State Sector

BY LINGLING WEI

**BEIJING**—What was billed as a showcase for China's state-sector overhaul is threatening to instead mire Beijing in embarrassment.

Only hours after state-controlled **China Unicom** disclosed a plan to sell \$11.7 billion in shares to a group of companies including internet giants **Alibaba Group Holding** Ltd. and **Tencent Holdings** Ltd., the wireless carrier withdrew the plan from the Shanghai Stock Exchange without explanation late Wednesday.

Early Thursday, China Unicom, citing "technical reasons," said that it would file a revised plan in three trading days; it didn't elaborate.

According to officials with knowledge of the matter, the abrupt withdrawal was because terms in the plan ran afoul of recently amended securities rules. China Unicom couldn't immediately be reached for comment.

In a deal that has come to symbolize a government initiative aimed at letting state companies raise private capital to help their balance sheets and fund expansions, the snafu underscores the enormous difficulty in revamping China's brand of state capitalism. While the leadership has stated its desire to channel more private capital in sectors long monopolized by inefficient state companies, like telecommunications, it has also set out to strengthen Communist Party control over the companies and prevent any losses of state assets.

The upshot: The state is increasing, rather than decreasing, its role in the economy.

"We're not moving ahead but going backward in terms of reform," said Christopher Lee, a managing director at S&P Global Ratings.

purchase about 850 million shares at 3.79 yuan apiece, according to the Wednesday presentation by China Unicom.

But even as key government agencies including the state-assets commission signed off on the plan, some details in it failed to meet new requirements set by China's top securities regulator.

Specifically, according to the people with knowledge of the situation, new shares issued by a listed company are capped at 20% of the company's existing shares outstanding under rules introduced in February.

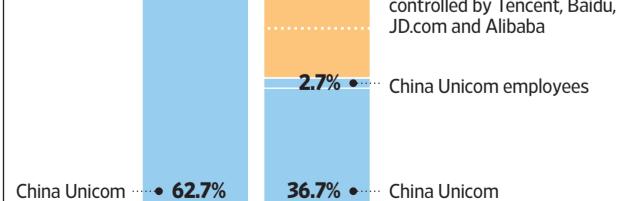
The amount of shares China Unicom proposed to sell as part of the mixed-ownership plan exceeded 40% of the company's shares outstanding.

—Yang Jie, Alyssa Abkowitz and Dan Strumpf contributed to this article.

## Mixing It Up

Diversifying ownership of China Unicom has been a cornerstone in Beijing's mission to bring private capital into sectors monopolized by state firms.

### China Unicom's stakeholders\*



\*For Shanghai-listed A shares of China United Network Communications †As set out in now-removed Shanghai Stock Exchange statement Sources: the company; statements on Shanghai and Hong Kong stock exchanges

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John C. Browne, Esq.  
BERNSTEIN LITOWITZ BERGER  
& GROSSMANN LLP  
1251 Avenue of the Americas, 44th Floor  
New York, NY 10020  
1-800-380-8496

By Order of the Court

If you are a member of the Settlement Class, your rights will be affected by the pending Action and the Settlement, and you may be entitled to share in the Settlement Fund. If you have not yet received the Notice and Claim Form, you may obtain copies of these documents by contacting the Claims Administrator at Clovis Securities Litigation, c/o Epiq Systems, PO Box 3127, Portland, OR 97208-3127; by toll-free phone at 1-888-697-8556; or by email at info@ClovisSecuritiesLitigation.com. Copies of the Notice and Claim Form can also be downloaded from the website maintained by the Claims Administrator, www.ClovisSecuritiesLitigation.com.

If you are a member of the Settlement Class, in order to be eligible to receive a payment under the proposed Settlement, you must submit a Claim Form postmarked no later than December 11, 2017. If you are a Settlement Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement but you will nevertheless be bound by any judgments or orders entered by the Court in the Action and you will not be eligible to receive any damages or reimbursement of expenses should be approved.

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If you are a member of the Settlement Class, in order to be eligible to receive a payment under the proposed Settlement, you must submit a Claim Form postmarked no later than October 5, 2017, in accordance with the instructions set forth in the Notice. If you properly exclude yourself from the Settlement Class, you will not be bound by any judgments or orders entered by the Court in the Action and you will not be eligible to receive any damages or reimbursement of expenses should be approved.

Any objections to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for attorneys' fees and reimbursement of expenses, must be filed with the Court and delivered to Lead Counsel and Settling Defendants' Counsel such that they are received no later than October 5, 2017, in accordance with the instructions set forth in the Notice.

Please do not contact the Court, the Clerk's office, Clovis, any of the other Defendants, or their counsel regarding this notice. All questions about this notice, the proposed Settlement, or your eligibility to participate in the Settlement should be directed to the Claims Administrator or Lead Counsel.

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BERNSTEIN LITOWITZ BERGER  
& GROSSMANN LLP  
1251 Avenue of the Americas, 44th Floor  
New York, NY 10020  
1-800-380-8496

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Any objections to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for attorneys' fees and reimbursement of expenses, must be filed with the Court and delivered to Lead Counsel and Settling Defendants' Counsel such that they are received no later than October 5, 2017, in accordance with the instructions set forth in the Notice.

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CHINA DAILY

中国日报

# ALL YOU NEED TO KNOW CHINA WATCH

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## INTERNET GENERATION ONLINE SPENDING KEEPS CYBER WORLD GROWING, P2



## FARMERS STEAK CLAIM U.S. EXPORTERS REAP BENEFITS OF BIG DEAL, P3

# Panda Power is the New Face of Solar

By LIU XUAN

A solar power station shaped like giant pandas opened to the public on July 25 in Datong, Shanxi province, and its owner said similar plants are planned in countries involved in the Belt and Road Initiative.

Engineers used different kinds of silicon solar cells in black and grayish white to present an image of two baby pandas when seen from above.

The idea came from a 17-year-old overseas Chinese student. She hoped that it would make people think about protecting the environment by using green power.

The project's first stage is operating and was connected to the grid on June 29 with a capacity of 50 megawatts, meaning its average daily output could supply 120 average Chinese households with electricity for a year.

The project incorporates eight industry-leading technologies, said Wang Jingchao, technical engineer of the power station.

"With the new technologies, our plant

is estimated to achieve 1,600 hours of full power operation annually," Wang said.

Over the next five years the owner of the solar station, Panda Green Energy, a Hong Kong-listed company, will carry out its Panda 100 Plan, working with countries involved in the Belt and Road Initiative to build more panda power plants.

"We have signed an agreement with the Philippines to help them build a solar station," Wang said. "Pakistan, Djibouti, Australia, Canada and other countries are on the list for the next step."

One of the most interesting innovations is dubbed the panda's smile. The angle of the solar cells can change with the movement of the sun, making the panda seem to smile at times. Double-sided silicon cells get more out of sunlight.

Young people from around China were invited to a summer camp hosted by the United Nations Development Programme at the station from Aug. 10 to 19 to promote an interest in new energy innovation.



A 17-year-old student proposed the look of a new solar station in Shanxi province to promote ecology. PROVIDED TO CHINA DAILY

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### Cold comfort

Residents in Chongqing take part in an ice bucket challenge at a park on July 25. People all over China like these residents having fun with iced water have enjoyed or endured a summer of searing temperatures. The China Meteorological Administration said on Aug. 3 that the country had experienced its hottest July in 56 years. CHEN CHAO / CHINA NEWS SERVICE

# A Changing Narrative

Surprise upside in second-quarter GDP figures sets the course for rise in annual growth. **Andrew Moody** reports

Is China's economy gaining new momentum? Many of the assumptions have been that the country's growth was on a steady downward trajectory as its economy matures.

Yet China's GDP grew by 6.9% in the second quarter, according to the National Bureau of Statistics on July 17, equaling its performance in the first.

The economy is now on course to return increased annual growth for the first time since 2010 if this new buoyancy carries through to the second half of the year.

On July 24 the International Monetary Fund changed its forecast for China's GDP growth this year to 6.7%, 0.1 percentage point above what it predicted in April and above the Chinese government's own forecast of 6.5%.

The IMF also raised its forecast for next year by 0.2 percentage point to 6.4%.

Li Daokui, a Chinese economist and director of the Center for China in the World Economy at Tsinghua University in Beijing, said the country is now poised for a "golden" phase of economic recovery and expansion.

He argues that with supply-side structural reform, including excess capacity in the economy being cut, and with the expectation that local governments will be more proactive after the 19th Congress of the Communist Party of China in the autumn, growth could once more go back above the 7% mark last seen in 2014.

"(The) Chinese economy will bottom out this year and regain strong growth

“

**(The) Chinese economy will bottom out this year and regain strong growth momentum in 2018 and 2019, and possibly rise above 7%.”**

LI DAOKUI  
ECONOMIST AND DIRECTOR OF THE CENTER FOR CHINA IN THE WORLD ECONOMY AT TSINGHUA UNIVERSITY

momentum in 2018 and 2019, and possibly rise above 7%."

Increased growth in China, which between 2011 and 2015 represented 25% of global GDP growth, could provide a big boost to European companies and African commodity producers.

The announcement of the higher-than-expected growth figures buoyed international stock markets.

Stephen Roach, senior fellow at Jackson Institute for Global Affairs at Yale University, said the recent figures do

change the narrative about the Chinese economy.

He points out that China's GDP has fallen at an average rate of 0.6 percentage point a year since it peaked at 10.6% in 2010.

"Chinese economic growth was widely

expected by many analysts to stay on that downward trajectory for the foreseeable future. It is always risky making too much out of one or two quarters of economic growth, but there can be no mistaking the impressive resilience of the Chinese economy in the first half. A modest acceleration to 6.9% not only breaks the downturn, albeit by a relatively small margin, but it would draw the worst-case scenario of an imminent growth implosion into serious question."

Roach, also author of *Unbalanced: The Co-Dependency of America and China*, said China has been boosted by the stronger-than-expected global growth, which has acted as an external brake since the onset of the global financial crisis in 2008. China's exports in June were up by 11.3% year-on-year.

"The pessimistic consensus view on China has fixated on the twin headwinds of deleveraging and a related tightening of the property market. While those negative forces have, indeed, come into play, they have been more than offset by an improving global climate and its attendant impetus to Chinese exports, as well as the ongoing structural transformation of an increasingly consumer-led growth dynamic."

Louis Kuijs, Hong Kong-based head of Asia Economics at Oxford Economics, upgraded his own 2017 GDP forecast from 6.6% to 6.8% after the latest figures were announced.

SEE "ECONOMY" ON P2

# Model Helps Make Desert Green Again

By YUAN HUI and ZHENG JINRAN

Successful efforts to reforest the once-barren Kubuqi Desert in northern China have boosted regional growth and provided a model for other countries to follow, especially those involved in the Belt and Road Initiative, an international forum has been told.

The total area of greenery in the desert, the seventh-largest in China, has expanded by more than 2,300 square miles over the past 30 years.

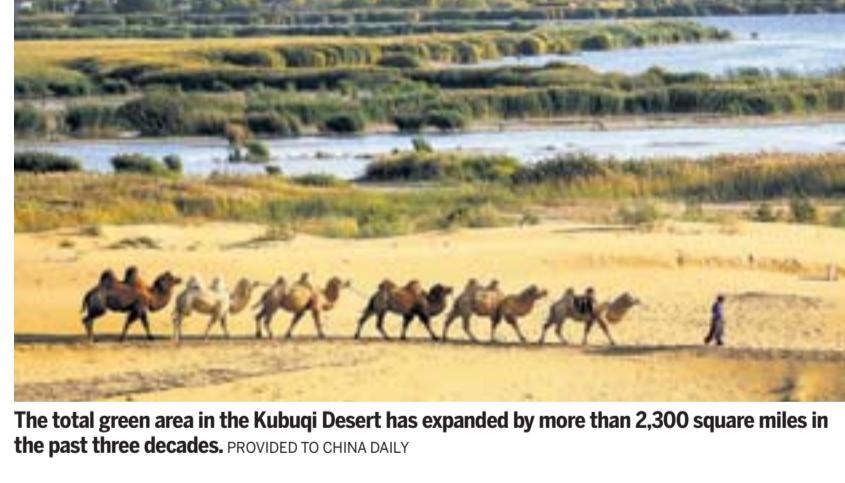
This has been achieved by getting farmers and herders to plant herbs commonly used in traditional Chinese medicine, improve the soil quality, build solar power plants and develop tourism, Wang Wenbiao, chairman of Elion Resources Group, which has spearheaded the reforestation efforts, said at the sixth Kubuqi International Desert Forum.

The two-day forum held late July in Ordos, Inner Mongolia autonomous region, was attended by more than 250 people from 35 countries, including former heads of state, senior officials from governments and U.N. organizations, business leaders and academics.

Delegates hailed the significant achievements of the Kubuqi model, calling it a "paradigm for fundamental solutions to large-scale projects for combating desertification," a statement by the forum organizers said.

The greening project offers a model for tackling desertification that is innovative, adaptable and sustainable, it said.

President Xi Jinping said in a



The total green area in the Kubuqi Desert has expanded by more than 2,300 square miles in the past three decades. PROVIDED TO CHINA DAILY

congratulatory message that the work carried out in the Kubuqi Desert had been a success, and that the forum provided an important platform for countries to talk about their experience in reversing desertification.

In addition to reducing the desert area to nearly 7,200 sq miles, the efforts by Elion Resources Group and the local and central governments had helped lift 102,000 people out of poverty, the forum heard.

China has played a big role in global ecological improvement, and the experience accumulated from the greening of the Kubuqi Desert is significant for other countries, especially those involved in the Belt and Road Initiative, said Jiang Nanqing, a representative in China for the United Nations Environment Programme.

The Kubuqi model shows that getting companies involved can better promote the economy and create jobs while improving the environment, she said.

Vice-Premier Ma Kai said in his opening address that China had made great progress in the fight against desertification and was the first country to see desert reduced.

China's total desert area is shrinking at about 900 sq miles a year, he said, adding that by the end of the 20th century, deserts were expanding by more than 3,800 sq miles a year.

The country will continue to innovate in terms of taxation, investment and financing to control desertification, and will involve more parties to join the greening efforts and develop industries, Ma said.

# 21 China

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## Economy: Reading Signs of Way Ahead

FROM PAGE 1

"It does change the narrative, if only in the short term. Most China analysts had been expecting a slowdown throughout the year after a strong start, but it is now looking to be significantly less pronounced."

"Apart from the support from exports, there was resilience in real estate, especially in the smaller cities. These cities have not been much affected by the house purchasing restrictions that have been imposed in places like Beijing and Shanghai."

However, Zhu Ning, Oceanwide professor of finance at Tsinghua University in Beijing, does not think the new data changes the outlook for the economy drastically, since some of it, he said, has been driven by credit.

"Once the stimulus or short-term credit expansion tapers off, the economy will probably lose this short-term momentum," he said.

Zhu, who is also author of *China's Guaranteed Bubble*, an examination of some of the stresses in the Chinese financial system, said growth depends on how successful policy makers are in delivering supply-side reforms and a rebalancing of the economy.

"The future drivers of growth will be innovation, internationalization and further reform of the financial sector, which is important, or critical, to improve productivity."

Jeremy Stevens, Beijing-based China economist of Standard Bank, Africa's largest bank, doubts whether the current upturn in growth signals that some sort of bottoming-out point has been reached in China's growth decline and that it will now start increasing.

"If the Chinese economy expands by 6.9% this year, which I still think is unlikely, some will argue a bottom has been reached. However, despite some real credible progress in terms of reforms and the transition of the economy toward consumption and services, the reality is that we have declining productivity, which will limit future growth potential."

The increase in growth makes it more likely that the Chinese government will achieve its target of becoming a "moderately well-off society" by the end of 2020 in time for the 100th anniversary of the founding of the Communist Party of China the following year.



### Bold and brave

Female members of the People's Liberation Army Navy Marine Corps parade at Zhurihe Training Base in the Inner Mongolia autonomous region on July 30. It was their first time in such a parade. On Aug. 1, the 90th anniversary of the founding of the PLA was commemorated. FENG YONGBIN / CHINADAILY

## The Internet Booms as Users Open Their Wallets Wider

Number of online users rises by 20 million in six months, and spending spree shows no sign of abating. **Cao Yin** reports

The number of Chinese buying goods and paying for services online has surged over the past two years, and such activities will continue to contribute to the rapid growth of the internet, a national internet authority says.

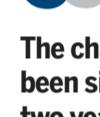
The China Internet Network Information Center said in a report that the country had 751 million internet users at the end of June, 19.9 million more than in December.

Of those users, 514 million, 10.2% more than at the end of last year, bought goods online, the six-monthly report said.

"The range of what you can buy online has become a lot broader," said Zhang Xiao, deputy director of the center, citing food, clothes and home appliances as an example.

Buying online, once predominantly a pursuit of urban dwellers, has spread to those living in the country, stimulating e-commercial development even in villages, she said.

The number of people using the internet to take care of their daily needs, such as ordering takeout food



**The change (internet) has been significant over the past two years."**

LIU XIN  
OF THE RESEARCH DEPARTMENT, CHINA INTERNET NETWORK INFORMATION CENTER

or paying water fees, has boomed, the report said.

By the end of June, 295 million internet users had ordered takeout meals online, 86.8 million more than in December, it said; 274 million of those had ordered food using mobile phones.

"About seven years ago online games were the main force propelling growth of the internet," said Liu Xin, deputy director of the center's research department.

"Now the impetus has become public services. The internet is now a place where you not only search for news and information, but also buy things you like, as well as using it to

service your daily living needs. The change has been significant over the past two years."

Buying goods and paying for services online would continue to contribute to the growth of the internet, he said. Online entertainment, including live-streaming, would give the internet a growth spurt.

Kong Yiyi, 29, of Guangzhou, Guangdong province, said she spends more than six hours daily online for purchases, spending about 5,000 yuan (\$745) a month.

"I can buy what I want online, and it's very fast and convenient. Baby diapers I buy in the morning are being worn by my son in the afternoon."

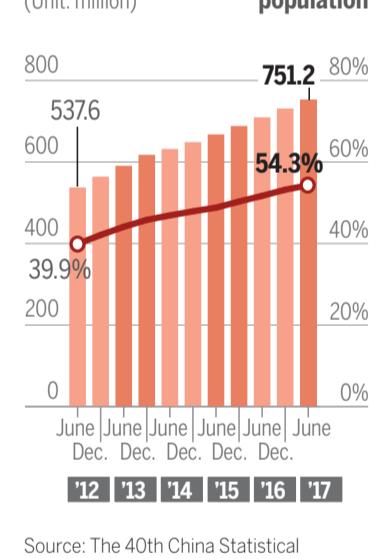
"I prefer online shopping because I'm not familiar with Guangzhou, to which I came two years ago when I got married."

She said she does not believe young people are the main driving force of online shopping.

"My mother is now shopping online and enjoys it. I taught her, and we compare notes about what we are buying."

Cheng Si contributed to this story.

### Internet users in China



Source: The 40th China Statistical Report on Internet Development

CHINA DAILY

## News Digest

### Words and their pedal power

Lists of popular words and phrases based on an annual assessment of characters used by Chinese-language media were published on July 18 by the State Language Committee, the department of the State Council in charge of the country's language reforms.

Words including *afagou* (AlphaGo), the artificial intelligence program that plays the ancient game of go) and *Mobai Danche* (the Chinese name for the bicycle rental company Mobike) were included in a list of the top 10 new words and phrases that appeared in the media.

### Real pandas, or the next best thing

The Chengdu Research Base of Giant Panda Breeding in Chengdu, Sichuan province, is preparing to turn the first and second floors of its museum into a virtual reality panda-themed attraction. It is expected to open next year.

The center will work with a high-tech company in Beijing to provide the VR technology, a representative of the center said. In this panda paradise there will be pictures of pandas and bamboo forests. Visitors will be able to feel and hold the virtual pandas as they would in real life, the center said.

### Fewer hours being spent at work

People in Beijing are spending less time at work than they did 20 years ago but also less time on leisure activities, said an annual report on leisure in China published on July 19.

The findings are based on a survey of about 830 Beijing residents last year and more than 430 in 1996.

### Icebreaker to study acidification

The Chinese icebreaker *Xuelong*, or Snow Dragon, set out for northern seas on July 20 on a quest to measure the acidification of the Arctic Ocean. It is internationally acknowledged that ocean acidification, mainly caused by rising carbon dioxide emissions, is worsening in the Arctic, said Xu Ren, deputy head of the Shanghai-based Polar Research Institute of China. It is the first time the institute has targeted Arctic acidification.

### Game companies find luck overseas

Online games have become a new driver for Chinese companies' growth in overseas markets, as exports advance by leaps and bounds. The overseas revenues of online games independently developed by Chinese companies rose 58% to reach nearly \$4 billion in the first half of the year, said a report issued by the Game Publishing Commission in Beijing and the market consultancies CNG and IDC on July 26.

### Trading service platform set up

The Council for Promoting South-South Cooperation of the Ministry of Foreign Affairs and the Chinese Academy of International Trade and Economic Cooperation of the Ministry of Commerce launched the International Investment and

Trading Network, a comprehensive global investment and trading service platform, on July 18.

It will provide Chinese companies with information on cross-border projects including infrastructure construction, overseas investment, production capacity cooperation and equipment purchases.

### Province joins U.S. in education

Jiangsu province opened an international education agency in Pasadena, California, on July 26. The Jiangsu-California International Education Center, part of the Jiangsu Provincial Department of Education, will promote the relationship between

China and the United States through education, professional training and business development.

### Public hospitals to be nonprofit

Public hospitals in China will operate under a new system not driven by profits by 2020, under a directive of the State Council, issued on July 26.

China should establish a "modern hospital management system" that adheres to putting people's health at the center and adheres to the nonprofit nature of public hospitals and making public welfare a priority, the directive says.

CHINA DAILY

Smooth moves

High school students from Pennsylvania and Maine on a summer vacation get a lesson in Kunqu Opera in Suzhou, Jiangsu province, on July 18. HANG XINGWEI / FOR CHINA DAILY

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Business | 3

# Nebraska Has Steak in Beef Trade

The Governor of Nebraska, Pete Ricketts, was excited when he saw off the first shipment of U.S. beef products on a flight to a customer in Shanghai on June 14. It came after a 14-year absence in the market, and Ricketts realized that it signaled a new era for his state's agriculture.

"Having a great market like China open up for us was really fantastic news for our ranchers here, and an incredibly exciting opportunity for our state," Ricketts said in an interview in his office on the day of that flight.

"If we can achieve the same sort of market share in China as we have achieved in other countries, that could mean a potential 20% increase in the exports of beef from Nebraska, potentially [adding] another \$200 million to the economy for us. This is a big deal for us."

That first test shipment to China from Greater Omaha Packing Co., one of the biggest beef processors in the country, carried not only individually wrapped steaks — rib eyes, tenderloins and New York strips — but also represented a new opportunity for cattle ranchers across the Cornhusker state and other beef-producing states in the United States.

China's lifting of a ban imposed on U.S. beef imports in 2003 — because of a case of mad cow disease — fulfills one of the achievements of a Sino-U.S. 100-day action plan, which was reached by President Xi Jinping and his U.S. counterpart Donald Trump when they met in Florida in April.

There they agreed to establish new bilateral mechanisms, including a comprehensive economic dialogue and initiate a 100-day economic cooperation plan, which experts regarded as good for both sides. In May the two countries announced initial results in areas like agriculture, electronic payments and energy, and proposed that China begin importing U.S. beef no later than July 16, the U.S. Department of Commerce said on May 11.

Agriculture is the biggest economic driver in Nebraska, and beef exports are its biggest segment. With 18% of beef exported from the U.S. coming from the state it is the country's No. 1 beef and beef product exporter, generating \$1.1 billion for the state.

Seeing the first beef shipment sent to China was "extremely exciting for the 1,150 people who work at Greater Omaha," said Henry Davis, president and chief executive of the company.



Rancher Jay Wolf of Bartlett, Nebraska, shows off some of his cattle. AMY HE / CHINA DAILY



**Having a great market like China open up for us was really fantastic news for our ranchers here, and an incredibly exciting opportunity for our state."**

PETE RICKETTS  
GOVERNOR OF NEBRASKA

"It solidified that we're able to sell beef in any market around the world and meet everyone's requirements."

Angelo Fili, executive vice-president at Greater Omaha, said China became the company's 69th export country this year, and though the market consumes much less beef than others — about 8 pounds of beef and veal are consumed per capita, compared with 54 pounds in the U.S., the Omaha Economic Development Corp. says — any opportunity to raise that figure, even minimally, represents a plus for the industry.

"People always want to be first

into the market, but the reality is we were first, and China is really a bigger notch than anything we have done because it's such a large market," Fili said.

Nebraskan ranchers have been preparing for beef trade with China to resume since it was announced last September that the Chinese Ministry of Agriculture was lifting its ban.

Beef was one of the main focuses of a trade mission that Ricketts led to China late last year. Nebraska has also hosted many Chinese delegations over the years that have looked at cattle ranches and feedlots, says Nebraska Cattlemen, a cattle rancher association.

The state had about 6.45 million cattle in January and is home to 19,000 ranches, as well as Greater Omaha Packing and Tyson Foods. There are four USDA-approved meatpackers for shipments to China: Tyson, Greater Omaha Packing, JBS U.S.A. and Creekstone Farms Premium Beef.

The Chinese mainland potentially represents a \$2.6 billion market for U.S. beef products. The U.S.' current top foreign markets include Japan, Mexico, South Korea and Canada, the National Cattlemen's Beef Association says.

Troy Stowater, president of Nebraska Cattlemen and managing partner at Diamond 6 Feeders in West Point, Nebraska, said the U.S. re-entry to the Chinese market will be a "slow buildup."

"I don't think it happens overnight, and there are some requirements on [the beef] that will take some time to fulfill — but we're extremely grateful to be back in the Chinese market."

Stowater was part of the trade mission to China with Ricketts and said the Chinese importers and distributors he met were eager to get U.S. beef products into their market.

"If we're able to move ounces per capita into that market, it's a big deal for the United States. The other thing is, our reputation for quality and food safety has already been established in the marketplace," Stowater said.

The resumption of the beef trade between the U.S. and China is expected to diminish competitors' shares of the Chinese beef market, most of whose imports have been from Australia, New Zealand and Canada. Before the 2003 ban, 70% of China's imported beef came from the U.S. Australia, which has a strong foothold in the Chinese market, is coming off a long drought that affected its ability to export,

presenting an opportunity for U.S. ranchers and processors.

"U.S. beef is high-quality beef, with our grain-fed production, and that's in demand," said Jay Wolf, owner of the Wagonhammer Ranch in Bartlett, Nebraska, and former president of Nebraska Cattlemen. "There are not a lot of places in the world that can compete with the United States in raising that kind of meat, so I think we have the product."

Mike Cline, president of the Iowa Cattlemen's Association, another state that expects to resume beef sales to China, said members of his association, like many others, are learning about the rules and protocol that must be met for U.S. beef products going to China.

China's requirements are more stringent than those of other international destinations for U.S. beef, according to a notice from the Iowa Cattlemen's Association to its members. Cattle must be less than 30 months of age, be born and raised in the U.S., Mexico or Canada, be free of growth hormones and feed additives and be slaughtered in the U.S.

While the beef industry is excited to sell to China, sales are not expected to pick up pace right away, said Joe Schuele, vice-president of communications of the U.S. Meat Export Federation in Colorado.

"Currently only a small percentage of U.S. beef is eligible [for export to China]. The biggest challenge for U.S. producers interested in serving the Chinese market will be to raise cattle that meet China's beef import requirements because meeting these requirements increases their cost of production."

Schuele said he expects beef exports to China will begin slowly but build over time as U.S. producers raise more cattle that meet China's import requirements.

Data from the export federation indicate that Chinese consumers are interested in high-end steak cuts, but several beef cuts such as short ribs, short plate and chuck roll are also especially popular in Asia.

Terry Branstad, Iowa's former governor who is now U.S. ambassador to China, said in May that the resumption of U.S. beef exports to China is "huge" and "something we've wanted for years and years."

Iowa has about 27,000 beef producers and exported \$427.3 million worth in the first quarter of this year, says the Iowa Beef Industry Council.

## Sharing Economy Branches Out

By OUYANG SHIJIA  
and WANG YING

Smartphone run out of battery? Need fancy dress to attend a wedding or a party?

The sharing economy, already buoyed by the success of ride-hailing and bike-sharing giants such as Didi Chuxing and Ofo Inc., can help.

These and other services are part of a broader sharing-economy boom sweeping across China. Fueled by forward-thinking investors and venture capital firms, startups offering a wide range of sharing services, and extending into far more businesses than their foreign counterparts do, are sprouting up across the country.

Bicycles, homes, pricey fashion, everyday clothing, basketballs, umbrellas — all are being hurled into the magical sharing model in China.

According to a report jointly issued by the State Information Center and the Internet Society of China, the country's sharing economy transactions were worth about 3.45 trillion yuan (\$510 billion) last year. The figure is expected to grow to more than 10% of China's GDP by 2020. China's GDP was 74.41 trillion yuan last year and is projected to grow by 6% to 7% annually over the next few years.

"I believe the market for the sharing economy will be huge," said Liu Mengyuan, who founded yi23.net to provide subscription-based rental clothing services, including everyday clothing and high-end luxury dresses, for women in China.

"So huge even the clothing rental sales will exceed 1 trillion yuan in the

foreseeable future. And China's large population is a big opportunity for us."

Yet sharing services do have limitations.

One innovation, "shared sleeping capsules" in office buildings in Beijing, Shanghai and Chengdu, Sichuan province — which office workers could rent for a nap during their lunchtime breaks — were shut down and dismantled recently over fire-safety concerns.

For about 10 yuan for 30 minutes, sleepy white-collar workers were able to rent white capsules in the office buildings for a nap during the midday rush.

Beginning in May, the sleek white capsules, which look like space pods, were installed in office buildings in the three cities.

Customers were able to scan a quick response code with smartphones, which they could use to pay for the service, and then access services such as phone chargers and Wi-Fi.

Dai Jiangong, founder and chief executive of Beijing Xiangshui Technology Corp., a startup dedicated to providing the nap space, said the capsule catered to professionals' needs for naps during a busy workday.

"In China more than 300 million people are sleep-deprived," he said. "Those sleepy white-collar workers need naps to make up for early-morning commutes and long working hours. Usually after a short nap they feel more alert and can work better. That is exactly what we offer — private spaces for naps."

Though the pods were recalled, the company was not fined and plans to reintroduce them.

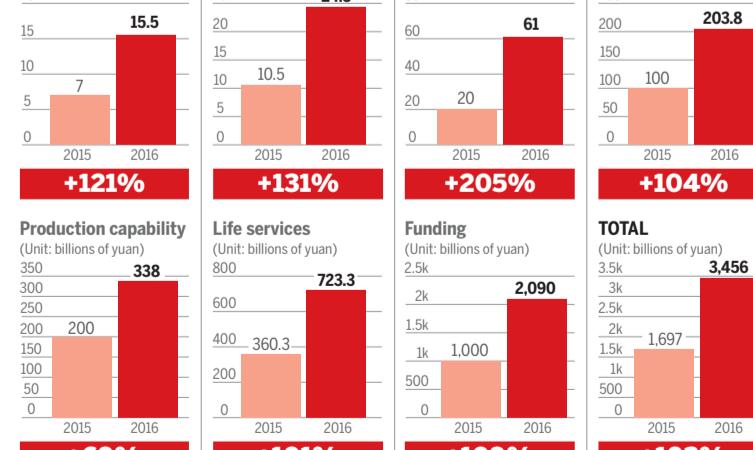


Customers use mobile phone chargers at a restaurant in Shanghai last month. This is a growing part of China's sharing economy. HAI XIN / FOR CHINA DAILY

### Cashing in on sharing

The total size of China's sharing economy doubled in a year.

#### KEY SECTORS' MARKET SIZE



Sources: State Information Center and Internet Society of China

"With an increase in average income, more Chinese are choosing to buy premium products and services, which has created a niche market for providers," said Chen Ke, partner and vice-president of Roland Berger Greater China.

"At the same time, the accumulation of wealth and abundance of resources is fueling the trend to share resources, typified by ride-hailing resources and accommodation services."

In China the sharing economy not only reduces the waste of idle resources but also means new technologies are being used to transform traditional businesses, such as bike and umbrella rentals, Chen said.

"The expanded meaning of the term sharing economy in China is helping companies become stronger amid fierce competition and helps more consumers to better access the needed services."

While many mobile-savvy Chinese have become obsessed with the products and services enabled by the sharing economy, some critics question whether the mode is sustainable or whether all products can be shareable.

ThePaper.cn in Shanghai says the investor of a rental umbrellas business claimed that of the nearly 300,000 umbrellas the company deployed in more than 10 cities in Southeast China, almost all have gone missing.

Zhang Xu, an analyst at the consultancy Analysis in Beijing, said the sharing model would not work in every situation.

"Sharing startups need to consider how to meet customer demand and then to rent out suitable items. They also need to consider maintenance. For example, if most rental umbrellas are taken away by consumers and cannot be tracked back, the sharing mode would be unsustainable," he said.

Ma Si contributed to this story.

Dai said the company has recalled all 50 nap capsules in the three cities and will improve the products accordingly to better serve customers. He expects new versions to be installed by the end of the year.

The success of the sharing economy

in China is perhaps unsurprising when you consider Chinese consumers' embrace of mobile payment services such as Alibaba Group Holding Ltd.'s Alipay and Tencent Holdings Ltd.'s WeChat Wallet and their rapidly changing consumption habits.

PAID ADVERTISEMENT



CHINA DAILY

4 | Life

Dressed in traditional Chinese dress called hanfu with a long plait hanging down her back, Zhang Linxi, 9, presents her artworks — two pieces of calligraphy and two ink paintings of birds and flowers — at an exhibition in the 798 Art District of Beijing.

The three-day show features works by about 360 calligraphy and ink painting lovers, many of them children aged between 5 and 10.

Linxi has been studying calligraphy for two years. She has a practice room at home, with ink brushes, ink stones and seals bought by her father.

"We encourage her to learn calligraphy," her mother, Zhang Yu, said.

"It's a good way to learn about our Chinese culture, makes her wiser and helps her better identify with it."

Li Xiaoya, chief executive of Hanxiang of Beijing, a franchised calligraphy training school, who organized the 798 exhibition, said, "Most parents who can afford it appreciate art education, and they regard calligraphy as a gateway to traditional Chinese culture."

Learning calligraphy also means learning classical poems because the written scripts are excerpts from poetry from the Tang (618-907) and Song (960-1279) dynasties. Calligraphy students also have to learn traditional seal-making skills because each piece of calligraphy has a name printed with a seal.

"It's more than just calligraphy," Li said. "It's about Chinese history and culture as well."

The popularity of calligraphy has grown rapidly with the central government's promotion of traditional Chinese culture, and Hanxiang has expanded rapidly. In 2015 Li had eight calligraphy training schools in China and the number has nearly tripled.

Li said that in 2009 when she opened her first calligraphy training school with several teachers, many of her friends tried to talk her out of it on the grounds that calligraphy was such a "marginalized subject."



## CHARACTER BUILDING

Parents are discovering the benefits of getting their children to learn calligraphy. **Deng Zhangyu** reports

But the once unpopular subject is now hot.

Besides letting their children learn history and culture, many also hope to help build their children's personalities, so they become more focused and persistent.

Fu Yankai, 9, who started learning

calligraphy two years ago, sat quietly in the noisy exhibition room in the 798 Art District where his calligraphy was displayed, taking his time to carefully write a scroll. His mother said he is not the misbehaved boy he used to be.

"He can now sit down for hours

concentrating on one thing," she said.

Yankai took part in a cultural tour for children earlier this year to explore an ancient city, Suzhou, in Jiangsu province, with traditional Chinese gardens and buildings in or near which many well-known poets

(Calligraphy is) a good way to learn about our Chinese culture, makes her wiser and helps her better identify with it."

ZHANG YU  
MOTHER OF A YOUNG CALLIGRAPHER

and calligraphers of the past wrote their poems.

The children played a game in which they let cups float down a stream, and when the cup stopped, the person next to it on the bank had to sing a song or recite an ancient poem. It was a game the poets of yore loved playing.

Such cultural tours have increased Yankai's passion for both calligraphy and Chinese culture, his mother said.

"We're Chinese; our children must understand our culture," she said.

Li's training schools also provide many cultural tours. For instance, they arrange trips to explore how Chinese porcelain wares are made and how to write and paint on them.

They are organizing a tour to Dunhuang in Gansu province, Northwest China, to gain an appreciation of the murals in the caves that were painted thousands of years ago.

Such activities are popular and sell out quickly, Li said.

Song Weiyuan, a calligrapher and a long-time educator and scholar, said writing calligraphy may seem like a "useless thing" which many of the children may never write when they grow up, but it is important for them to learn it.

"Calligraphy represents the highest level of Chinese art, since it is an art that has lasted for thousands of years. And it is a continuous record of how the Chinese characters change and how people write them."

## Away From Home Now Means Home Away

By YANG FEIYUE

Wang Haining, a seasoned traveler who has visited many cities at home and abroad, prefers homestay to hotels for accommodation, saying it is cheap and his host can introduce him to the local culture.

"It's a good way of getting inside knowledge and experiencing local life," said Wang, who began using house-sharing websites such as Airbnb, Xiaozhu and Tangguo on the recommendation of a friend.

A growing number of Chinese travelers are opting for the same kind of accommodation when they travel.

According to a report jointly published by Airbnb and the China Tourism Academy, Chinese travelers have become big consumers of such accommodation overseas.

Airbnb tracked 1.6 million Chinese travelers abroad who used its services last year, up 142% over the previous year.

Those born in the 1980s and 1990s accounted for 83% of users.

Travelers on sightseeing and leisure tours account for the bulk of the group that uses share accommodation, and most travel with friends and families, the report says.

Travel periods span four to seven days.

More meaningful social interaction with locals and unique experiences, as well as reduced costs that allow travelers to enjoy



Many Chinese tourists traveling with friends and families are staying in share accommodation. PROVIDED TO CHINA DAILY

destinations and tourism activities that would otherwise be out of reach because of the cost were the major reasons cited for Chinese travelers choosing share accommodation.

Share accommodation has helped to stimulate tourism spending, utilize idle resources and boost rural development and cultural exchanges, the report says.

The top overseas destinations for shared travel include Japan, the United States, Thailand, South Korea, Australia and Italy.

Chinese travelers made 122 million trips overseas last year, and 47% of them had travel-sharing experiences, said Dai Bin, head of the China Tourism Academy.

"The tourism industry has been more influenced by the sharing economy than have other industries," Dai said. "It is creating a new mode of travel."

The huge potential of the sharing travel market in China has also caught the eye of some like Jin Dongzhe, the founder of Tangguo,

an internet company that matches private house renters with tourists.

He realized there was great potential in the private rental business when he entered the market in Shenyang, Liaoning province, in 2007.

"There are many idle houses in China, especially in the third- and fourth-tier cities, and they can meet travelers' accommodation needs," he said.

The government's decision to support bed-and-breakfast and

short-term rentals in 2015 also encouraged Jin to set up his new company.

Tangguo now has more than 3.5 million registered users and covers villas, homestay venues and apartments in 218 Chinese cities, and it is making inroads in 30 countries, including Thailand, Singapore, France, the U.S. and Italy.

More than 6,000 Chinese visitors to Thailand booked through Tangguo between last December and March.

"I started as a private room broker between house owners and individual travelers, and I know what both sides want," Jin said.

Travelers can get information on nearby attractions and local history and culture from landlords, and Tangguo provides a cleaning and maintenance service, so landlords and renters need not worry about the upkeep of the properties.

Jin has a vision for tourism based on the sharing economy.

"In the future, if you want to go to the countryside and have a barbecue, for instance, you won't need to buy all the equipment."

"All you need to do is to find the grill and things you need online and they will be there when you arrive."

It also means everyone can act as a tour guide and offer their own distinctive services, he said.

"When travel stops being just sightseeing and becomes immersion in local life, we'll create a new travel lifestyle."

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## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**21750.73** ▼274.14, or 1.24%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 19.98 20.16  
P/E estimate \* 18.45 18.04  
Dividend yield 2.37 2.56  
All-time high 22118.42, 08/07/17

Current divisor 0.14602128057775



Bars measure the point change from session's open  
May June July Aug. 20000

Weekly P/E data based on as-reported earnings from Birnyl Associates Inc.

#### S&P 500 Index

**2430.01** ▼38.10, or 1.54%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.59 24.91  
P/E estimate \* 18.78 18.57  
Dividend yield 1.99 2.09  
All-time high 2480.91, 08/07/17



May June July Aug. 2300

#### Nasdaq Composite Index

**6221.91** ▼123.19, or 1.94%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.35 23.89  
P/E estimate \* 21.32 20.10  
Dividend yield 1.11 1.19  
All-time high 6422.75, 07/26/17



May June July Aug. 5660

#### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	21984.74	21750.32	<b>21750.73</b>	-274.14	-1.24	22118.42	17888.28	17.0	10.1	9.3
Transportation Avg	9363.15	9150.90	<b>9152.45</b>	-224.77	-2.40	9742.76	7755.40	15.5	1.2	3.5
Utility Average	740.27	733.99	<b>734.42</b>	-5.20	-0.70	739.62	625.44	6.2	11.3	10.2
Total Stock Market	25445.14	25073.43	<b>25073.43</b>	-398.63	-1.56	25692.25	21514.15	11.0	7.7	7.1
Barron's 400	641.78	630.49	<b>630.50</b>	-11.41	-1.78	661.93	521.59	14.6	4.8	6.2

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Nasdaq Stock Market</b>										
Nasdaq Composite	6334.23	6221.91	<b>6221.91</b>	-123.19	-1.94	6422.75	5046.37	18.7	15.6	11.7
Nasdaq 100	5903.87	5796.32	<b>5796.32</b>	-121.10	-2.05	5950.73	4660.46	20.5	19.2	13.3

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Standard &amp; Poor's</b>										
500 Index	2465.02	2430.01	<b>2430.01</b>	-38.10	-1.54	2480.91	2085.18	11.1	8.5	7.5
MidCap 400	1725.62	1695.97	<b>1696.14</b>	-29.69	-1.72	1791.93	1476.68	8.6	2.1	6.7

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Other Indexes</b>										
Russell 2000	1384.74	1358.80	<b>1358.94</b>	-24.59	-1.78	1450.39	1156.89	9.9	0.1	6.0
NYSE Composite	11856.49	11712.60	<b>11712.72</b>	-156.13	-1.32	12000.02	10289.35	7.8	5.9	2.8
Value Line	512.89	504.63	<b>504.64</b>	-8.23	-1.60	533.62	455.65	3.9	-0.3	1.0

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Standard &amp; Poor's</b>										
500 Index	2465.02	2430.01	<b>2430.01</b>	-38.10	-1.54	2480.91	2085.18	11.1	8.5	7.5
MidCap 400	1725.62	1695.97	<b>1696.14</b>	-29.69	-1.72	1791.93	1476.68	8.6	2.1	6.7
SmallCap 600	835.56	819.62	<b>819.83</b>	-15.66	-1.87	876.06	703.64	9.5	-2.2	7.7

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Other Indexes</b>										
Russell 2000	1384.74	1358.80	<b>1358.94</b>	-24.59	-1.78	1450.39	1156.89	9.9	0.1	6.0
NYSE Composite	11856.49	11712.60	<b>11712.72</b>	-156.13	-1.32	12000.02	10289.35	7.8	5.9	2.8
Value Line	512.89	504.63	<b>504.64</b>	-8.23	-1.60	533.62	455.65	3.9	-0.3	1.0

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Other Indexes</b>										
Russell 2000	1384.74	1358.80	<b>1358.94</b>	-24.59	-1.78	1450.39	1156.89	9.9	0.1	6.0
NYSE Composite	11856.49	11712.60	<b>11712.72</b>	-156.13	-1.32	12000.02	10289.35	7.8	5.9	2.8
Value Line	512.89	504.63	<b>504.64</b>	-8.23	-1.60	533.62	455.65	3.9	-0.3	1.0

#### 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
SPDR S&P 500	SPY	12,992.1	242.95	-0.			

# COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

## Futures Contracts

### Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2.9615	2.9630	2.9300	2.9380	-0.0165	928	
Aug	2.9615	2.9630	2.9300	2.9380	-0.0165	928	
Dec	2.9850	3.0035	▲	2.9000	2.9610	-0.0150	137,094
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1283.80	1288.50	1283.20	1286.40	9.50	899	
Aug	1283.80	1288.50	1283.20	1286.40	9.50	899	
Oct	1286.00	1292.50	1283.20	1289.10	9.60	49,553	
Dec	1290.00	1296.00	1286.40	1292.40	9.50	376,411	
Feb'18	1293.00	1299.30	1291.40	1296.00	9.50	19,459	
June	1300.00	1305.00	1300.00	1303.10	9.40	9,193	
Dec	1315.30	1315.50	1313.20	1314.00	9.40	8,068	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	885.00	885.00	885.00	928.55	15.85	4	
Sept	917.55	932.00	▲	917.20	926.15	15.95	28,700
Dec	910.15	922.35	▲	910.15	919.05	16.05	6,178
March'18	912.55	915.45	▲	910.60	914.05	16.50	362
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	962.60	965.30	962.60	978.90	6.90	1	
Oct	983.50	985.10	974.30	981.70	7.20	62,408	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	17.130	17.130	16.990	17.030	0.113	94	
Sept	17.120	17.175	16.965	17.053	0.113	95,493	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	46.80	47.19	46.46	47.09	0.31	161,590	
Sept	46.95	47.34	46.62	47.24	0.30	49,944	
Nov	47.12	47.49	46.78	47.40	0.30	192,749	
Dec	47.28	47.63	46.93	47.53	0.28	324,077	
June'18	47.83	48.04	47.49	47.98	0.16	156,297	
Dec	48.00	48.20	47.70	48.11	0.15	178,380	
<b>NY Harbor UlSD (NYM)</b> -42,000 gal.; \$ per gal.	1.5744	1.5865	1.5488	1.5820	0.0076	77,614	
Sept	1.5795	1.5915	1.5550	1.5873	0.0078	82,873	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1.4733	1.4996	1.4503	1.4949	0.0216	117,309	
Sept	1.4733	1.5932	1.5374	1.5869	0.0231	73,821	
Oct	1.4733	1.5932	1.5374	1.5869	0.0231	73,821	
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	2.891	2.939	2.856	2.929	0.039	136,113	
Sept	2.920	2.972	2.886	2.966	0.041	278,457	
Nov	3.000	3.051	2.966	3.045	0.040	125,284	
Dec	3.141	3.191	3.108	3.186	0.038	94,009	
Jan'18	3.241	3.288	3.208	3.284	0.037	144,406	
April	2.873	2.892	2.852	2.886	0.016	112,058	

### Contract

Open High hilo Low Settle Chg Open interest

### Agriculture Futures

Corn (CBT)	5,000 bu.; cents per bu.						
Sept	352.50	353.75	349.50	350.50	-2.00	292,959	
Dec	366.50	367.75	363.50	364.25	-2.25	684,729	
<b>Oats (CBT)</b> -5,000 bu.; cents per bu.	261.50	267.00	257.25	258.25	-1.75	496	
Sept	256.50	269.00	255.75	258.00	.75	5,122	
<b>Soybeans (CBT)</b> -5,000 bu.; cents per bu.	924.00	931.75	922.00	930.25	8.50	67,291	
Sept	927.25	935.00	925.75	933.00	7.75	362,826	
<b>Soybean Meal (CBT)</b> -100 tons; \$ per ton.	295.10	298.50	294.50	296.10	1.50	44,317	
Dec	298.90	302.20	298.30	300.00	1.90	179,652	
<b>Soybean Oil (CBT)</b> -60,000 lbs.; cents per lb.	32.86	33.34	32.86	33.21	.36	43,235	
Sept	33.21	33.68	33.19	33.55	.37	196,859	
<b>Rough Rice (CBT)</b> -2,000 cwt.; \$ per cwt.	121.80	122.00	120.00	121.20	-6.50	5,120	
Sept	124.50	125.00	123.80	124.50	-6.50	4,410	
<b>Wheat (CBT)</b> -5,000 bu.; cents per bu.	419.50	422.25	412.25	414.00	-5.25	96,036	
Sept	447.00	449.75	447.85	440.75	-6.25	217,438	
<b>Wheat (KCI)</b> -5,000 bu.; cents per bu.	419.50	421.75	413.00	414.25	-5.25	47,588	
Sept	446.00	449.25	440.50	442.00	-5.00	114,813	
<b>Wheat (MPLS)</b> -5,000 bu.; cents per bu.	673.00	677.50	665.00	670.25	-3.25	15,218	
Dec	683.75	691.25	677.50	684.25	-50	37,541	
<b>Cattle-Feeder (CME)</b> -50,000 lbs.; cents per lb.	142.250	142.800	140.75	140.475	-1.75	8,154	
Oct	142.750	142.875	139.700	140.475	-6.25	16,749	
<b>Cattle-Live (CME)</b> -40,000 lbs.; cents per lb.	109.200	109.275	106.975	107.125	-2.35	7,533	
Oct	108.250	108.250	105.825	106.225	-2.100	155,520	
<b>Hogs-Live (CME)</b> -40,000 lbs.; cents per lb.	68.475	68.475	66.425	66.925	-1.850	124,481	
Oct	63.175	63.175	61.300	61.800	-1.675	59,563	
<b>Lumber (CME)</b> -110,000 bd ft.; \$ per 1000 bd ft.	371.00	374.30	370.00	371.30	1.00	2,545	
Sept	358.80	361.50	357.50	359.00	1.10	1,499	
<b>Milk (CME)</b> -200,000 lbs.; cents per lb.	16.50	16.51	16.49	16.50	.03	4,880	
Sept	17.08	17.20	17.06	17.15	.10	5,667	

### Interest Rate Futures

Treasury Bonds (CBT)	\$100,000 pts	32nds of 100%				
Sept	155.020	156.000	154.180	155.220	20.0	741,287
Dec	153.290	154.230	153.110	154.150	21.0	10,708
<b>Treasury Notes (CBT)</b> -\$100,000 pts	32nds of 100%					
Sept	126.165	126.270	126.110	126.230	6.5	3,314,445
Dec	126.070	126.170	126.010	126.135	7.0	107,455
<b>5 Yr. Treasury Notes (CBT)</b> -\$100,000 pts	32nds of 100%					
Sept	118.137	118.192	118.105	118.172	2.7	3,031,557
Dec	118.037	118.095	118.007	118.080	3.2	116,446
<b>2 Yr. Treasury Notes (CBT)</b> -\$200,000 pts	32nds of 100%					
Sept	108.067	108.080	108.060	108.077	.7	1,411,496</td

# BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBSE, National Stock Exchange, ISE and BATS. This list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

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 17, 2017

		Net		Net				Net		Net		Net		Net		Net		Net	
Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg
<b>NYSE</b>																			
ABB	ABB	22.91	-0.30	Americas	AMH	23.08	0.18	BancoBilbaoib	BBVA	8.71	-0.26	BancoChile	BSC	66.60	-0.52	BancoCantAnde	BSCA	29.02	-0.28
AES	AES	11.01	-0.17	Americorp	AMR	138.74	-4.62	BancoMontral	BMO	73.66	-0.69	BancosM	BMOA	94.72	-0.33	BancosNatl	BNSA	36.88	-0.28
Aflac	AFL	79.83	-0.99	AmericusRe	ABC	79.94	0.27	BanKPN	BKN	51.80	-1.08	BanKraibut	BKRA	16.75	-0.52	BanKraibut	BKRA	16.75	-0.52
AT&T	T	37.60	-0.63	Amtek	AMT	139.65	-1.44	BanKraibut	BKRA	16.75	-0.52	BanKraibut	BKRA	16.75	-0.52	BanKraibut	BKRA	16.75	-0.52
AbbottLabs	ABT	49.29	-0.52	AmdarokPetro	APC	41.72	-0.32	BanKraibut	BKRA	16.75	-0.52	BanKraibut	BKRA	16.75	-0.52	BanKraibut	BKRA	16.75	-0.52
AbbVie	ABBV	69.85	-0.57	Andeavor	ANDV	92.22	-0.65	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33
Accenture	ACN	127.59	-2.44	ARIB	ABIV	116.87	-0.58	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33
AcuityBrands	ABY	181.15	-2.23	Antenna	ANT	11.22	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33
Adient	ADNT	65.55	-1.10	Antenna	ANT	11.22	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33
AdvanceAuto	AAP	92.85	-1.30	Antenna	ANT	11.22	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33
AdvSemEng	ASX	6.05	-0.08	Antenna	ANT	11.22	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33	Barclays	BCS	10.2	-0.33
Aegon	AEG	5.74	-0.14	Apache	APA	39.89	-0.99	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AerCap	AER	48.20	-0.78	Apache	APA	39.89	-0.99	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Aetna	AET	155.81	-0.09	Apache	APA	39.89	-0.99	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AffiliatedMtrs	AMG	173.00	-5.39	Appliance	APP	28.93	-0.42	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AigleTechsUtil	AGT	6.08	-0.34	Appliance	APP	28.93	-0.42	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AigloEagle	AEM	47.04	-0.34	Appliance	APP	28.93	-0.42	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Aigru	AIG	97.21	-2.03	Appliance	APP	28.93	-0.42	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AlairProducts	APD	145.24	-2.54	Appliance	APP	28.93	-0.42	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AlaskaAir	ALK	80.02	-3.79	ArcherDaniels	ADM	41.67	-0.48	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Albermarle	ALB	112.11	-1.31	ArclinkNetworks	ANET	17.06	-2.61	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alcoa	AA	37.80	-1.43	ArclinkNetworks	ANET	17.06	-2.61	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AlexanderRealEst	ARE	121.67	-0.23	ArclinkNetworks	ANET	17.06	-2.61	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Allstate	ALL	93.33	-1.05	Avionics	AVI	45.41	-0.01	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AllyFinancial	ALLY	22.15	-0.44	Avionics	AVI	45.41	-0.01	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AlticeUSA	ATUS	30.34	-0.21	Avionics	AVI	45.41	-0.01	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AlticeUSA	ATUS	11.00	-0.15	Avionics	AVI	45.41	-0.01	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Altria	AT	64.30	-1.15	Avionics	AVI	45.41	-0.01	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Allegion	ALI	78.83	-0.46	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Allergan	AGN	224.77	-3.72	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
AltriaGroup	ATG	17.07	-0.6	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS	29.08	-1.49	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54	Argentina	ARG	15.54	-0.54
Alvarez	AVB	6.19	-0.04	AvonShaeSho	AVS</														

## BANKING & FINANCE

# China's Anbang Hits a Wall in South Korea

After a shopping spree, the company is pulling back as regulators look into its practices

BY JAMES T. AREDDY

SEOUL—China's **Anbang Insurance Group** dived headlong into South Korea, spending over \$1 billion as it took control of two insurers, agreed to buy an asset-management company and picked up a bank stake in rapid succession.

Now those deals are fraying. Anbang is trying to claw back money it paid for one of the insurers after a financing scandal it didn't discover in due diligence. It has struggled to close the deal for the asset manager and local regulators are monitoring its marketing of insurance products.

Anbang's effort to stitch together a global financial network around its core Chinese insurance operation has received less attention than its purchase of Waldorf Astoria New York or its unsuccessful bid for **Starwood Hotels & Resorts Worldwide**. But insurance is Anbang's backbone, and South Korea is emerging as a test for the company's resilience globally in the face of problems back home.

Anbang is among a handful of big private conglomerates that Chinese regulators have targeted over their overseas acquisitions. Chairman Wu Xiaohui, who charted Anbang's global expansion, has been de-

tained by investigators for alleged economic crimes, according to people familiar with the matter.

It isn't known where Mr. Wu is, and he hasn't made a public statement. Anbang declined to comment for this article. It has said in his absence other executives are running the group.

Fallout from these domestic troubles already are spilling beyond China's borders. In Europe following news about Mr. Wu's absence in June, investors dumped €650 million (\$765 million) of debt securities issued the previous month by Anbang-owned Dutch insurer **Vivat NV**, though the bond's price has partially rebounded.

Local regulators reviewing Anbang's acquisition of asset manager **Allianz Global Investors Korea Ltd.** are considering, among other things, whether the Chinese company meets a "fit and proper test" to handle investor funds—a determination now complicated by Mr. Wu's disappearance, a person with knowledge of the situation says.

Allianz says the sale is "an ongoing regulatory matter."

South Korea's Financial Services Commission declined to comment on specifics on Mr. Wu and said while it is monitoring Anbang's activities, it hasn't detected any problems that might affect customers. Regarding the "fit and proper" test, it said, "Majority shareholders shall have sufficient investment capabilities, sound financial standing and social credibility."



Chairman Wu Xiaohui, whereabouts unknown, spearheaded Anbang's push into Korea.

insurer quickly gobbled up market share. Key to growth was the sale of insurance as a type of time deposit that earns yields sometimes triple what competitors offered, according to marketing materials and industry executives and analysts.

Under Anbang, the former Allianz business recorded a 190% increase in personal premium revenue in four months, while the market overall shrank 3.4%, according to figures from the Korea Life Insurance Association.

Rivals say the deals accounted for almost all of the industry's growth in that period. "There's been a disturbance in the market with China-backed insurance products," said Andrew Barrett, executive vice president at Seoul-listed ING Life Insurance Korea Ltd. "We don't think it's permanent."

Mr. Wu has said Anbang jump-started a staid industry through "export of know-how and management skill of Chinese enterprises," as he put it in a December commentary published in trade publication Asian Insurance Review.

Anbang derived most of its China revenue selling similar products—until Chinese regulators forced an end to the practice earlier this year.

Though he spearheaded the drive into Korea, the Anbang chairman actually spent little time in the country, according to people familiar with the matter.

—Min Sun Lee contributed to this article.

Anbang's difficulties in South Korea are partly the result of Mr. Wu pushing the company into the market without articulating a clear plan, said analysts, competitors and a company insider. Given Mr. Wu's status, they say, the company may drift. "Strategy? We don't have such things," says a person involved in recent Anbang deal making. "The chairman makes the decisions."

Anbang entered South Korea ahead of the 2015 launch of a free-trade pact that fueled expectations of stronger financial ties between two powerhouse economies.

That year, Anbang bought control of Seoul-listed Tong Yang Life Insurance Co., agreeing to pay a 45% premium, or about \$1 billion. Last year, it agreed to buy two Korea businesses from Germany's Allianz SE, a money-losing insurer and the profitable asset manager, at the fire-sale price of \$3 million.

In a mark of its ambition for the market, the company created a red logo ABL—for Anbang Life—and put it in big letters on a financial-district skyscraper in Seoul. The Korean businesses have also taken steps to integrate with Anbang's globalizing operation such as drawing on expertise from the European business Vivat and, in the case of Tong Yang, lending \$275 million to an Anbang-owned hotel in California.

Letters on a financial-district skyscraper in Seoul. The Korean businesses have also taken steps to integrate with Anbang's globalizing operation such as drawing on expertise from the European business Vivat and, in the case of Tong Yang, lending \$275 million to an Anbang-owned hotel in California.

Last November, Anbang got a piece of government-controlled **Woori Bank** when an investor group including Tong Yang bought a 30% stake.

Tong Yang and the Allianz

## Elliott Joins Push For Energen Sale

BY DAVID BENOIT

**Elliott Management Corp.** has built a big position in **Energen Corp.**, a natural-gas company already under pressure from another activist to sell itself.

The New York hedge fund owns a stake of between 4% and 5% and is joining with **Corvex Management LP** by urging a sale after the Alabama-based company said in June it planned to continue on its own, according to people familiar with the matter.

Corvex boosted its own position to more than 10% this week, which gives it a pathway under a little-used Alabama law to call a special meeting and add as many as six directors to the nine who already sit on Energen's board. Both activists believe the land Energen owns in the Permian basin would draw oil-and-gas producers looking to expand in the area and those who need a beachhead to enter it.

Energen, with a market value of \$4.7 billion as of Wednesday's close, has already said no. In June it announced it had completed a strategic review, with help from bankers at J.P. Morgan Chase & Co. and energy experts at Tudor Pickering Holt & Co., and wasn't interested in selling.

The company decided against reaching out to potential buyers because the bankers and company believed low energy prices had sapped potential buyers' ability to gobble up as large a company as Energen and because its own results were improving, people familiar with the process said.

Energen raised its production guidance and now expects 29% growth from last year, citing its new well technology.

"We considered every alternative," Energen Chairman and Chief Executive James Mc-

Manus said at a conference in June. "And at the end of the day...we concluded that the best thing at this particular time was to continue to execute on the plan."

The stock fell about 10% over three sessions after the company said it wouldn't sell. Those losses were recovered and the stock rose on earnings last week, but it fell again amid industry concerns about the Permian basin and shares closed Wednesday at \$48.08.

Energen's June announcement that it would continue to go it alone surprised both hedge funds, who only weeks before had believed the company hadn't talked to potential bidders, the people said.

"No actual 'alternatives' were proposed," Corvex wrote in a letter it released. "At best this represents a poorly run process and at worst it is misleading and emblematic of corporate entrenchment."

Elliott, which has so far disclosed only a small stake, met with Energen management in late May, the day before Corvex announced its position, the people said. It has continued to pressure since, the people added.

Energen's presence in the Permian basin is a well-timed side bet that turned into a windfall leading the company to change its core mission. Originally, Energen was the public utility Alabama Gas Corp. It started buying up natural-gas resources and land in the Permian basin in the early 2000s. By 2014, the company sold the utility.

Energen is a rare, large publicly traded company based in Alabama, and the activists are looking to tap a little-used legal route there to change the board. Alabama law allows an investor with a 10% holding to call a meeting and nominate directors to fill vacancies.

## FINANCE WATCH

### BANK OF AMERICA

#### Foreclosure Accord Exceeds \$6 Million

**Bank of America Corp.** has agreed to pay more than \$6 million to a California couple who a federal judge said had been harassed and illegally foreclosed on by the bank's mortgage unit, ending an eight-year dispute.

The proposed settlement between the bank and Erik and Renee Sundquist would enable them "to end a long personal and legal nightmare that has impacted every facet of their and

their sons' lives," according to court papers the couple filed to request that their 2014 lawsuit against the bank be dropped.

The deal calls for Bank of America to pay a fraction of the fine of more than \$46 million ordered by Judge Christopher Klein in March. In his ruling, the judge said the bank's mortgage modification process and mistaken foreclosure on the Sundquists' home in Lincoln, Calif., left them in "a state of battle-fatigued demoralization."

The exact amount that the bank will pay the Sundquists is confidential, according to documents filed Tuesday in U.S.

Bankruptcy Court in Sacramento. The earlier order called for the bank to pay the couple nearly \$6.1 million in damages.

The settlement would enable the bank to avoid paying a court-ordered \$40 million donation to five law schools associated with the University of California system and two consumer advocacy nonprofits, the National Consumer Law Center and the National Consumer Bankruptcy Rights Center.

A Bank of America spokesman declined to comment Thursday.

—Katy Stech

### BLACKSTONE GROUP

#### Deal Reached For Harvest Fund

**Blackstone Group LP** has a deal to buy **Harvest Fund Advisors LLC**, an investment-management firm with more than \$10 billion in assets under management that focuses on midstream energy assets.

The move is part of a large Blackstone bet that it can profit on rising natural-gas production, even if gas prices remain stuck at depressed levels. The New York private-equity firm has built

a roughly \$7 billion bet on natural gas by investing in drilling fields, pipelines and a gas export terminal, The Wall Street Journal reported this week.

Terms of the Harvest deal weren't disclosed.

Harvest is a leader in bringing institutional investors to the MLP asset class," Blackstone Chief Operating Officer Tony James said, referring to master limited partnerships. "Harvest's expertise in this area will complement our extensive energy-investing activities across Blackstone."

Founded in 2005, Harvest invests in public MLPs holding U.S.

midstream energy assets. MLPs pass on the bulk of their earnings to shareholders and offer tax advantages. The midstream energy sector typically involves the transportation and storage of crude and refined petroleum products.

Investors typically make money on midstream assets by charging a fee, like a toll. Typically, the fees are underpinned by long-term contracts that allow investors to plot future returns. The deal is expected to close during the fourth quarter of 2017.

—Austen Hufford

## MARKETS

# Euro Weakens On ECB Concerns

BY CELSEY DULANEY

The euro slid Thursday after minutes from the European Central Bank's July meeting showed central bankers were concerned about the currency's big rally this year.

**CURRENCIES** fell 0.4% against the dollar to

\$1.1725, paring its losses of about 1% earlier in the day. The common currency lost 1% against the Japanese yen and 0.2% against the British pound.

"Concerns were expressed about the risk of the exchange rate overshooting in the future," said the minutes of the July 19-20 meeting. The ECB also decided against a change to its forward guidance that could have driven the currency higher, the minutes showed.

The euro has soared this year as investors prepare for the ECB to pare back its quantitative-easing program amid a strengthening economy. The currency had risen 12% against the dollar before Thursday's tumble.

A stronger currency can pressure the economy by making European exports less competitive abroad and by weighing on still-weak inflation.

"Today's minutes suggest that the ECB won't take any steps to normalize monetary policy unless some of the froth comes off the euro," said Kathleen Brooks, research director at City Index. Still, "the message from these minutes are likely to enliven euro bulls, who may see recent weakness in the single currency as a chance to get in at a better level."

Meanwhile, the dollar was mixed as investors continue to assess the outlook for higher U.S. interest rates. Minutes from the Federal Reserve's latest meeting, released Wednesday, showed officials are struggling to understand why inflation has been so weak, a potential obstacle for future rate increases.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, was up nearly 0.1% to 86.37 as the dollar gained against the Swedish krona but fell against currencies seen as havens, including the Swiss franc and Japanese yen.

The dollar was down 0.6% against the yen to ¥109.57, extending a slide that began early Thursday amid unconfirmed rumors that Gary Cohn, Mr. Trump's National Economic Council director, was resigning from his position. Two White House aides told The Wall Street Journal that Mr. Cohn hasn't resigned and isn't planning to do so.

The dollar gained 0.2% against the British pound.

—Todd Buell contributed to this article.

## Treasury Auctions

The Treasury Department will auction \$99 billion in securities next week, comprising \$33 billion in new debt and \$66 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 May 25, 2017, maturing Nov. 24, 2017. Cusip: 912796MD8.

Also, \$33 billion in 26-week bills, dated Aug. 24, 2017, due Feb. 22, 2018. Cusip: 912796NT2.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

♦ **Wednesday:** \$13 billion in one-year, 11-month 0.06% floating-rate notes, a reopening of an issue first sold on July 31, 2017, maturing July 31, 2019. Cusip: 9128282M1. Noncompetitive tenders must be received by 11 a.m. EDT Wednesday; competitive tenders, by 11:30 a.m.

♦ **Thursday:** \$14 billion in four-year, eight-month 0.125% Treasury inflation-protected securities, a reopening of an issue first sold on April 28, 2017, due April 15, 2022. Cusip: 912828X39. Noncompetitive tenders must be received by noon EDT Thursday; competitive tenders, by 1 p.m.

# Stock Buybacks Lose Some Speed

Slowdown has some analysts worried as companies wrestle with their debt levels

BY CHRIS DIETERICH

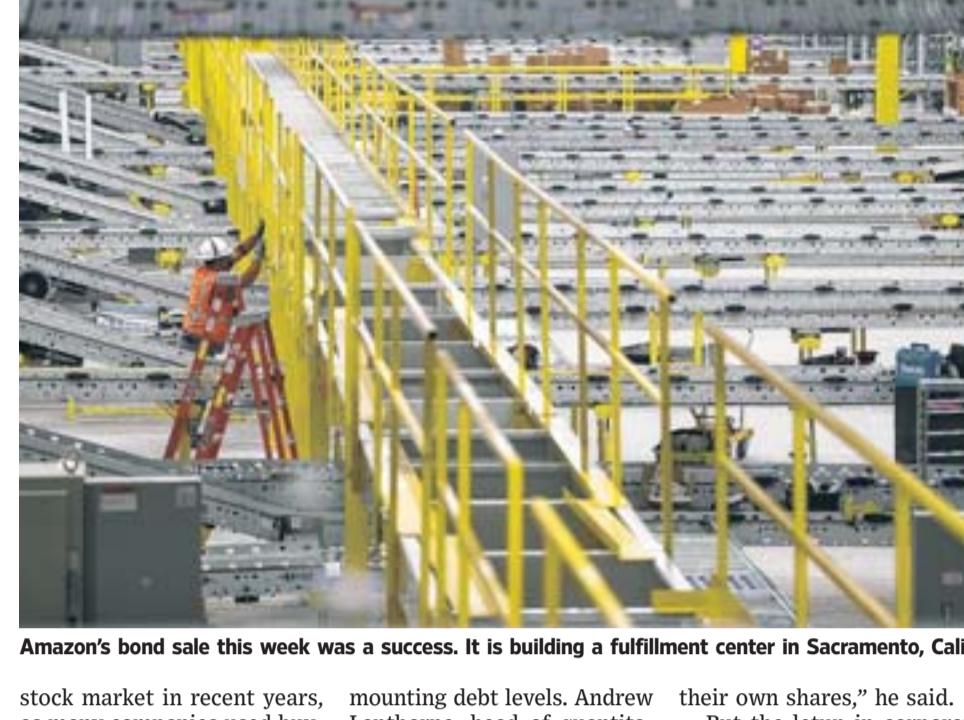
A perennial market worry is back under the spotlight: U.S. companies are buying back their own shares at a slower pace.

The trend has stoked concerns that a key pillar of the bull market is fading and could leave stocks vulnerable.

However, corporations remain the largest buyers in the stock market, and strong demand for bonds means that companies could cheaply borrow to ramp up repurchases again if they want.

S&P 500 companies spent 7.6% less on buybacks in the second quarter than in the year-earlier period, according to a preliminary tally from S&P Dow Jones Indices. It is the second quarterly slowdown in a row; buybacks by S&P 500 companies fell 18% to \$133.1 million in the first quarter.

Corporate share repurchases have helped lift the U.S.



of U.S. equity demand, according to Goldman Sachs Group's analysis of Federal Reserve Board data.

This week's huge bond offering from Amazon.com Inc. shows that big investors, including pension funds, are eager to lap up new credits, said Brian Reynolds, an analyst at Canaccord Genuity.

Amazon sold \$16 billion in bonds to fund its purchase of Whole Foods Market this week at lower yields than expected. The 10-year portion of the offering fetched a 0.9-percentage-point yield-premium to Treasurys, lower even than the average yield premium on investment-grade corporate bonds. To Mr. Reynolds, such demand suggests that there will be plenty of appetite for debt to fund future buybacks, or acquisitions.

"The success of this deal indicates the power of this credit boom," he says. "It tells us there is overwhelming demand for corporate bonds."

These days, many large companies don't need to support their stock or boost their per-share earnings with buybacks. But if circumstances in the equity market change, the bond market appears poised to help.

**Amazon's bond sale this week was a success. It is building a fulfillment center in Sacramento, Calif.**

stock market in recent years, as many companies used buybacks to juice per-share earnings, especially when their profits stagnated. Ultralow borrowing rates encouraged companies to issue bonds to fund the repurchases.

The drop-off in buybacks worries some analysts, particularly those with a close eye on

mounting debt levels. Andrew Lapthorne, head of quantitative equity research at Société Générale, noted this week that a separate measure of buybacks by U.S. companies over the past year is down 20%.

"Perhaps overleveraged U.S. companies have finally reached a limit on being able to borrow simply to support

their own shares," he said.

But the letup in corporate repurchases hasn't hindered the stock market this year. The S&P 500 has notched 30 records in 2017 and finished Wednesday less than 1% below this month's record.

And despite the first-quarter slowdown, stock buybacks were the single biggest driver

# Oil Prices End Losing Streak as Glut Shrinks

BY ALISON SIDER  
AND CHRISTOPHER ALESSI

U.S. crude-oil prices rose, snapping a three-day losing streak as the market rebounded from a three-week low amid signs that a supply glut is shrinking.

The U.S. crude-futures contract for September delivery rose 31 cents, or 0.7%, to \$47.09 a barrel. Brent, the global benchmark, rose 76 cents, or 1.5%, to \$51.03 a barrel on ICE Futures Europe.

"It just looks like a bounce off the recent weakness," said

Donald Morton, senior vice president at Herbert J. Sims & Co., who oversees an energy trading desk.

U.S. government data released Wednesday showed that the amount of stored crude oil in the U.S. fell nearly 9 million barrels last week.

Oil stockpiles have fallen in nine of the past 10 weeks, and while stockpiles are still above the five-year average, they stand below last year's level.

Still, prices had tumbled after those figures from the U.S. Energy Information Administration were released because the data also showed that U.S. oil production topped 9.5 mil-

tors said. Contracts for Brent crude to be delivered in October have been trading higher than the subsequent months—a market configuration known as backwardation, indicating a tightening in supplies available for immediate delivery.

The Organization of the Petroleum Exporting Countries and 10 other oil-producing nations, including Russia, agreed late last year to cap their production at around 1.8 million barrels a day lower than peak October 2016 levels in an effort to rein in a global supply glut and boost prices. Despite an extension of the deal in May, through March

2018, the market has remained subdued.

Also helping to lift prices Thursday was a fire in a unit of Royal Dutch Shell PLC's Deer Park refinery. The company said the fire has been extinguished. Still, the disruption could see "a little bit of tightness come back into the gasoline market," said John Kilduff, founding partner at Again Capital. That helped lift prices for fuel, and oil followed, Mr. Kilduff said.

Gasoline futures gained 2.31 cents, or 1.5%, to \$1.5869 a gallon. Diesel futures increased 0.76 cent, or 0.5%, to \$1.5820 a gallon.



**South Africa could lose its investment-grade rating, but that hasn't deterred many investors from piling into the country's bonds. A vendor cooks meat in Durban.**

# Emerging-Market Bonds Go on a Hot Streak

BY CAROLYN CUI

Investors can't get enough of emerging-market debt.

Inflows surged in recent weeks for developing-market bond funds, bringing the total to a record \$53.3 billion this year through the end of July, according to EPFR Global, a fund data tracker, despite risks of higher U.S. interest rates and escalating geopolitical tensions.

Investors were drawn to emerging markets as bond yields there remain relatively high in a world of persistently low interest rates. At the end of July, the average yield of emerging-market government bonds was 5.32%, versus 1.88% in developed countries, according to J.P. Morgan Securities LLC.

J.P. Morgan analysts expect total flows into emerging-market bonds—from both retail

and institutional investors—will reach \$110 billion by year-end, surpassing the previous record of \$103 billion in 2012.

Strong and continuous inflows have left many investors with an overweight position on emerging-market debt, according to a client survey that J.P. Morgan conducted in July, which showed emerging-market local-currency bond positions were at a 10-year high.

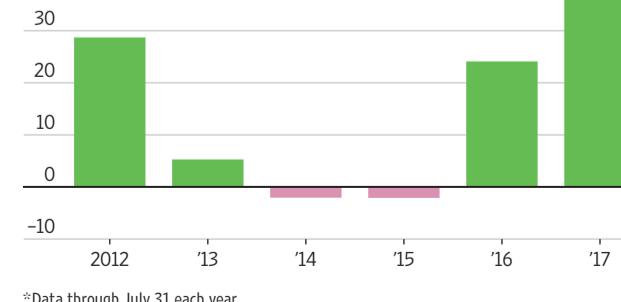
"This does give us some cause for concern," wrote analysts at J.P. Morgan in an Aug. 10 note. "For the remainder of the year, the key question is whether retail flows continue at their current pace."

In the week ended Aug. 16, retail investors pulled a net \$56 million from emerging-market bond funds, snapping a 28-week inflow streak, the longest for the asset class since 2013, when inflows lasted for 50 weeks, according to EPFR.

Some analysts said invest-

## In High Demand

Flows into emerging-market bond funds\*



\*Data through July 31 each year

Source: EPFR Global

THE WALL STREET JOURNAL.

country's bonds, said Cameron Brandt, director of research at EPFR. South African bond funds had inflows for a 10th year running as of early August, EPFR said.

In addition, the Federal Reserve has penciled in a third interest-rate increase in 2017 and the saber rattling between the U.S. and North Korea is likely to continue, which could further test investors' risk appetite.

However, some investors said demand for emerging-market assets would continue to be supported by an improved economic outlook broadly.

"We are categorically optimistic about emerging-markets debt," said Arif Joshi, a portfolio manager at Lazard Asset Management, in a recent interview. He said some leading indicators for emerging markets, such as shipping activity, showed strength in recent quarters and bode well for growth resurgence.

# MARKETS

# Treasurys Rise as Investors Seek Havens

U.S. stocks' slide, growing uncertainty and a terrorist attack spur flight to safety

By GUNJAN BANERJI  
AND SAM GOLDFARB

U.S. government-bond prices climbed for a second consecutive day, pushing the yield on the 10-year note back below 2.2% as declines in U.S. stocks drove investors to assets considered safe.

The yield on the benchmark 10-year Treasury note fell to 2.197% Thursday from 2.224% Wednesday. Yields fall when bond prices rise.

Major U.S. stock indexes slid and a measure of expected equity-market turbulence, the CBOE Volatility Index, jumped about 32%, the most since Aug. 10, when tensions between North Korea and the U.S. jarred markets. The S&P 500 recorded its largest one-day decline since May 17, falling 1.5%, with all of its 11 sectors declining together for the third time this year.

"Equities have continued to dip lower, and that's generated a little bit of buying in the interest-rate markets," said Guy LeBas, chief fixed-income strategist at Janney Montgomery Scott in Philadelphia.

Mr. LeBas added that volumes in the government-bond market have been thin this week. Meanwhile, Treasury trading has been muted this summer. Over the past 90 days, the yield on the 10-year Treasury note has been trading in its tightest range since a 90-day stretch ended in August 1972, according to the WSJ Market Data Group.

One factor behind the buying, investors said, was growing ambiguity about the path of inflation and future interest-rate increases.

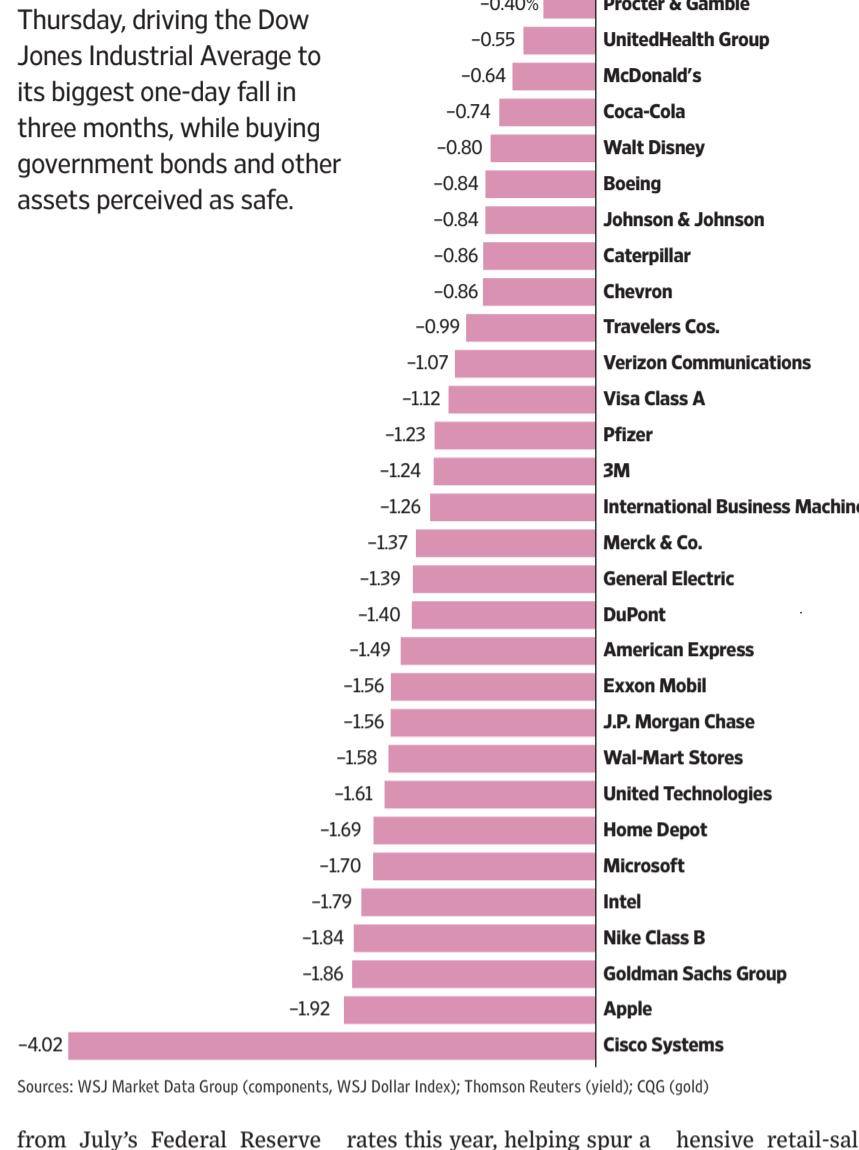
On Wednesday, minutes

## Dow Down

Investors sold stocks

Thursday, driving the Dow Jones Industrial Average to its biggest one-day fall in three months, while buying government bonds and other assets perceived as safe.

## Every component in the Dow Jones Industrial Average fell Thursday



Sources: WSJ Market Data Group (components, WSJ Dollar Index); Thomson Reuters (yield); CQG (gold)

## Intraday performance

Yield on the 10-year Treasury note



## WSJ Dollar Index

86.6



## U.S. gold prices

\$1,296 a troy ounce



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from July's Federal Reserve meeting showed a split in how officials preferred to address tepid inflation figures. Some preferred to be more patient about raising rates, while others suggested that inflation could still accelerate and become difficult to contain without more action from the central bank.

The disagreement rekindled doubts about whether the Fed would again raise interest rates this year, helping spur a rebound in Treasurys Wednesday after two days of declines.

Economic data have been fairly consistent in recent months, suggesting the economy continues to grow at a slow but steady pace, while inflation pressures remain muted. Most recently, government bonds have rallied in response to lower-than-expected sales from auto makers and sold off after more comprehensive retail-sales data for July came in above analysts' expectations.

On Thursday, traders also remained on edge for more fallout from President Donald Trump's controversial response to recent violence in Charlottesville, Va., after two of his business councils disbanded Wednesday.

An apparent terrorist attack in Barcelona on Thursday further added to the jitters, sending stocks and Treasury yields lower.

Treasurys briefly surged Thursday morning as unconfirmed rumors swirled that Gary Cohn, Mr. Trump's National Economic Council director, was resigning from his position. Two White House aides told The Wall Street Journal that Mr. Cohn hasn't resigned and isn't planning to do so.

Though yields quickly reversed, investors and analysts said the response showed that traders were closely following events at the White House, which could spill over to financial markets.

"I don't see the market getting too far carried away," but any uncertainty about the Trump administration "is going to create a flight to safety," said Mary Ann Hurley, vice president of fixed-income trading in Seattle at D.A. Davidson & Co.

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## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

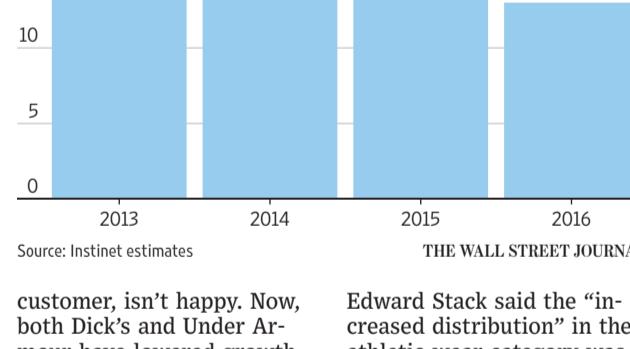
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# Under Armour Does Itself Harm

## Own Goals

Percent of Under Armour's U.S. sales done via Dick's Sporting Goods



Source: Instinet estimates

customer, isn't happy. Now, both Dick's and Under Armour have lowered growth expectations, and Under Armour announced a restructuring plan Aug. 1.

During its earnings call Tuesday, Dick's said aggressive discounting by competitors was forcing it to cut its prices. When pressed by an analyst about whether the Kohl's deal with Under Armour was part of the problem, Dick's Chief Executive

Edward Stack said the "increased distribution" in the athletic-wear category was having an effect. "We're going to go and aggressively fight to bring that market share back to us," he said. Dick's shares dived 23% Tuesday as investors readied for a long-running price war.

Besides annoying its biggest customer, Under Armour sold too many of the same products at Kohl's, which discounts aggressively,

as it does at Dick's, where discounting was less common. In response, Dick's, which represented about 10% of Under Armour's 2016 sales, announced a price-matching program for identical items at qualifying retailers. That likely hit Under Armour, which said no customer represented more than 10% of sales in the first or second quarters of 2017.

Dick's also has been pushing its own private-label line of athletic wear, leaving less shelf space for Under Armour, according to Instinet analyst Simeon Siegel.

The irony is that the boost Kohl's got from Under Armour wasn't enough to reverse negative sales trends, though the chain has held up better than other department stores. Dick's took the hit this week. But the biggest loser may be Under Armour, whose class A shares still trade at 45 times forward earnings estimates. The company's valuation and its relations with retailers both look stretched.

—Miriam Gottfried

## OVERHEARD

How much do people love **Tencent Holdings**, the world's biggest videogame company, which also owns China's most popular social network? A lot. Just owning a slug of its stock could turn your company's fortunes around.

Shares of **Future World Financial Holdings**, a small Hong Kong-listed company, soared 14% Thursday after it disclosed it spent \$8.8 million to buy Tencent shares over the past two months. Tencent shares have been on a tear lately, so Future World is sitting on a modest paper profit.

But the rise in the company's market value after disclosing the stake is already twice the value of its Tencent shares. Tencent, China's second-most-valuable company, reported a 70% jump in net profit for last quarter the day before, beating analysts' estimates.

Future World changed its name last year as it aims to diversify into e-commerce from its old securities-trading business. The future doesn't look that different from the past, after all.

## Alibaba Is Cashing In On Its Data

Another blowout quarter from **Alibaba Group Holding** highlights the Chinese e-commerce company's ability to harness its trove of data to boost earnings.

Alibaba on Thursday reported a better-than-expected 56% increase in revenue for the latest quarter. Its operating margin widened by 7 percentage points, which management attributed in part to better use of data.

Alibaba makes most of its money from advertising for merchants selling on its platforms. It attributes the revenue increase to more shoppers as well as its ability to deliver more relevant content to them. The company rolled out a new app for its Taobao platform with an improved algorithm, and that seems to have worked magic.

The company accounts for around three-quarters of online retail sales in China, and hence has a trove of data on consumer behavior. Such data allow Alibaba to display ads to shoppers that will most likely be interested in them—baby clothes for parents, for example.

Merchants are willing to pay higher prices if they know the ads are likely to draw in sales. Better algorithms allow Alibaba to earn more ad dollars without a like rise in costs.

Alibaba's shares are up about 90% this year, and the stock isn't cheap—trading at 36 times next year's projected earnings, according to S&P Global Market Intelligence. But analysts will likely revise their estimates upward after the earnings beat.

Alibaba could deliver if it keeps churning out more profits from mining its data.

—Jacky Wong

# Venezuela's Oil-Production Troubles Could Jolt Market

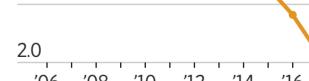
Venezuela's already falling oil production will get worse, maybe much worse, before it gets better, potentially roiling global energy markets. The cash-strapped country has been unable to maintain its oil fields, meaning some of the production losses will be permanent.

The country now produces between 1.9 million and 2.2 million barrels a day, depending on whether one uses unofficial or official data, down from around official estimates of 2.5 million in late 2015 and 3.4 million before Hugo Chávez took power in 1999.

Venezuela is struggling under \$120 billion in debt,

## Crude Reality

Venezuelan oil production



Sources: BP review of World Energy; EIA (2017)

and it has pledged barrels of oil as repayment for Russian and Chinese loans.

After supplying the domestic energy market and paying for crude imports, Venezuela has only 600,000

to 800,000 barrels a day left over to generate net cash flows, according to Columbia University's Center on Global Energy Policy. The country earns some 90% of its foreign-currency revenue from oil exports.

The next likely set of scenarios includes a default, uprising within Venezuela or U.S. sanctions. President Donald Trump even hinted at U.S. military action. Some would push down production much like a strike by Venezuelan oil workers did in 2002.

Temporarily eliminating three Libyas worth of crude supply would boost crude prices, of course, though far

short of the 50% jump the strike helped precipitate 15 years ago.

Producers of heavy crude in Mexico and Canada would see a lift in demand and relative prices as U.S. refineries designed to process similar types of crude pay up for their barrels. A similar situation would hold if the U.S. enacts threatened sanctions, diverting Venezuelan oil elsewhere.

If the country can right itself, output might stabilize, but any rebound would be modest. Years of under-investment may have done permanent damage to Venezuela's conventional oil reservoirs. Reviving output

would require substantial foreign investment, including in heavy-oil deposits. Now that Venezuela has burned not just Western multinationals but also state companies from Russia and China, doing so will be a tall order without regime change.

Columbia's analysis concludes that Venezuela only could grow output by 100,000 to 200,000 barrels a year in the best case. Such a recovery would leave Venezuela far short of historic production levels, having little impact on markets, while a crisis would make things far dicier for Venezuelans and for oil consumers.

—Spencer Jakab

Patti LaBelle:  
when a bedroom  
closet was her studio



# MANSION

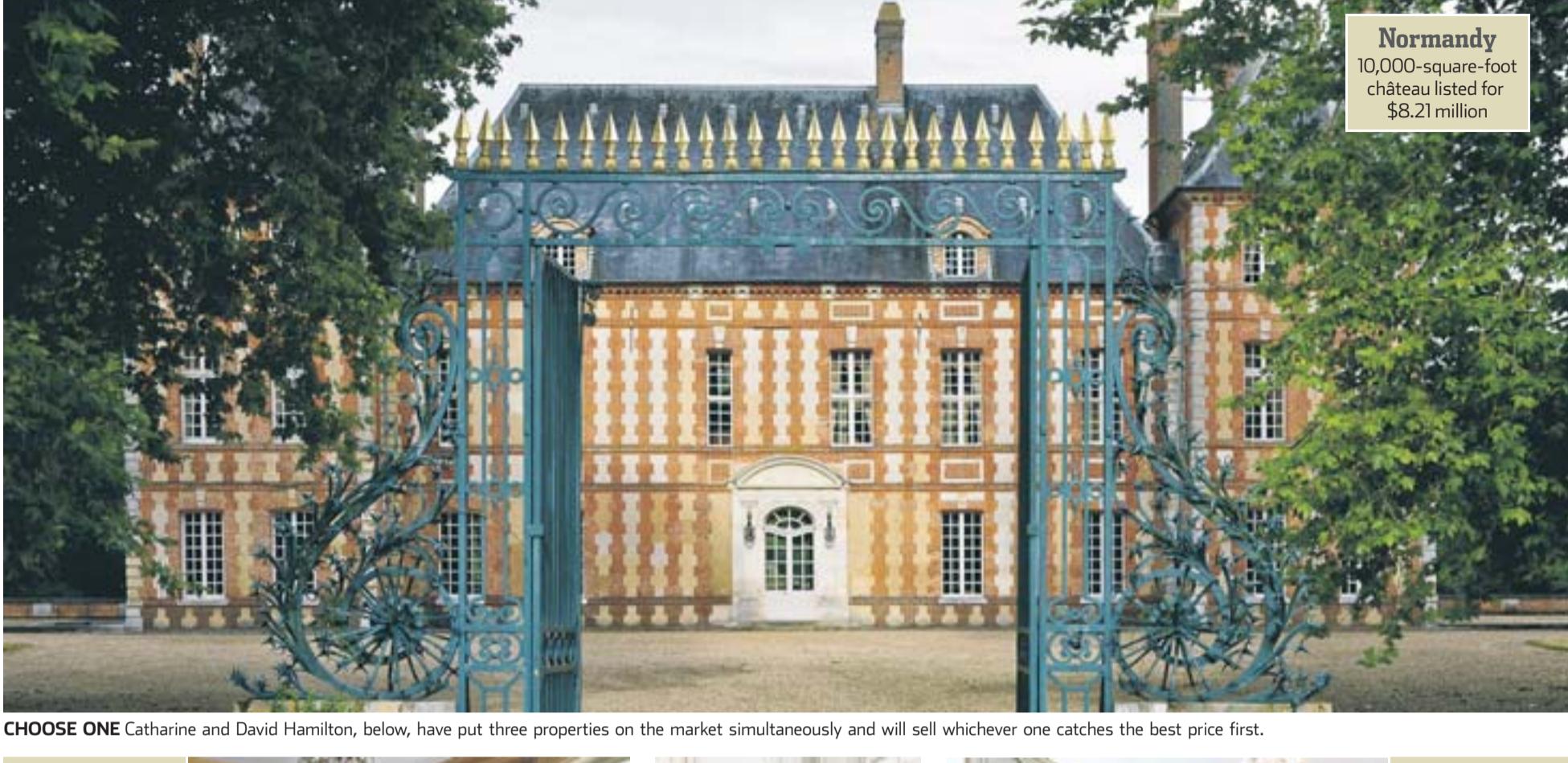
Paris is 'the biggest temple  
ever built to material joys and the  
lust of the eyes.' —Henry James

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THE WALL STREET JOURNAL.

Friday, August 18, 2017 | M1



**Normandy**  
10,000-square-foot  
château listed for  
\$8.21 million

FRANCIS HAMMOND FOR THE WALL STREET JOURNAL (2); FRANCE: KATRINA WITTKAMP FOR THE WALL STREET JOURNAL (2); CHICAGO

**CHOOSE ONE** Catharine and David Hamilton, below, have put three properties on the market simultaneously and will sell whichever one catches the best price first.

**Paris**  
4,600-square-foot  
duplex listed for  
\$12.9 million



**Chicago**  
10,000-square-foot  
apartment listed for  
nearly \$10 million

## The French Connection

Two native Texans devoted their lives to acquiring French property and décor. Now, they want to downsize. 'These panels belonged to Fragonard's mistress.'

BY HEIDI MITCHELL

**WHEN CATHARINE HAMILTON** speaks French that she's picked up over the years, it jangles with a strong Texas twang.

But that hasn't prevented the former interior designer and her husband, Houston-raised, Chi-

cago-based businessman David Hamilton, from immersing themselves in all things French. Their 10,000-square-foot duplex apartment on Chicago's Lake Shore Drive brims with 18th-century French paneling and period furniture. Their four-bedroom Paris apartment overlooks the Champs Élysées and the Eiffel Tower. And King Henry IV, who reigned from 1589 to 1610, once spent the

night on the site of their expansive château in Normandy before winning the battle that united France.

Now in their autumn years—David is 77 years old and Catharine is 69—the Hammonds are eager to pare down their lives. They have placed all three properties on the market simultaneously

*Please turn to page M10*

## SWEDEN'S SWEET SPOT

INSIDE

The coastal resort of Bastad sees prices climb; a second-home destination with carpets, beaches, potatoes.

BY J.S. MARCUS

**BASTAD, A RESORT** on Sweden's southwest coast, sits on a peninsula known for its sandy soil, limpid light and prized potato crop. Increasingly, it is also known as a second-home enclave for Sweden's business titans.

The housing market, comprised of the town proper and surrounding Bjäre peninsula, now has prices as high as prime areas of central Stockholm. Buyers get a choice of a wide variety of properties, from million-dollar row homes to large multi-million-dollar working farms.

The roots of the resort go back to the early 20th century, when Ludvig Nobel—

nephew of Alfred Nobel, the Swedish industrialist who endowed the Nobel Prizes—developed it as a discreet, Belle Époque watering hole. In 1919, Swedish artist Märta Maas-Fjetterström set up a workshop for weaving carpets, creating one of Scandinavia's most exclusive design brands. And after World War II, the Swedish Open tennis tournament became the high point of the summer season.

The area's perennial appeal is its combination of seclusion and accessibility. Situated across a strait from Denmark, Bastad and its environs are still largely rural in character, but just a 90-minute

ANDERS ANDERSSON FOR THE WALL STREET JOURNAL



**SWEDISH SHORES** The upscale resort of Bastad on the rustic Bjäre peninsula.



**ON SPEC**  
California home seeks  
\$35 million M2



**IN THE SWIM**  
A \$400,000 pool  
makes a splash M3



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## MANSION

### PRIVATE PROPERTIES

# Northern California Spec Home Seeks \$35 Million



STANLEY SAITOWITZ (RENDERING)

A San Francisco art dealer is offering a waterfront spec house—currently an undeveloped parcel with plans—for \$35 million.

Located in Tiburon, Calif., a bedroom community about 16 miles from downtown San Francisco, the 7.4-acre site includes views of the San Francisco Bay as well as the Richmond-San Rafael Bridge. The sellers have approval to develop the land, and the plans for the home are under review

by the Marin County planning division, said developer Serge Sorokko.

Mr. Sorokko said he chose architect Stanley Saitowitz—an emeritus professor of architecture at the University of California, Berkeley whose designs include the New England Holocaust Memorial in Boston—to design the house, which is due to be completed in 2019. Plans for the 8,000-square-foot house, shown in a rendering above, call for six bedrooms and 5½ baths,

as well as a screening room, wine cellar, gym, infinity pool and guesthouse. Floor-to-ceiling windows look out at the sandy beach and the water on one side, and the rolling hills on the other. For buyers who want to build the home themselves, the asking price for the land and the plans is \$12.75 million.

Mr. Sorokko said the land is part of a 19-acre property that he and his wife, Tatiana, a model, fashion writer

and couture collector, bought in 1999 for \$5 million and then subdivided into five parcels. "I had this dream of having a development in Tiburon and using some of the architects that I consider artists," he said. Mr. Sorokko added that he has plans for two more spec homes and is in talks with David Adjaye, whose work includes the Smithsonian Institution's National Museum of African American History and Culture, to design one of them.

While nearby Belvedere is more known for multimillion-dollar sales, a \$35 million asking price is not unheard of in Tiburon. "The Marin high end is pretty solid right now," said agent Kristin Sennett of Pacific Union International, who isn't affiliated with the spec home.

Bill Smith and Scott Woods of Pacific Union International share the listing.

—Sarah Tilton



## CALIFORNIA ESTATE ASKS \$26.5 MILLION

An equestrian estate about 7 miles south of Santa Barbara, Calif., is listing for \$26.5 million. The property, more than 18 acres, is owned by Robert Fell, an entrepreneur and venture investor who was an avid polo player.

The estate, completed in 2001, includes an approximately 8,000-square-foot, five-bedroom mansion inspired by French and Italian architecture, Mr. Fell said. There is also a guesthouse atop a two-car garage, plus a roughly 800-square-foot pool house with a gym and one-bedroom apartment. The property features views of the Pacific Ocean, and is about a five-minute walk or horse ride from the beach, said Mr. Fell.

Mr. Fell, who at one point had 48 horses on the property, also built a roughly 10,000-square-foot, 18-stall

barn with an apartment. "It would be fabulous for a car collection or an art collection," said Joyce Rey of Coldwell Banker Global Luxury, who is co-listing the property with Emily Kellenberger of Village Properties/Christie's International Real Estate.

Mr. Fell, 74, in 2006 co-founded Pricelock, a firm that enables small and medium-size companies to hedge fuel prices. He played polo for 31 years and sponsored a team called Aloha, which won the U.S. Open in 1987. He later changed the team's name to Tuscany Oaks, after the property, which he calls Tuscany Oaks Farm.

He is selling because "the kids will be going off to school soon and I don't play polo anymore," he said. He and his wife plan to build another home nearby. —Katy McLaughlin

## NEWPORT HOME OF CAMPBELL SOUP HEIRESS FOR SALE

A Newport, R.I., home built by Campbell Soup heiress Dorrance Hill Hamilton is going on the market for \$12.5 million.

Known as "Dodo" to friends and family, Ms. Hamilton built the home five years ago because she needed a living space with no stairs, said her son Matt Hamilton, 63, a retired travel executive. Ms. Hamilton died in April at the age of 88.

Built in 2012, the six-bedroom, nearly 10,000-square-foot house is located in the Ocean Drive historic area, famous for its elaborate estates, and sits on 3.67 acres overlooking the Atlantic. The home's traditional style

conceals the technology included. The home has geothermal heating and cooling, an elevator, remote-controlled window treatments and custom audiovisual equipment, said listing agent Kate Kirby Greenman of Gustave White Sotheby's International Realty in Newport.

Ms. Hamilton called the property the Bird House because it features many bird motifs: There are bird boxes around the property, including one that is an exact replica of the home, and bird motifs in the interior design.

The house also includes replicas of elements Ms. Hamilton recalled from



other historic estates, including a two-story living room inspired by one of the Vanderbilt family properties, said Mr. Hamilton.

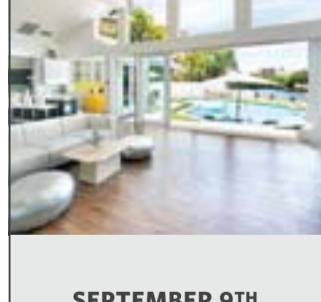
Born in New York in 1928, Ms. Hamilton was a granddaughter of John T. Dorrance, a chemist who invented the process for condensing soup in 1897. In 1914, he became president of Campbell's and remained in the position until his death in 1930, according to the Campbell's website. His descendants have become known as one of the richest families in the country, with a fortune largely derived from ownership of Campbell's stock. Ms. Hamilton lived in Wayne, Pa., but spent her final years primarily in Boca Grande, Fla., and spent summers in Newport all her life, said her son.

Ms. Hamilton's estate is selling because "all the family members who want them have their own places" in Newport, said her son.

—Katy McLaughlin

► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion). Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)

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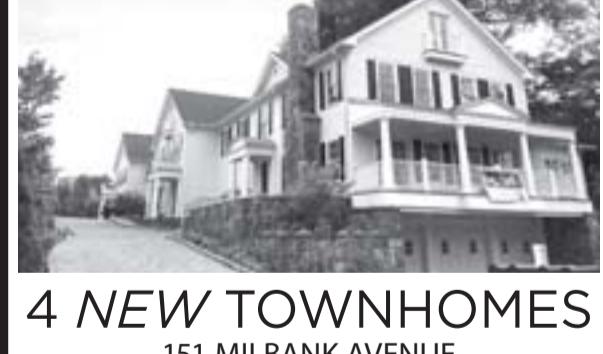
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## MIAMI WATERFRONT HOME LISTS



A new waterfront house in Miami Beach that is decorated down to a candy-wrapper sculpture is going on the market for \$22.5 million.

Unlike most new, furnished properties for sale, this contemporary home wasn't built on spec. Owners Ken and Lisa Rosen said that after spending about three years on the design and construction of the house, they have decided to stay where they are in Boca Raton because both their daughter and their son's wife, who live nearby, are now pregnant. "My wife looked at me and said, 'I can't be an hour away from grandchildren,'" Mr. Rosen said.

Located on Rivo Alto Island, one of several small islands off Miami Beach known as the Venetian Islands, the property has about 100 feet of waterfront on Biscayne Bay and a private dock with a boat lift, according to listing agent Jeff Miller of

Brown Harris Stevens.

The five-bedroom contemporary house measures about 7,100 square feet, with floor-to-ceiling windows to showcase views of the Miami skyline. A floating spiral staircase is topped by a skylight, and there is a glass-enclosed elevator. Mr. Rosen said his wife spent countless hours sourcing materials and décor for the home, from a custom-designed saltwater aquarium stocked with fish to the candy sculpture.

Outside there is a swimming pool and hot tub, an outdoor kitchen and a separate structure containing a massage room and bathroom.

Mr. Rosen is founder and CEO of Boca Raton-based telecom and broadband services company Infinity Sales Group. He and his wife bought this parcel in 2014 for \$6.7 million, according to public documents.

—*Andrea Taylor*

## MANSION

## ANNOTATED POOL

# A California Pool Makes a Big Splash

A \$400,000 overhaul turned a home's old pool into a tropical resort; a lumbung moves center stage

**ONE COUPLE'S DREAM** for a resort-style pool began with their honeymoon in Bora Bora, where they first saw a lumbung, a thatched hut raised on stilts designed for use as a rice granary.

Today, a lumbung is the centerpiece of their nearly \$400,000 pool project by Distinguished Pools in Poway, Calif.

The couple, both in their 40s with teenage children, already had a swimming pool at their Rancho Santa Fe, Calif., home, said Dan Ramos, president of Distinguished Pools. But it lacked the exotic elements they had seen on their extensive travels.

The task of ripping out the old pool and creating a tropical resort, a project undertaken in 2013, took four to five months to complete. Here are some of the elements and estimated prices, which can vary based on the materials used and the scope of the project.

—Beth DeCarbo



DARREN EDWARDS (2)

#### 1. IN THE SWIM

The saltwater pool is 3½ feet deep at its shallow end, and 10 feet at its deepest. It has a sun shelf, a 7-inch-deep, built-in ledge for sunbathing.

**Price:** \$150,000

#### 2. SIPPING STATION

For entertaining, a swim-up bar features custom-crafted mock wood stools and a granite countertop.

"The kids run down the steps, slide on the granite [countertop] and into pool," Mr. Ramos said. On the other side is a built-in bar with a Kegerator beer dispenser and a bar caddy for ice, bottles and other supplies.

**Price:** \$21,950

**3. JET SET**  
An oversize spa (not fully visible) can seat up to 12 adults. It was fabricated from concrete and made to look like it was carved out of a boulder. It is equipped with a waterfall, 16 jets and LED colored lights.  
**Price:** \$14,500

**4. DECKED OUT**  
About 4,000 square feet of travertine pavers were laid onto compacted sand to create the decking.  
**Price:** \$62,000

**5. TUNNEL VISION**  
Artificial concrete rocks form a tunnel used to access the lumbung pa-

vilion. A waterfall runs atop the tunnel and spills into the pool.

**Price:** \$12,500

#### 6. PAVILION

The lumbung was built with merbau wood in Bali and shipped to California in pieces. The pool company installed it and waterproofed the thatched room. Custom cushions were made for the seats. "You can swim underneath it," Mr. Ramos said. "The posts look like they're sitting on top of rocks."

**Cost:** \$35,850

#### 7. HIDDEN HANGOUT

A cave with shallow water can ac-

commodate up to 15 people and is equipped with stereo speakers and hot-water returns for comfortable lounging. A waterfall runs over the top of the cave, which is 8 feet high and can be used as a jumping-off rock into the water. It also has a 18-foot slide made of concrete that has speakers built into it. Water jets keep the slide cool and slippery.

**Price:** \$36,750

#### 8. SEEKING SHADE

The pool house, which already was in place from their former swimming pool, has an exercise room, an outdoor kitchen and a bathroom downstairs, and a small apartment up-

stairs. Mr. Ramos designed the pool with small offshoots between the pool house arches for those who want to be in the water while under the loggia.

**Cost:** Existing structure

#### 9. SCENE SETTERS

Landscape and lighting set a tropical mood. A large amount of bamboo has been planted, but it is of a clumping variety that is easier to manage than a running variety. Still, it "drops a considerable amount of debris" into the water, so the pool is equipped with several skimmers to manage the cleaning.

**Price:** \$23,000



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Awarding criterion: best price above the auction base.

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## MANSION

### BALANCE SHEET

# Retirement Project: Rebuild a Mansion

The Giffens wanted to do 'lots of work' and found a 1905 Tudor Revival in Victoria, Canada

BY LEIGH KAMPING-CARDER

**SOME MARRIED COUPLES** settle into their retirement by downsizing. Gail and Barry Giffen are spending theirs restoring a mansion—a 1905 Tudor Revival in Victoria, Canada.

"We wanted a historic house that needed lots of work," said Mr. Giffen, 70, who ran a company in Alberta that handled disaster recovery. "We wanted to make it ours."

The house was designed by architect Samuel MacClure for a cold-storage entrepreneur named Biggerstaff Wilson. The property had only one additional owner until 2010, when a local developer purchased the nearly 2-acre lot and carved off about a third of the land to build six townhouses, leaving the mansion untouched.

When the Giffens bought the home in 2011 for 1.325 million Canadian dollars, or about US\$1.059 million, the 9,300-square-foot mansion sagged, the facade's plaster was crumbling, the wood paneling in the great hall had turned black and the living-room windows were obscured by stained silk curtains.

Today, the three-story home has seven bedrooms, seven full baths, two half-baths, an elevator, a detached garage and an attic suite with a kitchenette.

The couple had two main goals: return the main floor to its prime, and thoroughly modernize the second floor



**COLD PLAY** Gail and Barry Giffen's mansion, inset, was built for a cold-storage entrepreneur. The windows, above, are the original stained glass.

and attic space.

"Their approach to it was to maintain as much of the character as possible," said Rus Collins of Zebra Group, a Victoria design firm.

Mr. Collins took about six months to complete architectural plans for the transformation, partly guided by

original blueprints. Construction started in February 2012, headed by Mike Miller, president of Abstract Developments. The bulk of the project took about 18 months and cost \$1.3 million.

The couple replaced outdated electrical, plumbing and heating systems, and

straightened one side of the house. They spent about \$60,000 on the basement to create uniform 8-foot ceilings, and about \$33,200 to seismically engineer a new interior foundation.

In the 14-foot-high great room, which has a fireplace and arched stained-glass windows, Abstract's team stripped the blackened walls and staircase, revealing honey-colored wood.

The kitchen, a former servants' room, had a linoleum floor, a potbelly stove and a water cistern. An alcove below the ceiling was stuffed with old slippers. "No hidden money from a bank robbery or anything exciting in the walls. No, we found about six pairs of old slippers," said Mrs. Giffen, 66, a retired teacher.

They gutted the kitchen and butler's pantry, adding new hardwood floors, cabinetry (\$39,200), countertops (\$13,900) and appliances (\$13,500). It now has two farmer's sinks and a dog-washing station in an adjacent mudroom. Mrs. Giffen's favorite part is a \$2,000 island made from a tabletop found in the basement.

On the 2,200-square-foot second floor, what was once six bedrooms sharing a bathroom, a powder room and a room with only a tub was transformed into four en suite bedrooms and a laundry room. The couple refurbished the claw-foot tub for their master bath.

But it was the 1,860-square-foot attic, an unfinished space with 44-foot floor planks, that underwent the most dramatic change. It is now a two-bedroom, two-bathroom suite with a kitchenette and skylights.

One of the biggest chal-



**NEW AGAIN** The kitchen island, above, is made from a tabletop found in the basement; a bathroom, below, in the redone attic.



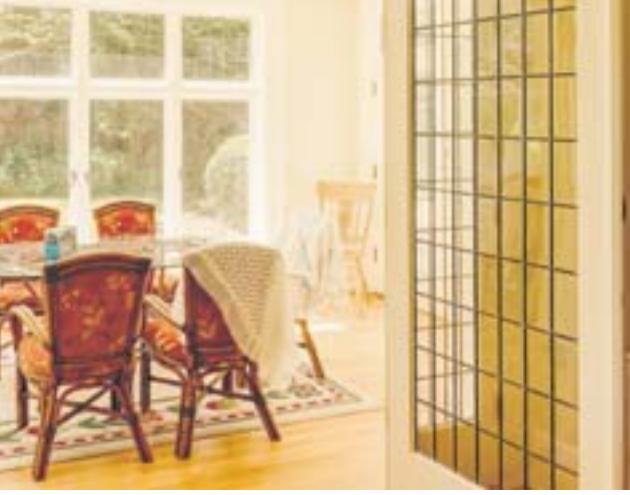
lenges was the house's historic designation, which blocked changes to the exterior without city approval. To build the two-car garage, done in a similar Tudor Revival style, the couple got about two dozen neighbors to support their city application.

Adding an elevator required a 5-by-5-foot extension and bringing a shallow back staircase to code. In the process the Giffens discovered parts of the foundation had turned to sand, necessitating the concrete wall.

The Giffens have decorated the home with a patchwork of second-hand pieces. Bathroom sinks are mounted in retrofitted wood dressers. A chandelier in the entryway came from a contractor's new house. "People were pleased with what we were doing, so they often tried to help us," Mr. Giffen said.

The Giffens, who primarily live in Edmonton, have been visiting the home for about five years, slowly putting on finishing touches. Their next project? An overgrown rose garden.

"We don't need any more spaces," Mrs. Giffen joked. "If you make a finished room, you have to clean it."



**SUNNY SIDE UP** A sun room may once have been an open patio. The doors are original.

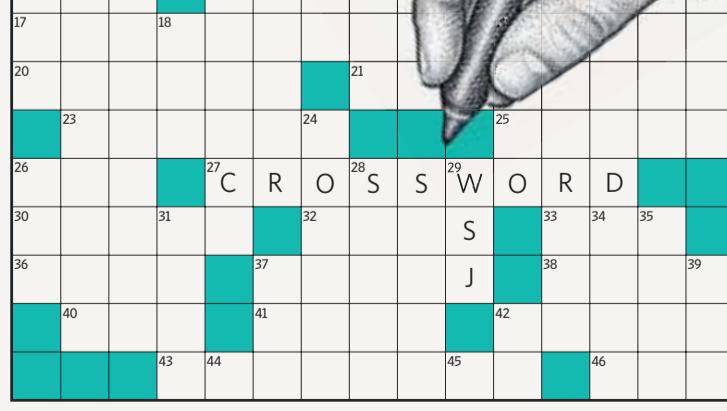
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## EAST SIDE



**▲ 778 PARK AVE-17RM MASTERPIECE** East 73rd/Park. Co-Excl. Renovated 11th floor residence w/ 39 windows and four exposures. 12' ceilings, floor-to-ceiling windows. \$39.5M. WEB# 16805056. John Burger 212-906-9274

**MINT TOWNHOUSE OFF PARK AVE** East 60's/Park-Lex. Triple mint 20' renovated five story 8,400SF home. 7BR & 6.5 baths. Garden & 2 terraces. \$19.95M. WEB# 14575707. John Burger 212-906-9274

Lauren Elizabeth Bankart 212-588-5698

**PARK & SKYLINE VIEWS, 8 RMS, WBF** East 69th & Fifth. Terrific views from LR, corner lib & MBR; superb renovation, 3BR, DR, big EIK, 3.5 baths, sunny, rare. \$8.485M. WEB# 17103900. John A. Sheets 212-906-9359

**HELLGATE HILL GARDENS** Carnegie Hill. Approx 3,780SF 4-story 18.75 wide townhouse. 10 rooms, 5BR in excellent cond. 45' South-facing garden. \$6.25M. WEB# 17206021. Amanda J. Young 212-712-1130

Anne S. Young 212-452-6204

**PLAZA PENTHOUSE 2BR GEM** East 59th/Fifth. Rare opportunity to own a renovated PH in The Plaza. 2BR, 2 bath with three exposures. \$5.95M. WEB# 17000786. Douglas J. Travaglione 718-452-6273

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**▲ PRIVATE TERRACED PH** Midtown East. Iconic 365 degree views, full floor, 2 huge terraces, brand new/ mint condition, 4,000SF+, 4BR, 3.5 bath, \$9.965M. WEB# 16873102. Ginger C. Brokaw 212-906-0593

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**SPECTACULAR VIEWS & TERRACE** Turtle Bay. High-floor, 2BR, 2.5 bath approx 1,578SF Condo w/ skyline city views from S/W/N exposures & terrace. \$2.995M. WEB# 17166661. David E. Kornmeier 212-588-5642

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## WEST SIDE



**▲ ALOFT ON THE CIRCLE** Midtown West. Expansive views from all rooms, 4BR, 4.5 baths, sunsets over Hudson. Designer renovation. \$22.5M. WEB# 17032172.

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## DOWNTOWN



**▲ MINT PH W/ PRIVATE OUTDOOR** Gramercy. Sun-bathed 3BR, 2.5 bath, 1,900SF luxury Condo. 900SF landscaped terrace. Panoramic city views. W/D. \$5.995M. WEB# 16906863. Rachel A. Glazer 212-317-3661

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Annie Rose 718-399-4137

**STUNNING TRIPLEX LIVING** Carroll Gardens. Co-Excl. 4BR, 2 full half triplex. High end rno, top-of-the-line appliances. 3 terraces+ roof deck. \$2.99M. WEB# 16693894. Sal "Cappi" Capozucca 718-399-4103

Victoria Capozucca 718-399-4164

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## MANSION

### BASTAD

Continued from page M1

national connections. Marked by rolling farmland and wooded hills, the peninsula is a topographic oddity in the otherwise flat terrain of southern Sweden. In summer, its population triples to about 45,000.

Bastad competes for Sweden's luxury second-home buyers with the Stockholm Archipelago, made up of beautiful but often isolated islands east of the Swedish capital, and Gotland, an island in the Baltic Sea off the country's eastern coast.

While Gotland is still a top choice for the creative class, "Bastad has become the meeting place for Sweden's financial elite," says retired banker Johan Lindh, who is selling the family vacation compound: an acre-size property with sea views and an outdoor pool located outside of the town. The couple are buying a smaller Bastad-area property now that their children are grown.

In 2013, Mr. Lindh and his wife, Ase, both in their early 60s, upgraded the compound's main house, a converted late 19th-century barn, with an open-plan kitchen and dining area. The guesthouse, where their two adult children stay during visits, has a sauna. The asking price is 15 million Swedish kronor, about \$1.85 million.

Sweden's economy is booming, achieving 4% growth for the year ending in June. Bastad's market for

single-family homes is keeping pace with the strong residential real-estate market. Hans Flink, marketing director at Stockholm's Svensk Mäklarstatistik, which tracks Swedish real-estate prices, says the number of villas sold in the Bastad municipality—which includes the Bjäre peninsula—has risen nearly 70% over the past five years.

Million-dollar properties are found around the peninsula, which is marked by the occasional village, undulating country roads and a serene seashore. The greatest concentration of expensive homes, however, is where it has been since Nobel's day—the small cluster of streets near the Hotel Skansen and the carpet workshop. Homes there tend to be large mansions or cheek-by-jowl historic cottages. An 1897 mansion in the area recently sold for \$4.6 million.

Lars Henningsson, owner of the Hotel Skansen, recently built a new home in the area for himself and his wife, artist Bodil Henningsson. He paid about \$861,000 in 2013 for a 1/10th acre lot, replacing an older cottage with a new two-story, 2,000-square-foot house. Mr. Henningsson used a team that included JV Architects, a Gothenburg studio, to design the home, completed last year at a cost of \$1.2 million.

Second-homeowner Johanna Johansson spent her childhood summers near the hotel, but now prefers the west side of town, known



**SEA SIGHT** Johan and Ase Lindh, right, have put their compound on the market for about \$1.85 million. Their main house is a converted barn. The property, outside of Bastad, has sea views.



ANDERS ANDERSSON FOR THE WALL STREET JOURNAL (3)

for its wooded coastal walkway and its higher percentage of year-round residents. Ms. Johansson, and her husband, Jan, co-owner of a lighting company, bought a 1925 summer cottage there for \$1.1 million in 2010. Working with local architect Kay Linghoff, the two then spent

about \$1.5 million on a gut renovation, construction of a new guesthouse and lavish landscaping.

The couple, both 55, spend almost every weekend in Bastad and plan to retire here. "It's still a summer house," she says, "and we want to be in a summer atmosphere whenever we're here."

Bastad homeowners might look to Denmark for luxury finishes such as wide-plank hardwood floors, but they tend to source their meals closer to home.

"Most of what we eat is produced locally," says venture capitalist Peter Ekelund, owner of an 86-acre property near Torekov, a fishing village at the end of the peninsula, about a 20-minute drive from Bastad. Torekov is less lively in the off-season, but has a more exclusive reputation than Bastad proper—and prices to match.

Mr. Ekelund and his wife, Neta, have an estate that grew from 7 acres purchased in 1996. It has ag-

ricultural land, rented out to a farmer, and a meditative wooden maze that Ms. Ekelund, who recently sold her interest in a Stockholm funeral-services company, commissioned for her husband's 50th birthday.

The estate, for sale for \$4.43 million, has three residential structures, with up to eight sleeping areas, four full baths and three powder rooms.

The three-level main house, completed in the late 1990s, was inspired by the 19th-century water mill that once stood there, and a former barn was converted into what the couple, both in their early 60s, call the atelier. The structure includes a gallery with a home gym and a sauna with a view of a greenhouse, where they grow grapes.

"I have a 360-degree free view," Mr. Ekelund says, adding: "and I have better internet connectivity than I can get in Stockholm or New York."



**FARM FRESH** Neta and Peter Ekelund own an 86-acre farm near Torekov, a fishing village on the peninsula.

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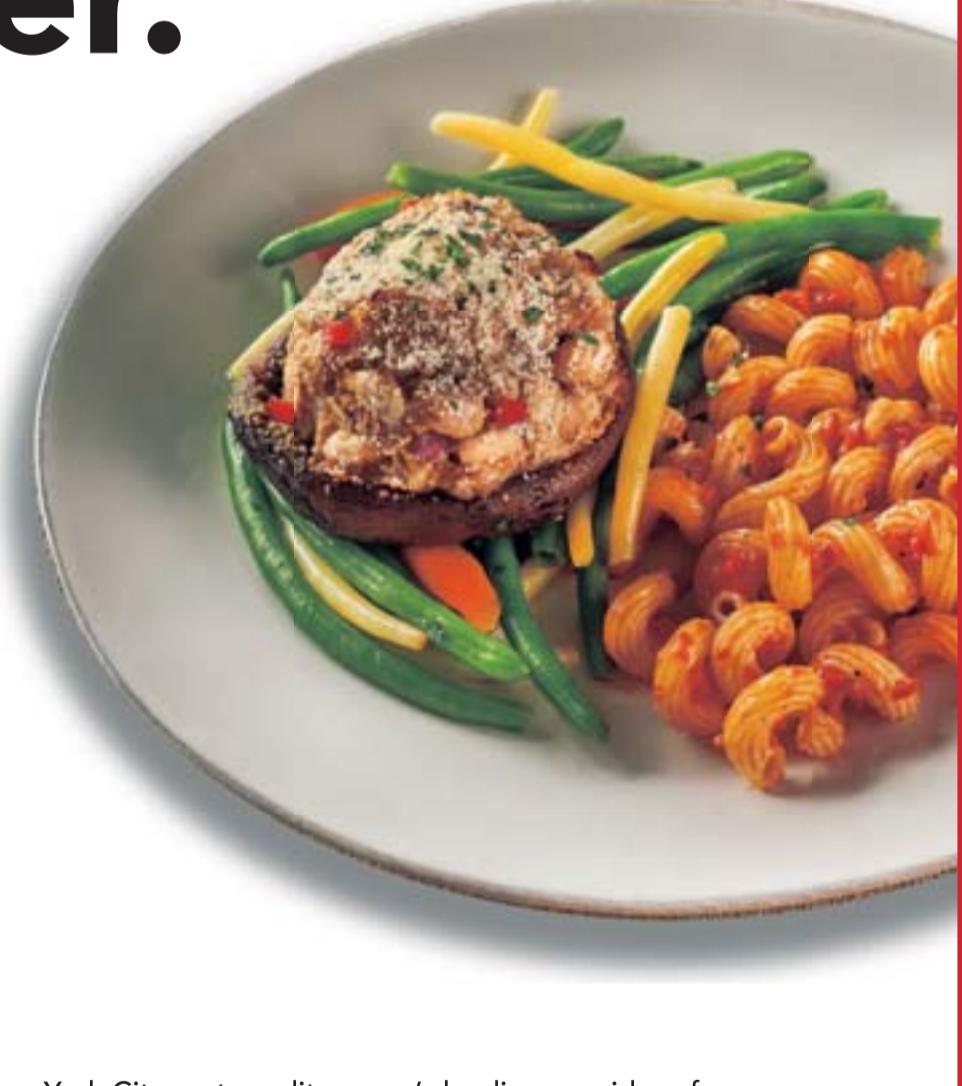
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## MANSION

HOUSE CALL | PATTI LABELLE

# Shy and the Family Home

A wallflower as a child, the Grammy-winning singer grew to love the stage; using a broom for a mic

I was so shy as a child my mother used to offer me a quarter to go out and play with other kids. I'm still shy that way, until I get on stage, of course. Growing up, I was sheltered. My only friends were butterflies, my cat and my dog.

My family's two-story home was on Washington Avenue in Philadelphia. The house was brown and white, and had four bedrooms, a porch and a stoop. Even though we lived in the city, it was a comfortable country house of sorts. There were lots of trees and it was quiet.

My father, Henry, worked for the railroad as a porter. Then he owned restaurants in Pittsburgh and Georgia, and sang at Philly nightclubs. I got my singing from him and my older brother, Thomas, who played Dakota Staton and Lena Horne records on his basement stereo. I didn't sing along, but I listened closely and loved them.

My mother, Bertha, was quiet, shy and laid back. She had a lot of style and dressed her face off. She found happiness in cooking.

Home life was loving but stressful. My father was a fierce, beautiful man. Any woman he saw wanted to be with "Little Henry."

At home, in addition to my brother, I had three sisters: Vivian and Barbara, who were older, and Jackie, who was younger. After Vivian moved out, Barbara had her own room, and Jackie and I shared a room.



There was a lot of love and a lot of fights as well. Sisters that close in a house can get on each other's nerves.

The bedroom's closet was special. That's where I hid my "microphone"—a broom. When I was alone, I'd sing looking in the full-length closet mirror.

One day my mother heard me. She thought I should join the choir at our church, Beulah Baptist. I said, "That means going outside. I don't want to go out." She worried

I'd be a quiet, special girl who never did much. She pushed, so I became a choir member, but I wanted to be in the chorus, not a lead singer. When Mrs. Chapman, the choir director, heard my voice, she said, "Girl, you have to sing lead."

I told her I was petrified. To make me comfortable, she said I could sing a duet with her son, Nathan. When we finished, the entire congregation stood up and said, "Hallelujah!" I thought, "Wow, I think I can sing." I never took a singing lesson. I just practiced with my broom.

By the time I was 12, I could cook. I had spent years watching my mother, father and Naomi



BELL-RINGER Patti LaBelle, above, performing at a 2015 summer concert at Philadelphia's Dell Music Center, and, left, at about six months.

Thompson, my mom's best friend who lived with us. She showed me how to make things like fresh fried corn, sweet-potato pie, and fried chicken with spicy syrup and waffles.

When I was 16, my parents divorced. Honestly, I was relieved. You can't be with someone you don't want to be with. It just brings misery to the family.

One of my best friends at the time was Kenny Gamble, who went on to become half of the legendary songwriting duo, Gamble & Huff. He lived 20 minutes away and was always visiting a friend across the street.

His friend was a singer and insisted we meet. He said to Kenny, "You have to hear Patti, she sings."

Kenny would come over and try to get me to sing. One day I sang for him on my steps. The neighbors were watching and I thought, "This feels good."

In high school, I formed a vocal group with three schoolmates. The second group I started, the Ordettes, included friends Cindy Birdsong, Sarah Dash and Nona Hendryx. In 1962, we signed with Newton Records. Since I sang lead, the owner changed my name from Patti Holte to Patti LaBelle and changed the group's name to the Bluebelles. I never wanted to be a lead singer, but that's the way it worked out.

Today, I live about 20 minutes outside of Philadelphia. This is my palace when I come off the road.

As soon as I get home, I head to the kitchen. I'm a foodie and love to cook. I think about what I'm going to eat each day of the week when I'm home.

I have a pool, but I don't swim in it. I just walk around it sometimes for exercise, and I like to watch my baby granddaughter in the pool because she loves to swim.

I also don't drive. People drive for me. When I was married, my husband tried to teach me in his Thunderbird and I wrecked the car by driving into a tree in the park. After that, I've never driven and never will.

When I'm home, I love to relax. I don't answer the phone, and I get a massage and have my nails done. A young girl has to look cute. I try to do everything to enhance this Patti LaBelle.

My favorite spaces are my lady den next to the kitchen and the basement, which I just had redone. I had the carpet removed and put in wood floors and new lighting.

It's cool and quiet down there. I love sitting on my brown leather sofa and watching TV. Mr. Cuddles, my Shih Tzu, jumps up there with me, and I put a blanket over him. He chills and I chill.

Perhaps the biggest misconception about me is that I'm a diva. I love people. I take pictures with everyone I meet. I'm actually more outgoing than most people expect. That's how I deal with my shyness.

—As told to Marc Myers

Singer Patti LaBelle, 73, is a two-time Grammy winner and author of four cookbooks, including "Desserts LaBelle" (Grand Central). Her 1974 hit, "Lady Marmalade," with LaBelle, was inducted into the Grammy Hall of Fame in 2003. She recently released her 19th solo album, "Bel Hommage" (GPE).

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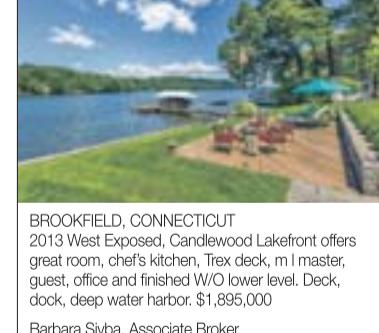
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Alton, N.H.

12 bedrooms, 24 bathrooms, 16.56 acres. Two homes on adjacent lots on Lake Winnipesaukee are being sold together for \$19.8 million, or separately for \$9.99 million each. One lot has a 17,228-square-foot home, amphitheater, cottage, infinity pool and grotto, and stone boathouse; it comes with additional land with an entertainment barn and tennis court. The other home, which is 38,196 square feet, has a tea house, stone boathouse and helicopter pad. All the buildings have slate roofs. Agent: Kristin Hayes Claire, LandVest

**\$65 million**

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Four bedrooms, 5½ bathrooms. This 9,200-square-foot home features imported stone archways and wood from a French château, and floor-to-ceiling windows overlooking the ocean. The 1990 home sits on 3.6 acres, with 200 feet of oceanfront. The master bedroom has two en suite bathrooms. Multilevel stone terraces lead to the water. There is a heated pool and outside entertainment areas. Agents: Zachary Vichinsky and Cody Vichinsky, Bespoke Real Estate

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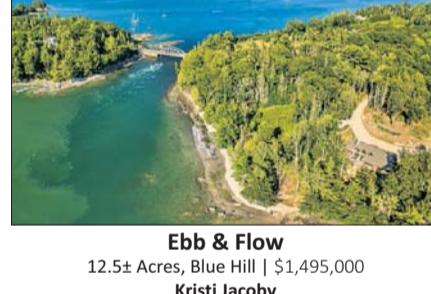


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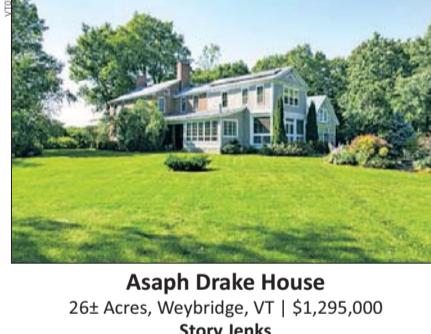


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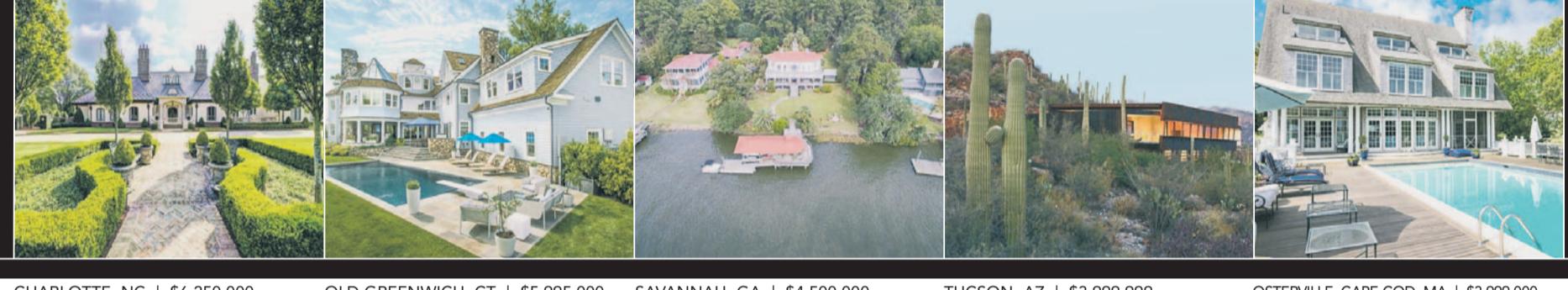
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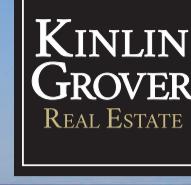
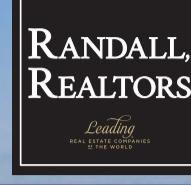
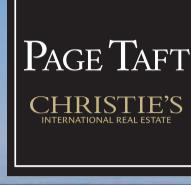
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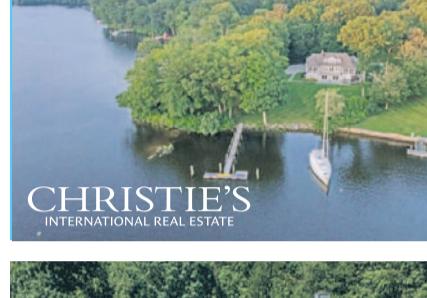
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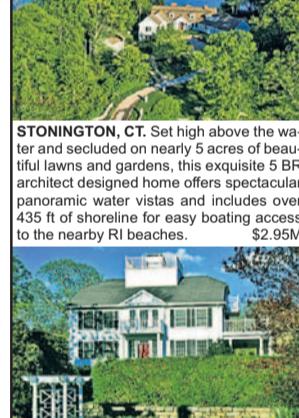
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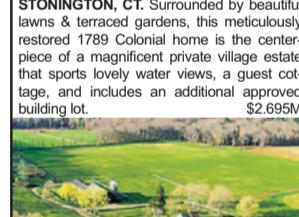
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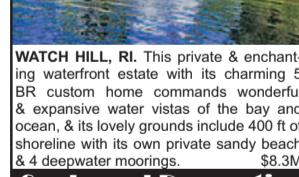
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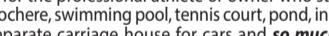
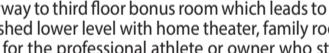
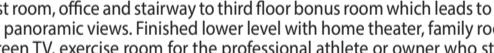


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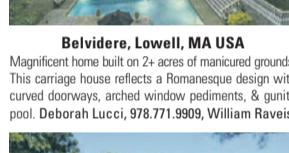
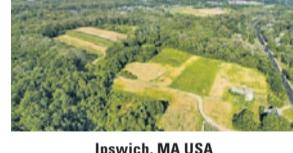
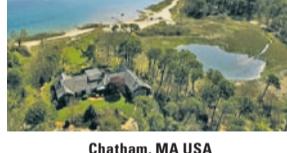
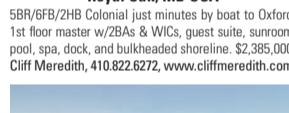
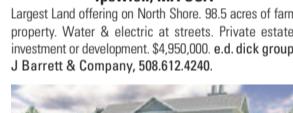
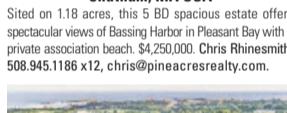
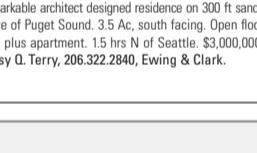
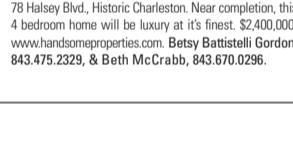
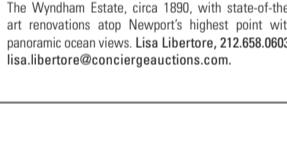
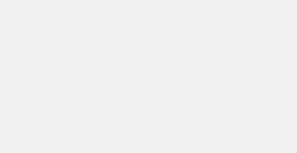
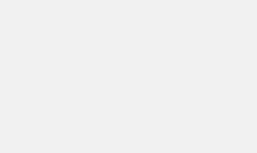
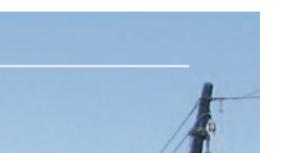
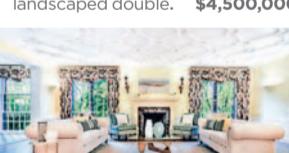
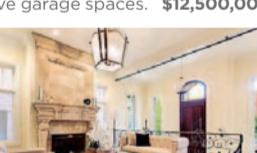
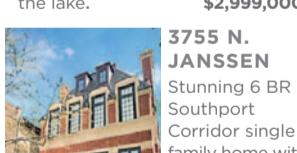
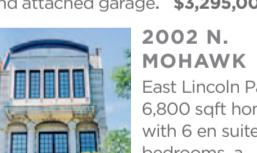
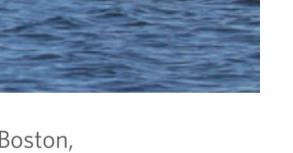
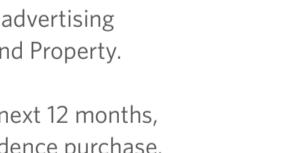
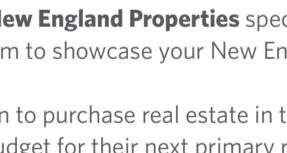
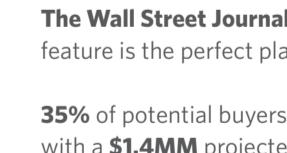
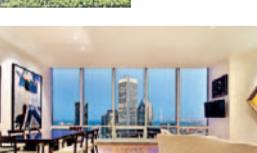
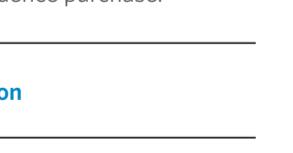
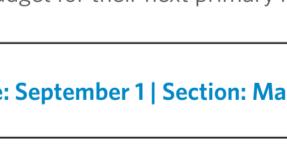
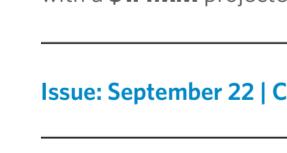
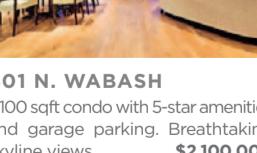
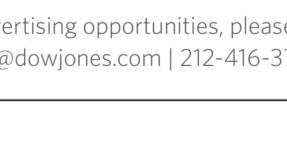
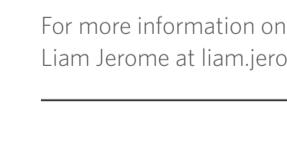
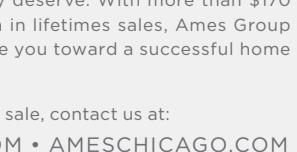
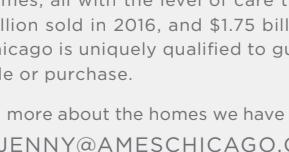
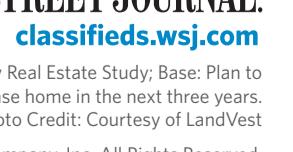
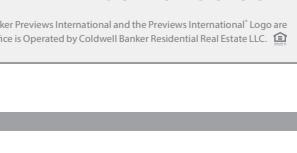
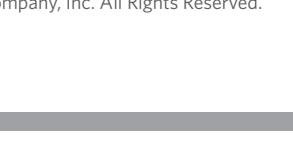
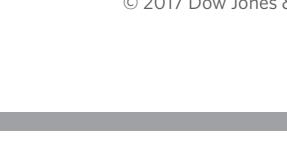
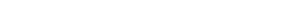
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## MANSION

# REAL ESTATE'S FRENCH CONNECTION

Continued from page M1

and will sell whichever one catches the best price first, leaving their future to the Fates. The other two will remain in their possession, at least for now.

"It's time for us to simplify our lives, but with a French lifestyle," says Mrs. Hamilton. "We should have made this change years ago."

If she's honest with herself, she admits, she hopes to first offload Château St.-Georges Motel, a 10,000-square-foot, early 17th-century castle surrounded by a moat. Located just an hour northwest of Paris, the 235-acre property includes 18 outbuildings. Long after King Henry IV departed, American heiress Consuelo Vanderbilt took possession of the château, hosting Winston Churchill and countless other dignitaries and royalty. "I don't own it, it owns me," says Mrs. Hamilton. "I'm just the guardian." It is listed for \$8.21 million with an affiliate of Christie's International Real Estate.

The couple first purchased the château in the late 1980s for \$6 million. Soon after, they were introduced to members of prominent French families committed to saving the country's Old World châteaux. One such person was Viscount Olivier de Rohan, who at the time headed an organization dedicated to preserving the Palace of Versailles, King Louis XIV's royal seat. In Mrs. Hamilton, Mr. de Rohan found a perfect American-Francophile partner for his Versailles restoration efforts.

Mrs. Hamilton says she fell in love with the palace on her first trip to France, when she was 17 years old. The Amarillo, Texas, native, whose family got rich in oil, eagerly joined the board.

Mr. de Rohan challenged his new friend to raise funds to restore Versailles' Bosquet des Trois-Fontaines, once-exquisite gardens and fountains but at the time in utter disrepair. "Americans love a challenge," says Mr. de Rohan, age 76. Mrs. Hamilton quickly founded the American Friends of Versailles, a nonprofit charitable organization, and began raising funds.

It took nearly 10 years to raise the necessary \$4 million—and Château St.-Georges Motel played a key role as the site of dozens of galas and smaller events. Through the patronage of Mrs. Hamilton's network and organization, the gardens were rehabilitated and reopened to the public in June 2004. "Catharine has been involved with Versailles at a government level, and she is very well known in all the local circles as 'Madame United States at Versailles,'" he says. For their efforts, the Hamiltons were each awarded the Legion of Honor, the highest French honor for civic merit.

Not that anyone would know her status upon meeting the petite philanthropist. With her smoker's voice, she calls everyone "babycakes" and her husband "Hamilton," and drops first names of the society set into casual conversation—Roxanne (Pulitzer), Francine (LeFrak). She's also easygoing and quick to invite new acquaintances to lunch at her Paris apartment or weekends at the château.

For a friend's wedding, which fell on Bastille Day, the Hamiltons hosted around 20 people at their château. There, a tennis court, formal gardens, an orangerie and a music salon amuse visitors during the summer, when the Hamiltons are in residence. "We have had an awful lot of houseguests, which is fun because you never know who will be coming around," she says. "But when they're gone, it's like, 'Hallelujah!'"

Their Paris apartment, located in the 8th arrondissement, is a 4,600-square-foot duplex in a classical 19th-century limestone building. The Hamiltons purchased it for \$4.4 million in 1998 and spend several months throughout the year there to be near the French capital's best restaurants, shopping and social scene. Listed for \$12.9 million, the apartment features a wood-paneled library, large living rooms, an alcove game room, a garden and a sunny drawing room. Her favorite feature, however, is their private swimming pool, the key amenity behind their decision to purchase the property.

When not in France, the Hamiltons can be found in their Rosario Candela-built Chicago co-op apartment, listed for just under \$10 million. It was built in the 1920s and owned by two generations of Wrigleys, the chewing-gum tycoons. The couple acquired the property in 1984, spending \$6.8 million on

the home and improvements. The sweeping renovation, begun in 1994, took two years—not including the decade spent amassing the museum-quality wall panels and furnishings. One Louis XV desk cost \$125,000, Mrs. Hamilton says, and a pair of tapestries was purchased for \$90,000. The staircase and cage elevator "could have instead bought us a house in Lake Forest," says Mrs. Hamilton.

The couple plans to sell the three homes unfurnished. Later, they will likely auction off most of what they display and what they keep in storage facilities.

Whoever ultimately decides to buy their Chicago property will own seven rooms' worth of 18th-century panels in the seven-bedroom apartment. Mr. Hamilton says he turned down one buyer, in part because the gentleman wanted to paint all the walls white. "Can you imagine? This room was in the Place Vendôme. These panels belonged to the mistress of Fragonard," Mr. Hamilton says as he gives a historian's tour of the Chicago apartment.

The custom kitchen was based on an 18th-century design and shipped from France. An enormous Persian rug in the 24-by-36-foot living room is a holdover from the Wrigley era—along with the "throne toilet" in the powder room that Mrs. Hamilton thinks is a hoot.

"It's a great apartment for entertaining," says Mr. Hamilton. "We've had sit-down dinners for 70. Until recently, we had an annual Christmas party with 300



**PANEL DISCUSSION** Ornate paneling, above, frames the entryway into the living room of the Hamiltons' Chicago coop, pictured top right. The custom kitchen, bottom right, was based on an 18th-century design and shipped from France.



**ROUND TABLE** A dining room in the 17th-century Normandy castle that the Hamiltons bought in the late 1980s for \$6 million.

people. It's perfectly set up for that."

Mr. Hamilton says he now spends most of his time in the Chicago apartment working from an office in a small dressing room next to the master bedroom. In the past he has run food services, trucking and drilling companies and now oversees Hamilton Four, a private-equity firm.

The apartment was first listed last year for \$13.5 million. The price was reduced to \$9.99 million in April, according to Kieran Conlon of Christie's.

The Hamilton daughters, Elizabeth, 37, and Tennessee, 32, don't spend as much time in France as they used to now that they're in their 30s, nor do they share their parents' passion for French home décor. Even so, Mrs. Hamilton secretly hopes the last property to sell will be the Paris pied-à-terre.

"Our Paris apartment is in France, where it belongs, so there is an authenticity to it," she explains. "I have a terrible case of Francophilia," she says, and doesn't want to stop soaking up the French lifestyle before her last breath. She remains the president of the American Friends of Versailles, and quite active.

"I thought my life would be much simpler now," she confides. "But it turns out it doesn't slow down until you die, and it doesn't get easier, girl. But at least I'm still smiling."



**PIED-À-TERRÉ** The couple's Paris duplex has a painting of their castle in Normandy, top. Above, the private entrance to their duplex in a 19th-century limestone building. Right, period furnishings in a living room.