

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

The SEC is taking steps to make it easier for individuals to invest in private companies, including some of the world's hottest startups, the agency's chief said. A1

◆ The Argentine peso hit a record low, prompting the country's central bank to raise rates to 60%, and the Turkish lira slid further. A1

◆ Wells Fargo has fired or suspended more than a dozen employees and is investigating others over alleged expense-policy violations. B1

◆ Campbell Soup plans to divest its international and refrigerated-foods businesses and is leaving the door open to a full sale of the company. B1

◆ Americans spent all of their income gains and then some in July, helping to keep the economy humming. A2

◆ An inflation gauge that is closely watched by the Fed accelerated in July to the fastest annual clip since 2012. A2

◆ U.S. stocks fell, with the S&P 500 and the Nasdaq pulling back from records. The Dow lost 137.65 points. B11

◆ Trump is expected to sign an order Friday for a government review of rules on retirement-savings plans. B1

◆ Merrill Lynch is halting a ban on charging commissions in retirement accounts, effective Oct. 1. B10

◆ VW said its earnings could take a hit of up to \$1.17 billion because of emissions-certification delays. B2

◆ A Canadian court annulled regulatory approval of the Trans Mountain pipeline expansion. A16

### World-Wide

◆ Trump said he would invoke his emergency authority to freeze pay for over two million civilian federal workers next year, citing the need to restrain the growth of federal spending. A1

◆ The president said he has put off the decision about whether to fire Sessions until at least after the midterm elections. A4

◆ Harvard puts Asian-American applicants at a disadvantage through the use of a subjective "personal rating" in admissions, the Justice Department said. A3

◆ U.S. interrogation reports shed new light on an Iraqi Shiite political figure and Iran's role in aiding Iraqi militias that attacked U.S. troops during the Iraq war. A6

◆ Iran continues to fulfill the key requirements of the 2015 nuclear deal, the U.N. atomic agency said. A6

◆ The trade deal between the U.S. and Mexico now faces scrutiny from lawmakers in the respective countries. A5

◆ Labor unions, traditional adversaries of the Republican Party, could be winners in the planned Nafta rewrite. A5

◆ California moved to reinstate Obama-era open-internet rules, challenging the Trump administration's rollback efforts. A4

◆ South Korea's leader replaced five cabinet members amid rising discontent over the economy and setbacks on the North's disarmament. A8

◆ Researchers used a gene-editing tool to repair a gene mutation in dogs with Duchenne muscular dystrophy. A3

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## Trump Caps Off Midterm Election Rally in Indiana



ON THE TRAIL: President Trump praised businessman Mike Braun, the GOP candidate for senator, at an Evansville, Ind., rally Thursday.

## President Plans Pay Freeze For Federal Civilian Workers

By KATE DAVIDSON

WASHINGTON—President Trump said Thursday he would invoke his emergency authority to freeze pay for more than two million civilian federal workers next year, citing the need to restrain the growth of federal spending.

"We must maintain efforts to put our nation on a fiscally sustainable course, and Federal agency budgets cannot sustain such increases," Mr. Trump said in a letter to Congress on Thursday.

Democrats and federal workers' unions decried the Republican president's move, coming at a time of vigorous economic growth and after Congress passed a sweeping tax cut that congressional scorekeepers estimate will increase the budget deficit by \$1 trillion over a decade. Congress also reached a budget agreement this year to boost federal spending by nearly \$300 billion in 2018 and 2019.

"Trump has the nerve to eliminate pay raises for federal employees to 'put our na-

tion on a fiscally sustainable course,'" said a spokesman for the Democratic National Committee, pointing to the GOP tax law. He called the move "yet another slap in the face to American workers."

Under current law, federal civilian employees are set to receive a 2.1% across-the-board pay increase beginning on Jan. 1, 2019, but Mr. Trump said he is eliminating those raises. He also said he would scrap additional raises, which vary by location, aimed at bringing federal pay in line

with private-sector salaries.

Mr. Trump didn't say how much the across-the-board raises would cost the government, but he said the locality increases would amount to \$25 billion next year. The annual federal deficit is expected to top \$1 trillion next year.

The president is authorized to submit alternative plans for federal employee pay if a "national emergency or serious

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◆ Sessions to keep his job for now..... A4

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## Emerging-Currency Rout Worsens

### Losing Value

Currencies in developing economies have slumped this year.

#### Change against the U.S. dollar



By MIKE BIRD  
AND SAUMYA VAISHAMPAYAN

The Argentine peso hit a record low—prompting the country's central bank to raise interest rates to 60%—and the Turkish lira slid further, as emerging markets most vulnerable to a rising dollar bent under the stress on Thursday.

While Argentina and Turkey are in particular trouble because of domestic issues, developing economies around the world are being squeezed as the Federal Reserve raises interest rates, boosting the U.S. currency. That has pushed up the cost of some developing nations' large dollar-denominated debts, prompting central bankers to voice concern about

the Fed's direction.

Emerging markets were rattled by a 7.5% overnight fall in the Argentine peso against the dollar after President Mauricio Macri said he had asked the International Monetary Fund to speed up delivery of a \$50 billion bailout. On Thursday, the Argentine central bank raised interest rates by 15 percentage points to 60% to curb the decline, but the currency fell further and finished the day with a 12.2% loss.

Meanwhile, Turkey's lira fell 2.8% against the dollar Thursday, putting it close to the low it hit earlier this month on worries about political interference in monetary policy and the country's large dollar debt pile.

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### INSIDE



LUXURY AND  
STYLE BEHIND  
THE FAÇADE

MANSION, MI

## Safety runs best with SAP.

HAKUSAN IS A BEST-RUN BUSINESS.  
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### The World of Carpet Fans Is Tight-Knit

Floor-covering enthusiasts gather at Dragon Con

By CAMERON MCWHIRTER

ATLANTA—This Labor Day weekend 85,000 people are expected to attend "Dragon Con," an annual convention of comic book, superhero and fantasy fans—one of the largest such gatherings in the country.

Some of them will celebrate a hotel carpet that was ripped out years ago.

Members of the Cult of Marriott Carpet will walk the convention halls and march in a parade wearing costumes in the hypnotic, star-circle pattern of blue, red and gold that once covered the atrium floor in one of Dragon Con's chief venues.

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## Gun Sales Suffer 'Trump Slump'

With a friend in the White House, industry loses its grip on the panic buyer

By ZUSHIA ELINSON  
AND CAMERON MCWHIRTER

DALLAS—President Trump spoke to a cheering crowd at the National Rifle Association's annual conference in May, saying gun owners had no stronger ally than the president and the Republican majority in Congress.

For gun makers, it turns out, this is a mixed blessing.

Since Mr. Trump's 2016 victory, sales have slowed, particularly for the top-selling AR-15 semiautomatic rifle, so much that gun executives have termed it the "Trump slump." An industry that capitalized on fear of gun control to drive sales during Democratic adminis-

trations is finding it is hard to turn out buyers when those concerns dissipate.

"Sales have normalized because you don't have the fear-based market," said Mark Eliason, vice president of sales and marketing at Windham Weaponry, a Maine gun maker.

Mark Kresser, former chief executive of gun maker Taurus Holdings Inc., said the AR-15 boom probably won't return absent another political shift. "The shine is coming off the nickel," he said.

Smith & Wesson parent company American Outdoor Brands Corp. said falling demand for its AR-style rifles caused revenue from long

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## U.S. NEWS

## Strong Consumer Spending Lifts Economy

By JOSH MITCHELL

Americans spent all of their income gains and then some in July, keeping the economy humming in the start of the second half of the year.

Household spending—or what Americans paid for all goods and services, such as groceries and health care—rose 0.4% in July, the Commerce Department said Thursday. That marked another healthy gain after months of strong growth.

The increase partly reflects higher prices that businesses are charging for their items, itself a sign that demand in the economy is strong.

It also reflects that Americans have more money in their pockets, thanks to robust job growth, rising pay and a tax cut that took effect early this year. Household income—including what Americans earned from salaries and investments—rose 0.3% in July.

Also, the booming stock market and rising home values are raising Americans' wealth,

## Inflation Reaches Fed's 2% Target

A key measure of inflation accelerated last month to the fastest annual clip since 2012, as robust spending by consumers and businesses steadily pushed up prices for goods and services across the economy.

The personal-consumption expenditures price index, a broad inflation gauge closely watched by the Federal Reserve, rose a seasonally adjusted 0.1% in July from June, the Commerce Department said Thursday. From July 2017, the

index was up 2.3%, the biggest increase since early 2012.

More importantly for the Fed, the so-called core PCE index, which excludes volatile food and energy prices, rose 0.2% in July from June and 2% from a year earlier, matching the central bank's target. Core PCE prices are seen as an indicator of the economy's longer-term, underlying inflation rate.

Although the numbers were in line with forecasts from economists surveyed by The Wall Street Journal, the return of 2% core inflation marks a welcome development for policy makers. Before this year, price increases had run below

the central bank's target for most of the past six years, despite falling unemployment and steady economic growth. That had led policy makers to question some of their basic assumptions about the economy.

Now, however, the job market is stronger than in nearly two decades, and Thursday's data will likely bolster Fed officials' belief that inflation is finally consolidating around the central bank's objective.

The stronger inflation numbers should reinforce expectations the Fed will continue raising interest rates in a bid to keep the economy from overheating.

—Paul Kiernan

which tends to encourage them to spend more and save less.

The fact that spending rose faster than income shows how confident Americans are in the economy these days. After accounting for inflation, consumer spending rose 2.8% in July, compared with July

2017—an annual gain last exceeded in March 2017.

"It's encouraging to see that the American consumer continues to spend confidently and on a steady basis, with the streak in real spending gains extending to five months as of July," said Admir Kolaj, an economist

at TD Economics, in a note to clients.

Consumer spending, which represents more than two-thirds of demand in the economy, was the biggest factor behind the economy's rapid 4.2% annual growth in the spring. Many economists expect 3%

back growth in coming years, they say.

For now, strong growth and rising inflation are likely to keep the Federal Reserve on track to raise interest rates twice more this year. The central bank is looking to raise rates steadily to keep the economy growing at a healthy pace while reducing the risk of it overheating.

Thursday's report showed the price index for personal-consumption expenditures—the Fed's preferred inflation measure—grew 0.1% in July from a month earlier. Core prices, which exclude volatile food and energy components, grew 0.2%.

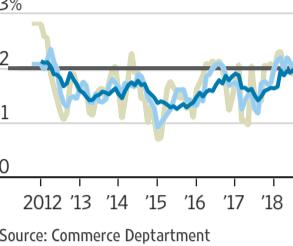
While the monthly gains were modest, inflation over the past year has increased steadily to the Fed's target. Overall prices grew 2.3% in July, compared with a year earlier, while core prices were up 2%. Before this year, inflation had remained below the Fed's 2% annual target since 2012.

◆ James Mackintosh: Don't bet on a boom, markets say..... B1

## Core Inflation

Change in personal-consumption-expenditures price index, excluding food and energy

- From a year earlier
- Six-month annualized
- Fed's inflation target
- Three-month annualized



Source: Commerce Department

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growth or more in the current quarter, largely because of expectations of household spending gains.

Economists don't expect the economy to sustain that pace in the long term. An aging population and meager gains in productivity are likely to hold

## At Least Four Killed in Head-On Crash in New Mexico



FATAL ACCIDENT: Several other people were injured when a Greyhound bus and a semitruck collided Thursday on Interstate 40.

## SEC Eyes Private Investing

Continued from Page One school students. "The question is, who is participating?"

Private firms have grown outside the glare faced by public companies such as Tesla Inc., whose founder Elon Musk recently set off a firestorm by tweeting that he planned to take his company private. Mr. Musk has complained that public markets encourage short-term thinking and he routinely sparred with short sellers betting against his company's stock. His plan, which has since been abandoned, has triggered an SEC probe into whether his tweet about having secured funding to take the company private was misleading. Mr. Clayton declined to discuss Tesla.

President Trump, a Republican, also has pressured the SEC to consider the balance between public and private markets, using Twitter two weeks ago to call on the SEC to study letting public firms report earnings every six months, instead of quarterly.

"I'm not wedded to a particular result, but I think we should look at it," said Mr. Clayton when asked about semiannual earnings reports in the interview. He said that the commission is studying the move, and added that even if companies reported earnings less frequently they would still update investors on important trends.

Private securities are mostly off the radar of federal regulators. Less information is typically available about the firms, increasing risks for investors. Those markets also have traditionally been a major source of fraud afflicting small investors. Securities firms with a higher number of troubled brokers are more



Securities and Exchange Commission Chairman Jay Clayton

likely to sell private stakes in companies, often targeting seniors, an analysis this year by The Wall Street Journal found.

Rules aim to protect individuals from riskier private deals. Only those who meet certain wealth or income standards—such as household income of \$300,000—can participate.

Adjusting the rules could offer Mr. Clayton, a former Wall Street deals lawyer, a way to make good on his goal of helping small investors access more high-quality investments for retirement or other needs.

The SEC plans to issue a paper in the coming months—known as a "concept release"—that will seek public comment on how to revamp the capital-raising process, including by expanding access to private stock sales. After that,

"I think you could move pretty quickly on this kind of thing," Mr. Clayton said.

If more retail investors got access to companies before they launched an initial public offering, the move would create another alternative for companies that already have ample access to private cash and a possible new avenue for brokers' commissions.

One sign of how much the private market has ballooned: In 2013, tech company SurveyMonkey touted plans to raise \$800 million via debt and equity as "one of the largest capital raises by a privately held U.S. internet company."

Since then, the market has seen an influx of funds targeting later-stage private companies. SoftBank Group Corp., for instance, continues to pour money into unicorns—startups worth more than \$1 billion—through its \$92 billion tech-focused Vision Fund.

In the U.S., more than \$1.7 trillion was raised in 2017 through private stock and debt sales.

To be sure, public-market activity has grown this year after several slow ones. This year, 158 companies have gone public on U.S. exchanges, raising \$43.1 billion—up 36% from in 2017, when 112 companies raised \$31.6 billion, according to Dealogic.

A move to allow more par-

ticipants in private markets could benefit regions of the U.S. with fewer venture capitalists.

"There is a massive capital gap in the middle of the country," said Patrick Henshaw, a vice president at Cincinnati public-private partnership Cintrifuse who attended a Nashville conference where Mr. Clayton spoke.

The chance to devote part of an individual portfolio to private companies would provide an investor more diversification and the chance to benefit when firms go public, said Lonne Jaffe, a managing director at Insight Venture Partners, a venture-capital and private-equity firm.

Investors in private deals must be given lengthy questionnaires and disclosures, steps that startups usually find too cumbersome given the limited dollars typically offered by a single person. Instead, startups can tap much more money at one time by targeting a few venture capitalists or corporations.

The SEC hopes to streamline the process and create more "accredited" investors, such as by allowing in people who don't meet wealth thresholds but have professional licenses or advanced education, Mr. Clayton said.

—Maureen Farrell contributed to this article.

## CORRECTIONS &amp; AMPLIFICATIONS

**Comparable-store sales** at Dick's Sporting Goods Inc. rose 1% in the latest quarter when excluding Under Armour and the hunting and electronics business. A Business & Finance article on Thursday about Dick's results incorrectly said comparable-store sales excluding those items fell 1%.

**Oxford Economics**, a global forecasting group, estimates that a "moderate trade

war scenario" could result in a decline in global gross domestic product in real terms by about 0.5 percentage point to 2.4% in 2019. A Page One article Wednesday about a global slowdown in auto sales incorrectly said 0.5%.

**Lloyd's of London** is a marketplace of insurance syndicates. A Markets & Finance News article on Saturday about Lloyd's marine unit incorrectly called it a syndicate.

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

## ECONOMY

## Moving Average of Jobless Claims Falls

The number of U.S. workers filing new applications for unemployment benefits rose slightly last week after three straight weeks of decline, though a more stable measure of claims hit the lowest level in nearly five decades.

Initial jobless claims, an indication of layoffs across the U.S., increased by 3,000 to a seasonally adjusted 213,000 in the week ended Aug. 25, the Labor Department said Thursday.

Jobless claims can be jumpy from week to week. The four-week moving average of claims, which smooths out weekly volatility, fell by 1,500 to 212,250, the lowest level since December of 1969, the Labor Department said.

Thursday's report also showed the number of continuing unemployment-benefit claims—those drawn by workers for more than a week—fell by 20,000 to 1,708,000 in the week ended Aug. 18. Continuing claims are reported with a one-week lag.

—Paul Kiernan and Josh Mitchell

## SPORTS

## NFL Bid to Dismiss Kaepernick Claim Fails

The arbitrator overseeing a grievance filed by Colin Kaepernick—a leader of controversial player protests during the national anthem—denied the National Football League's request for a summary judgment to dismiss the case.

Mr. Kaepernick, who has been a free agent since March 2017, filed a grievance last fall alleging that the NFL and its 32 teams colluded to keep him unsigned because of his outspoken political views.

Mr. Kaepernick, as quarterback for the San Francisco 49ers, became the face of the player protests during the national anthem to call attention to social injustices and racial inequality.

The denial is a victory for Mr. Kaepernick, who is entering his second straight season as a free agent.

According to the NFL's collective-bargaining agreement, a summary judgment may be issued if, after discovery in the case, the arbitrator determines that the evidence is insufficient to "raise a genuine issue of material fact capable of satisfying" the criteria for collusion.

The NFL and a lawyer for Mr. Kaepernick declined to comment.

—Andrew Beaton

## OHIO

## Opioid Mix Sickened Prisoners, Staff

A substance that led to nearly 30 people at an Ohio prison being treated for drug exposure or suspected exposure was a mixture of heroin and fentanyl, the State Highway Patrol said.

Prison guards, nurses and inmates at Ross Correctional Institution were treated Wednesday with the anti-overdose drug naloxone after an inmate showed signs of an overdose, and some people experienced symptoms consistent with exposure to the opioid fentanyl.

Also Wednesday, Pennsylvania state prisons were put on lockdown after employees at 10 prisons recently required treatment from exposure to an unidentified substance. Messages left Wednesday and Thursday at the Ohio Department of Rehabilitation and Correction weren't returned.

Pennsylvania State Police declined Thursday to discuss their investigation into the substance sickening prison staff, but the Department of Corrections has described it as a liquid synthetic drug.

—Associated Press

## PUERTO RICO

## Bid to Block Cutoff Of Aid Is Rejected

A federal judge on Thursday rejected a request to block the government from cutting off aid to hundreds of Puerto Rican families who fled the hurricane-ravaged island in 2017 and are living in hotels and motels across the U.S.

But U.S. District Judge Timothy Hillman, in Worcester, Mass., ordered the government to continue providing assistance to people who were forced to leave their homes because of Hurricane Maria until Sept. 13 so they could prepare.

Lawyers for a group of Puerto Ricans pursuing the lawsuit had said the Federal Emergency Management Agency's decision to terminate aid violated their due-process rights and contended that they were being discriminated against.

Judge Hillman said they were unlikely to succeed on the merits of their claims and rejected their request for an injunction that would require FEMA to continue providing aid to evacuees until they obtained temporary or permanent housing.

"While this is the result that I am compelled to find, it is not necessarily the right result," Judge Hillman wrote.

—Reuters

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## U.S. NEWS

# Government Sees Bias At Harvard

Justice Department says 'personal rating' hurts Asian-Americans in admission process

BY MELISSA KORN  
AND NICOLE HONG

The U.S. Department of Justice says Harvard University puts Asian-American applicants at a disadvantage through the use of a subjective "personal rating" in the admissions process, according to a new court filing in a federal lawsuit challenging the legality of affirmative action.

The statement of interest filed Thursday by the Justice Department supported the claims made by the plaintiffs, who have sued Harvard for allegedly limiting the number of Asian-American students it admits and holding them to a higher standard than students of other races.

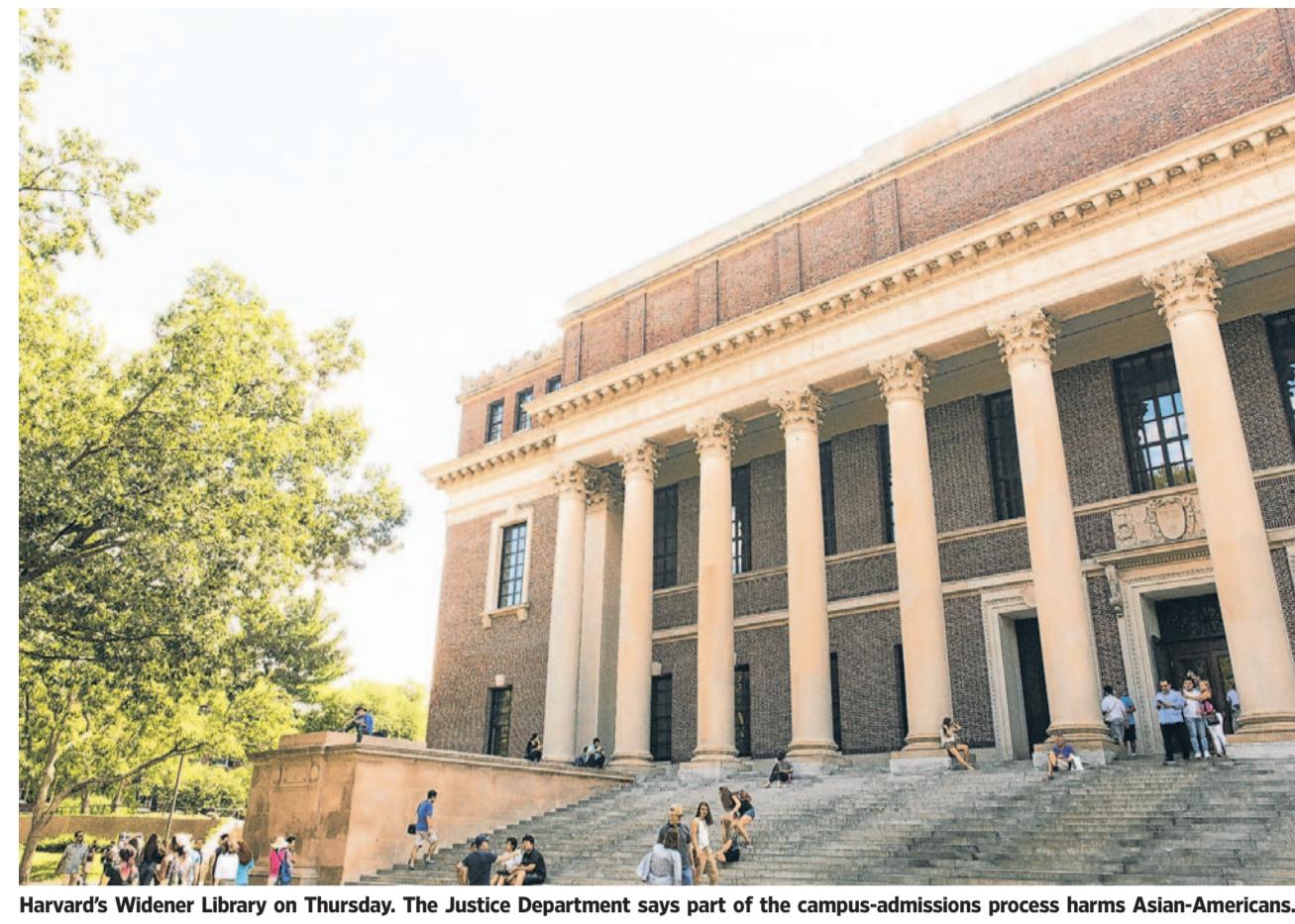
The lawsuit against Harvard was filed in Boston federal court in 2014 by Students for Fair Admissions, a nonprofit whose members include Asian-American students who were denied admission to Harvard.

It has become a closely watched battle over how one of the nation's most selective colleges chooses who gets admitted, and whether the process illegally discriminates on the basis of race.

Harvard said in a statement Thursday it was "deeply disappointed" in the Justice Department's position but that it wasn't surprising "given the highly irregular investigation the DOJ has engaged in thus far" in a separate probe into the use of race in admissions at the school and the department's repeal of affirmative-action guidance this summer.

In criticizing the personal rating, the Justice Department was referring to one component of Harvard's undergraduate admissions process that evaluates applicants based, in part, on a subjective assessment of character traits.

The plaintiffs said in earlier court filings that their analysis found Asian-American applicants have the highest academic and extracurricular ratings of any other racial group, but the lowest score on the personal rating, which includes an evaluation of the applicant's personality. The rat-



**Harvard's Widener Library on Thursday. The Justice Department says part of the campus-admissions process harms Asian-Americans.**

ing is also based on teacher recommendations, personal essays and admissions interviews, according to Harvard.

Lawyers for the Justice Department said the personal rating reflects racial stereotypes that Asian-American applicants are less "likeable" and hurts their chances of admission despite their higher academic ratings.

"The vague and elusive 'personal rating' may be infected with racial bias against Asian Americans," the depart-

ment wrote in the filing.

Harvard has argued its process takes into account ratings on academics, athletics and extracurricular activities, as well as the personal rating. Race is one of many factors considered, along with socioeconomic background, legacy status and athletic achievement, according to the school.

The government said in the filing that Harvard acknowledged it tends to score Asian-American applicants lower on the personal rating but

couldn't explain why, representing an "intentional and unexplained use of race" in the admissions process.

This is the first time the Department of Justice has weighed in with legal arguments opposing Harvard's admissions practices, although its stance was not unexpected.

The department has been signaling for several months that it would support Students for Fair Admissions, led by conservative legal activist Edward Blum, in its litigation.

This summer, the Justice and Education departments jointly began directing schools to adopt race-neutral admissions standards, reversing Obama-era guidance that encouraged the use of race to promote diversity.

A DOJ official said Thursday that the investigation by the department's Civil Rights Division into the use of race in the school's admissions practices is ongoing and could result in a separate lawsuit or administrative proceedings.

## Schools Crack Down as More Students Cut Class

BY TAWNELL D. HOBBS

The growing problem of children skipping school has districts across the country experimenting with solutions, from punishments to rewards.

Educators are divided about what approach works. Students who miss school are more likely to fall behind and are at greater risk of dropping out. Paterson Public Schools in New Jersey and other districts are sending specialists into homes to determine if hardships—such as not having clean clothes—are keeping students from showing up.

Districts in Washington state and Arkansas have set up truancy boards with students, parents, community members and mental-health professionals who interview students to find out why they are no-shows. Dothan City Schools in Alabama is withdrawing habitually truant students and charging their parents a re-enrollment fee.

For perks, districts in Texas, Florida and elsewhere are raffling off cars, televisions and gift cards for perfect attendance. Students in the Cleveland Metropolitan School District get robocall reminders to wake up and go to school by members of the Cleveland Browns football team.



**Brandi Noe, a truancy interventionist at a high school in Xenia, Ohio, talking with a student Thursday.**

For the first time this school year, some states will use chronic absences to help identify schools in need of improvement under the Every Student Succeeds Act, enacted in 2015.

High absentee rates could result in lower grades for schools and districts—and less funding based on attendance. Thirty-six states and the District of Columbia included chronic absenteeism as a measurement in the new

standards under the law, according to FutureEd, a think tank at Georgetown University.

About 16% of students, or nearly eight million, were considered chronically absent for missing at least 15 days for any reason in the 2015-16 school year, the latest available data from the U.S. Education Department show. That was up 12% from about seven million in 2013-14, while the student population rose only

1.1% over that period. Some education officials say an upward trend continues in their states.

D.C. and Maryland had the highest percentages of students considered chronically absent, at about 31% and 29%, respectively. North Dakota had the lowest rate at 9.5%.

In Dothan City Schools in Alabama, students with 10 unexcused absences will be withdrawn from school, starting this school year. Their

parents will need to pay \$25 to re-enroll them. "We've got to get their attention somehow," said Scott Faulk, director of safety, security and attendance.

At West Side High School in Newark, N.J., Principal Akbar Cook sought to build a laundry room for students: "Kids were being bullied because they didn't have clean clothes."

Mr. Cook got a \$20,000 grant from a foundation affiliated with energy company Public Service Enterprise Group Inc. in Newark and the laundry opens this fall.

Dozens of other schools also have laundry rooms to help improve attendance. Whirlpool Corp. provides washers and dryers in 58 schools.

States typically fund school districts based on attendance, so school officials worry about losing money due to absent students.

The Fort Worth Independent School District in Texas is trying to grab the attention of chronically absent students with a \$1.5 million "student attendance incentive fund" to be shared among schools.

Schools determine how to use it to improve attendance, which Texas factors into funding for school districts. One school uses the incentive fund for weekly drawings for stu-

dents with perfect attendance, for prizes such as Beats headphones, televisions, mini refrigerators, school gear and cases of Cheetos. District officials say it's too early to tell if the incentive fund will pay off.

Greene County Career Center, a high school in Xenia, Ohio, dispatches a truancy interventionist, Brandi Noe, to meet with students at home or in school to determine why they are missing classes. "She has gone to work sites before, if she knows a kid is work-

**High absentee rates could result in less funding based on attendance.**

ing," said Jenny Adkins, the school's supervisor of student services.

Studies are mixed on the effectiveness of incentives. Some researchers found they were more likely to work when schools addressed underlying barriers contributing to absences. Others found that incentives could result in students relying on them as a motivation to attend school, and backsliding when they aren't in place.

## Gene Editing Shows Promise For Muscular Dystrophy

BY AMY DOCKSER MARCUS

Researchers used a gene-editing tool to repair a gene mutation in dogs with Duchenne muscular dystrophy, an important step in efforts to someday use the tool to edit DNA in people with the same fatal disease.

In a study published Thursday in the journal *Science*, researchers at UT Southwestern Medical Center in Dallas and the Royal Veterinary College in London reported that they used the Crispr gene-editing system in four dogs to restore production of dystrophin, a protein crucial for healthy muscle function.

Duchenne is caused by gene mutations that prevent production of dystrophin. Without enough dystrophin, patients' muscles deteriorate. Patients typically lose the ability to walk by their early teens and die by their 20s and 30s. About 20,000 children, mostly boys, are diagnosed around the world every year with Duchenne. Scientists have tried many

approaches to stop the disease. In 2016, the U.S. Food and Drug Administration approved the first drug, Sarepta Therapeutics Inc.'s Exondys 51, a weekly injection that treats a particular form of Duchenne.

More recently, small numbers of people have been dosed with experimental gene therapies that attempt to bolster dystrophin production by delivering a form of the protein to cells.

There are over 45 companies pursuing strategies to treat Duchenne or its symptoms, says Pat Furlong, chief executive officer of the non-profit Parent Project Muscular Dystrophy, which supported some of UT Southwestern's early Crispr work in mice. What makes the Crispr gene-editing approach in the dog study so alluring to many in the field is the prospect of tackling the underlying genetic cause of Duchenne. "Crispr is the next step," says Ms. Furlong, "because it can permanently

change people's DNA."

Crispr, which stands for clustered regularly interspaced short palindromic repeats, serves as the immune system of bacteria. Scientists adapted Crispr and the Cas9 enzyme it produces to cut DNA at specific points, allowing a repair or insertion of a new genetic sequence. Its development has raised hopes for curing genetic diseases, but has also sparked concerns about unintentional cuts and deletions of DNA.

Stanley F. Nelson, father of a boy with Duchenne and professor and co-director of the Center for Duchenne Muscular Dystrophy at UCLA, said much more data is needed before moving from dogs to having a clinical trial with people.

"You can't be certain at this point that in trying to repair billions and billions of muscle cells, you won't induce other catastrophic problems," he said. Dr. Nelson also consults for Solid Biosciences Inc., a company pursuing gene ther-



**Dogs in the Royal Veterinary College's research program in a photo provided by the London college.**

apy for Duchenne. He wasn't involved in the dog study.

In the *Science* study, scientists programmed the Crispr system to cut the dogs' DNA at a precise spot on the dystrophin gene. The cells repaired the cut, enabling dystrophin production to be restored to levels that ranged from 3% to 90% of normal, depending on the muscle. Most important, the gene edit restored dystro-

phin production in both the heart and diaphragm, essential for breathing.

"It's like putting a good spare tire on a car. It's not as good as the original, but it gets you where you want to go," said Eric Olson, director of UT Southwestern's Hamon Center for Regenerative Science and Medicine and senior author of the paper.

Dr. Olson, who is also

founder and chief scientific adviser of Exonis Therapeutics Inc., which licensed the technology from UT Southwestern and helped fund the dog studies, said the next steps involve testing Crispr in more dogs and observing them for a year or more. If the approach works in the dogs, he said researchers hope to try Crispr in a clinical trial with people with Duchenne.

## U.S. NEWS

# California Seeks to Revive Net Neutrality

BY ALEJANDRO LAZO  
AND JOHN D. MCKINNON

California moved to reinstate Obama-era open-internet rules, challenging Trump administration rollback efforts and setting the state on a path to have the strongest net-neutrality rules in the nation.

The California bill would forbid internet service providers from blocking websites, intentionally slowing down a website or app or accepting payments to make online services go faster. Such regulations resemble those adopted by the Obama-era Federal Communications Commission.

The fight over net neutrality has become a rallying cry for Democrats since the FCC, led by Trump appointee Ajit Pai, last year did away with the 2015 rules governing internet service providers.

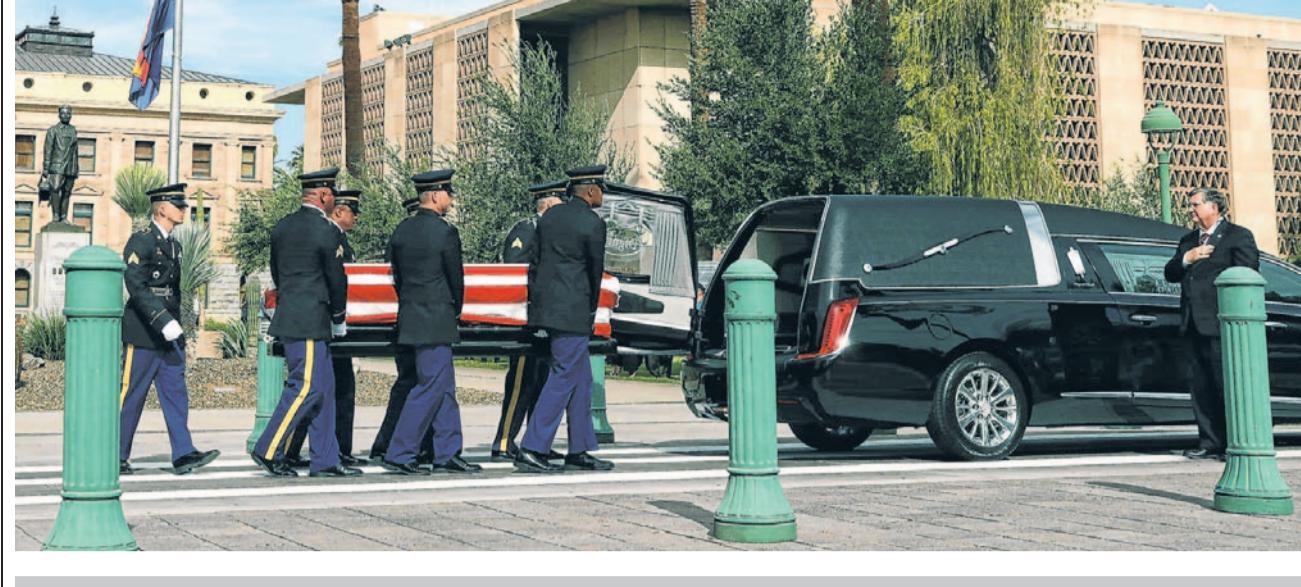
The bill passed the California Assembly Thursday by a preliminary count of 59-18, according to the clerk's office, and now returns to the state Senate, which previously passed a similar version. If it passes again there and is then signed by Gov. Jerry Brown, a Democrat, California would have the nation's strongest net-neutrality rules. Mr. Brown hasn't publicly indicated his position on the bill.

Some experts doubt whether state legislation imposing net-neutrality rules can withstand the eventual legal challenges that are likely to come from telecommunications trade groups. The FCC rollback last year claimed to pre-empt state rules on net neutrality. An FCC spokesman declined to comment.

If states prove unable to impose their own standards, net-neutrality advocates are hoping the California legislative action will lend support to their current legal challenge against the FCC rollback, which they say was legally flawed. That case is pending in a federal appeals court in Washington, D.C.

Cable and wireless companies lobbied aggressively against the bill. Elizabeth Hyman, executive vice president of the Computing Technology Industry Association, a trade group, said the measure would result in an unworkable patchwork of regulations.

"The internet is not configured to handle geographic boundaries within the country and a system of barriers and levies across the internet will have a crippling effect on commerce and innovation," she said in a statement.



JUSTIN SULLIVAN/GETTY IMAGES

## 'True American Hero' Eulogized In Arizona

A military honor guard carries the casket of Sen. John McCain from the Arizona State Capitol. The former prisoner of war and two-time presidential candidate was eulogized Thursday as a 'true American hero'—and a terrible driver with a wicked sense of humor and love of a good battle—at a church service in Phoenix that ended with the playing of Frank Sinatra's 'My Way.' Mr. McCain's body will lie in state at the U.S. Capitol on Friday.

—Associated Press

# Sessions to Keep His Job for Now

BY MICHAEL C. BENDER

**WASHINGTON**—President Trump said he has put off the decision about whether to fire Attorney General Jeff Sessions, a frequent target of his ire, until at least after the November congressional elections.

Mr. Trump's remarks come amid pressure from Senate Republicans to keep the nation's top law-enforcement official in place until after the campaign season.

"I just would love to have him do a great job," Mr. Trump said about Mr. Sessions on Thursday in an interview

with Bloomberg News. The president declined to say whether he would keep Mr. Sessions on the job beyond November.

Mr. Trump has publicly criticized Mr. Sessions for months, and recently told one Republican lawmaker that he wanted to fire him before the midterm elections, according to a person familiar with the matter. Top Republican lawmakers have urged Mr. Sessions to resist pressure to quit and have pushed Mr. Trump to stand down for now.

Mr. Trump's statement came after the president sur-

veyed advisers earlier this week about the potential political blowback from firing Mr. Sessions, telling one person that he didn't believe there would be much, according to a person familiar with the matter.

Inside the White House, senior officials gave Mr. Trump legal and political reasons for not removing Mr. Sessions, but those advisers weren't sure what Mr. Trump would ultimately decide.

One factor for Mr. Trump's decision to keep Mr. Sessions for the coming months is that there is no obvious successor.

White House officials and others Mr. Trump has spoken to about firing Mr. Sessions said the president hadn't inquired about potential contenders, these people said.

Fueling Mr. Trump's anger is his view that Mr. Sessions erred in recusing himself from the probe into Russian interference in the 2016 elections, White House aides have said. That investigation is looking into possible collusion between the Trump campaign and Russia, as well as possible obstruction of justice.

Mr. Trump has denied wrongdoing and has called the

probe a "witch hunt." Russia has denied involvement.

Last week, President Trump issued the latest in a series of attacks on Mr. Sessions, suggesting the attorney general is allowing the special counsel's Russia investigation to proceed while permitting "real corruption" to go "untouched."

In response, Mr. Sessions issued a rare public statement defending his leadership. "While I am attorney general, the actions of the Department of Justice will not be improperly influenced by political considerations," he said.

## Ironman Veterans Vie in Senate Race

BY KRISTINA PETERSON

**WASHINGTON**—About a week and a half after she was first elected to Congress in November 2012, Rep. Kyrsten Sinema signed up to compete in her first Ironman triathlon.

The only problem: The Arizona Democrat didn't know how to swim or ride a bicycle. Full Ironman triathlons include a 2.4-mile swim, a 112-mile bike and a marathon run of 26.2 miles.

"I was afraid to put my face in the water," Ms. Sinema said. "I started taking swim lessons just like a little kid."

Almost six years later, Ms. Sinema is now competing against a fellow Ironman endurance athlete, Rep. Martha McSally (R., Ariz.), to win a U.S. Senate seat. The race to succeed retiring GOP Sen. Jeff Flake is believed to be the first Senate matchup between two Ironman World Championship finishers.

"I don't think we've had two candidates running for office who are seasoned triathletes," said Bob Babbitt, an Ironman historian. "We cer-

tainly haven't had two candidates who are Ironman finishers who are running against each other."

The contest is particularly unusual because men make up 80% of the full-length Ironman participants, according to the race's organizers.

Both Ms. Sinema, 42 years old, and Ms. McSally, 52, began their endurance training well before their political careers. Ms. Sinema started with running, a sport she could afford growing up in a poor household.

"All you need is a pair of shoes," said Ms. Sinema, who said she now has 15 or 16 marathons under her belt. In October 2012, in the final stretch of her first congressional race, she watched a friend competing in a half-length Ironman. A few weeks later, Ms. Sinema signed up herself.

"It was a challenging year," Ms. Sinema recalled. "I was serving my first year in Congress and learning how to cycle and swim."

She took her first swim lesson in February 2013 and completed her first Ironman later



that year in November. Two years later, she completed her second Ironman, the World Championship, in Kona, Hawaii, in just over 15 hours.

Ms. Sinema said she works out seven days a week, with a week of lighter training every four weeks. On Wednesday mornings, she teaches a bipartisan spinning class in the congressional gym.

Ms. McSally, who grew up near the ocean in Rhode Island, has been swimming since she was young. After her father died when she was between sixth and seventh grades, she began running with her golden retriever.

"It was just part of my therapy, I guess, to get

through those years," she said. Her feelings around running became more complicated when her high-school track coach sexually abused her, said Ms. McSally.

She started cycling seriously in graduate school and stepped up her triathlon training while she was working as an Air Force instructor pilot in Del Rio, Texas, spending 12-hour days in T-37 planes with little air-conditioning. Once a week, Ms. McSally, who lived 18 miles from the base, would drive in to work with her roommate, forcing her to get back on her own.

"At the end of the day, no matter how late it was, no matter how tired I was, the

only way I was going to get home was to run home," she said.

Ms. McSally was selected for the Air Force team in a competition against the other military services in the 1993 Ironman. She finished the race in 10 hours and 45 minutes.

She has since expanded into hiking and mountain climbing. When she climbed Mount Kilimanjaro in Africa, she broke her kneecap and had to hike 10 miles injured on the descent.

"The training is important, but you can train the human body to do anything," Ms. McSally said. "The most important element is the grit, the determination to believe you can do it and not quit."

## Trump Targets Pay Raises

**Continued from Page One** economic conditions affecting the general welfare" would render the planned pay increases inappropriate.

The pay freeze "will not materially affect our ability to attract and retain a well qualified Federal workforce," said Mr. Trump, a billionaire businessman who campaigned for president in part by promising to cut government waste.

Congress could override Mr. Trump's decision by including a pay raise in legislation. Mr. Trump, in his budget submitted to Congress earlier this year, included no pay increase next year for federal civilian workers. The Senate effectively rejected that proposal earlier this month by voting 96-2 to give them a 1.9% raise in 2019.

The House hasn't weighed in on the issue. A spokeswoman for House Speaker Paul Ryan (R., Wis.) declined to comment.

Asked for comment, a spokesman for Senate Majority Leader Mitch McConnell (R., Ky.) referred a reporter to the Senate Appropriations Committee. A panel spokesman declined to comment.

The American Federation of Government Employees, the

### Government Wages

Average compensation by education level, 2011-2015 in dollars per hour

Federal govt. ■ Wages ■ Benefits

Private sector ■ Wages ■ Benefits

0 20 40 60 80 \$100

High school or less

Bachelor's degree

Master's degree

Professional degree/doctordate



President Trump said the budget can't sustain the pay increase.

praised the order. The pay freezes implemented during the Democratic administration of former President Obama saved taxpayers about \$90 billion over 10 years and were also "good politics" for Republicans in the 2010 midterm elections, Mr. Edwards said.

"A lot of Republicans at the time ran on a federal pay freeze, and it was an important part of their policy prescription, and I do think it helped them be so successful in that election," he said.

However, this year, the civilian pay freeze could create an additional political hurdle for some House Republicans locked in tight re-election races in areas with high concentrations of federal employees.

One is Rep. Barbara Comstock, who represents a Virginia suburb of Washington, D.C., who came out against Mr. Trump's decision.

"I strongly oppose eliminating the pay raise for civilian

federal employees and will work with my colleagues to have the pay raise included" in spending bills, Ms. Comstock said Thursday. "Our public servants have been getting shortchanged for years."

Mr. Trump's pay freeze doesn't apply to members of the military, who are set to get a 2.6% pay increase at the start of the year.

The president's move to limit federal employee pay increases isn't unprecedented. Mr. Obama invoked the authority in the wake of the global financial crisis to hold worker pay increases to 2% in 2010.

Sensitive to rising budget deficits, Mr. Obama froze federal worker pay in 2011, and Congress voted to hold pay steady in 2012 and 2013 amid lackluster economic growth.

Federal civilian workers got a 1.4% pay raise this year and increases of 1% each year from 2014 through 2017, not including the location-based raises.

Mr. Trump's announcement came a day after new government data showed the U.S. economy grew at a 4.2% annual rate in the second quarter—the fastest pace in nearly four years.

Another sign of a sturdy economy: Paychecks for private-sector workers are growing as the labor market continues to tighten. Wages and salaries rose 2.95% in the second quarter, compared with a year earlier, the fastest pace in 10 years.

—Kristina Peterson contributed to this article.

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## U.S. NEWS

# U.S.-Mexico Deal Faces Uncertainty

The U.S.-Mexico trade deal announced by the two countries' leaders this week now faces scrutiny from their respective legislators, who ultimately must ratify the agreement. The early read: Mexican

*By Juan Montes in Mexico City and Natalie Andrews in Washington, D.C.*

lawmakers will clear the pact with little trouble, while the U.S. Congress remains wary, especially if Canada doesn't join soon.

In Mexico, the deal reached during negotiations to revamp the North American Free Trade Agreement will face a vote in a new Senate led by supporters of President-elect Andrés Manuel López Obrador, who has backed the accord and has urged its swift completion to ensure his term begins without the cloud of uncertainty currently hanging over regional economic relations.

"We have conditions to move this forward," Martí Ba-

**U.S. lawmakers want Canada on board; Ottawa says it is 'making progress'**

tres, a senator from the new ruling Morena party who was appointed Wednesday to head Mexico's Senate, said in an interview.

"I think we should all help to provide economic certainty, ratifying the agreements reached by our country's government," he said.

He said the Morena party also supports the deal because it promotes higher wages in the auto industry. The deal added a requirement that 40% to 45% of content be made by workers earning at least \$16 an hour,

which could force auto makers to raise wages in Mexico.

In the U.S., the balance of the Congress that will judge the pact is unclear. The revised Nafta won't face a vote until after the November elections—and probably not until the new House and Senate chosen in that contest are seated early next year.

If Democrats win the House majority—as many political handicappers believe possible—ratification of the agreement could be difficult.

A majority of Democratic lawmakers have in recent years voted against trade pacts. Democrats also have been hesitant to support any policies backed by President Trump.

Republicans who have embraced other aspects of Mr. Trump's economic agenda—tax cuts and deregulation—have been more cautious about embracing his trade policies, which have tended to break from the GOP's pro-business, free-trade orientation.

Some Republicans have complained about a provision in the deal that weakens legal protections for multinational companies investing in other countries.

Meanwhile, trade talks between the U.S. and Canada moved into what Canada's chief negotiator called "an intense rhythm," as the two sides rushed to try to strike a deal by the Friday deadline set by the Trump administration.

Canadian Foreign Minister Chrystia Freeland spoke briefly to reporters Thursday afternoon during a break on the third day of the talks in Washington.

Ms. Freeland didn't elaborate on the substance of the exchange.

"The atmosphere is good, and there's good will on both sides," she said. "We are making progress."

◆ Canadian economy picks up on export strength..... A16

# Unions See Promise in Nafta Redo

BY JOSH ZUMBRUN

Labor unions, a traditional adversary of the Republican Party, could be a winner in President Trump's planned rewrite of the North American Free Trade Agreement.

Last summer, the AFL-CIO, the largest union group in the U.S., promoted a long list of changes it wanted to see in a new Nafta. The handshake deal with Mexico that President Trump announced this week contains some of them.

Among these were boosting the amount of automotive content that had to be sourced from within the Nafta region. The new deal raises that threshold to 75% from 62.5%. That raises the pressure on companies to source more of their car parts in North America, and boost hiring of workers in the region.

The deal further requires that 40% to 45% of that content comes from factories where workers earn at least \$16 an hour, a wage that is higher than in most Mexican factories, and would encourage companies to keep workers in the U.S. and Canada.

"These are pretty meaty improvements in areas they care about," said Jared Bernstein, a senior fellow at the Center on Budget and Policy Priorities and the former chief economist to Vice President Joe Biden.

The approach could help Mr. Trump win over some Democrats in Congress, which will need to approve any new agreement—though they have been largely silent about the deal. "We need to review the text of the tentative agreement with Mexico, but this is an important step forward," said Ohio Sen. Sherrod Brown, a key Democratic voice on labor issues.

Another win for the AFL-CIO: a proposal to curtail Nafta's system of tribunals to settle disagreements between companies and governments, known as the investor-state dispute settlement system. Firms and investors have used the panels to resolve disputes



A Ford factory in Kentucky. Changes pushed by the AFL-CIO are part of the president's Mexico deal.

## Diverging Fortunes

Manufacturing has soared in lower-cost Mexico and declined in higher-wage U.S. and Canada.

### Hourly compensation costs in manufacturing, 2016\*



### Share of employment in industrial sector by country



\*Separate benefits data not available for Mexico

Sources: Conference Board (costs); World Bank (shares)

THE WALL STREET JOURNAL

who feel undermined by decades of globalization and trade-expanding deals by previous U.S. administrations.

Top union groups have issued positive but cautious statements, emphasizing that many details remain unclear.

The Nafta negotiations are "on track but not done," top union groups said in a joint statement. While the statement cautioned that "working people must be able to review the full and final text" of the deal—which hasn't been released on many key provisions—union leaders said they "remain committed to working with the administration to get Nafta right."

The statement was signed by Richard Trumka, president of the AFL-CIO, as well as leaders of the United Steelworkers, UAW, International Association of Machinists and Aerospace Workers, and Communications Workers of America.

Teamsters General President Jim Hoffa said in a statement that work remains to be done and that the Teamsters needed to see the final text of an agreement before deciding whether to support it.

Unions have resisted other trade deals, including the Trans-Pacific Partnership negotiated under President Obama, from which the Trump administration withdrew. Much of the modernized language in the new Nafta was drawn from provisions in the TPP, but when it comes to labor, Mr. Bernstein said the Trump administration went further in meeting demands than previous negotiators.

Labor-friendly changes hold appeal for Mr. Trump's political base of blue-collar workers

Negotiators are still working to bring Canada into the deal, which could fall apart without its participation.

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## WORLD NEWS

# Iran Role in Iraq War Surfaces in Reports

**U.S. intelligence records show how a key Iraqi Shiite figure worked with Tehran**

By MICHAEL R. GORDON  
AND BEN KESLING

WASHINGTON—Recently declassified U.S. interrogation reports shed new light on one of Iraq's most prominent Shiite political figures and Iran's role in training and arming Iraqi militias that attacked U.S. troops during the Iraq war.

The interrogations of Qais al-Khazali resonate today because he leads a major Shiite militia group whose power has grown after recent elections in Iraq, where the U.S. and Iran are jostling for influence.

Mr. Khazali's interrogations were conducted a decade ago after he was captured by the American-led coalition and accused of organizing a 2007 attack that led to the deaths of five U.S. soldiers.

The reports were declassified and approved for public release by the U.S. Central Command months ago as part of an effort to study the history of the Iraq war. Though they haven't been officially distributed by the U.S. government, copies have been reviewed by The Wall Street Journal.

The reports have been circulating in Washington as lawmakers and Trump administration officials have been debating whether to designate Mr. Khazali and his militia group as terrorist entities. Such a designation could have economic consequences for Mr. Khazali and his group, but could put the U.S. on a collision course with hard-line Shiite politicians in Iraq.

The reports are also likely to roil the political scene in Baghdad, where Mr. Khazali is jockeying for power with other Shiite political leaders, including Moqtada al-Sadr, the fiery Shiite cleric whose movement reaped impressive gains in the recent Iraqi elections.

Mr. Khazali leads Asaib Ahl al-Haq, the Shiite militia group that won 15 of Iraq's 329 seats in parliamentary elections in May.

The Trump administration has vowed to roll back Tehran's aggressive posture in the region and has withdrawn from the six-nation agreement with Iran to constrain its nuclear program. Throughout the Iraq war, Iran sought to influence the Shiite-dominated government in Iraq, often to the real and perceived detriment of the Sunni minority.

In recent months, Mr. Khazali has asserted publicly that he isn't beholden to Iran. But the interrogation reports show



Qais al-Khazali, above, is jockeying for power with other Shiite political leaders, including Moqtada al-Sadr, below, following recent elections.



ALAA AL-MARJANI/REUTERS

that Mr. Khazali discussed his interaction with Iran and the arms and training received from Tehran by Iraqi Shiite militias during a period when they were attacking U.S. and allied troops to pressure them to leave the country.

U.S. forces left in 2011 after President Obama and then-Iraqi Prime Minister Nouri al-Maliki failed to reach an accord to allow American troops to stay.

According to a June 18, 2007, interrogation report, Mr. Khazali said the training was carried out by Iran's Islamic Revolutionary Guard Corps at three bases near Tehran, including the Imam Khomeini base, which Mr. Khazali said he had visited.

"There are Iranians and

Lebanese Hezbollah conducting the training at these bases," the report said, based on interrogation. "The Iranians are experts in full scale warfare while the Lebanese are experts in urban or guerrilla warfare."

Iranian officers didn't dictate which specific targets should be attacked in Iraq but suggested that the Iraqi Shiite militias focus attacks on British in the Basra area and American troops elsewhere "to force a withdrawal," the report said.

A representative for Mr. Khazali asserted that the U.S. was meddling in Iraq's political affairs. "It seems that the U.S. is leading a campaign against Asaib Ahl al-Haq and its leader Sheikh Qais al-Khaz-

ali because he strongly rejected foreign interference in Iraqi affairs," said Qassim al-Darraj, a member of the party's political bureau.

Alireza Miryousefi, spokesman for Iran's mission to the United Nations, denied that Iran sought to manipulate Iraqi politics or had trained Shiite militias to fight U.S. troops in Iraq.

"That question has been answered numerous times over the past 15 years and is also preposterous on the face of it," he said. "Iran has helped Iraqis purely for the purposes of self-defense against terrorist groups like Daesh," he added, using an Arabic acronym for the Islamic State.

Mr. Khazali also discussed how the Iranians supplied the

## Nuclear Body Says Tehran Upholds Pact

VIENNA—Iran continues to fulfill the key requirements of the 2015 nuclear deal, the United Nations atomic agency said Thursday, despite the U.S. withdrawal from the agreement.

The report comes as tensions rise between Iran and the West, with increasing U.S. economic pressure on Tehran and allegations that Tehran was involved in a terror plot in Europe.

In a confidential quarterly report sent to member states, seen by The Wall Street Journal, the International Atomic Energy Agency reported that Iran was honoring its pledges

In response to the U.S. withdrawal from the accord, Iranian officials have warned that the country could rapidly restart its nuclear program.

—Laurence Norman

to limit stockpiles of key nuclear materials and maintain IAEA inspectors' access to sites. It signaled no other breach by Tehran. Iran's stockpile of enriched uranium rose to 139 kilograms from 124 kilograms in May, but remained within the 202-kilogram limit. A kilogram is 2.2 pounds.

In May, President Trump pulled out of the nuclear agreement, saying the accord wouldn't stop Iran from building nuclear weapons in the future. The U.S. is now reimposing a range of economic sanctions.

In response to the U.S. withdrawal from the accord, Iranian officials have warned that the country could rapidly restart its nuclear program.

—Laurence Norman

militias with what the Pentagon calls explosively formed penetrators, or EFPs, a particularly lethal type of explosive device that killed or wounded hundreds of American troops.

"Detainee said that anyone can receive EFP training and Iran does not care who gets it," a report said. "This is because of the availability and low cost of EFPs."

U.S. officials say Mr. Khazali's most notorious role, and the one that led to his capture, was his involvement in a plot to kidnap U.S. troops in the Iraqi city of Karbala south of Baghdad, which ended with the death of five American soldiers. The goal of the Karbala attack, which he told interrogators was planned by Iran, had been to take U.S. hostages

that would be traded for followers of Mr. Sadr held by the American-led coalition, Mr. Khazali said.

Mr. Khazali was turned over to Iraqi authorities in late 2009 after he vowed his militia members would lay down their arms and was released shortly after that. There was no indication in the reports that Mr. Khazali was subjected to harsh interrogation while in the custody of the U.S. military, though he complained that he was under stress and suffered seizures, the reports note.

Mr. Khazali said while undergoing interrogation that he had been a chubby youth, according to interrogation transcripts, and a studious young man who earned a bachelor's degree in geology before going on to study religion. His willingness to meld science and theology won him the approval of Mohammad al-Sadr, one of the most respected Shiite thinkers and father of Moqtada al-Sadr, he said.

The elder Mr. Sadr was killed in 1999 in an attack his followers blamed on Iraqi leader Saddam Hussein, and his son took on much of his father's mantle.

Under repeated questioning, Mr. Khazali discussed his extensive travel to Iran with Moqtada al-Sadr and later on his own as an emissary in search of money, political support and arms.

In early visits the two were received by high-ranking Iranians. Later, during a 2005 visit to Iran Mr. Khazali undertook alone, he was told by Iranian officials that Mr. Sadr needed to take part in Iraqi elections to ensure "the Shia people gained complete control of the country and the government." He also met with Qassem Soleimani, the head of Iran's paramilitary Quds Force.

Mr. Sadr couldn't be reached to comment.

Mr. Khazali also told of his falling out with Mr. Sadr, who he complained in a Jan. 6, 2008, interrogation report "has no principles and only works for personal gain."

Many of his interrogations are filled with accounts of Mr. Sadr's dealings with the Iranians and his interest in controlling the Iranian money flowing to political groups in Iraq.

Mr. Khazali also told interrogators that a number of other Iraqi political figures were sympathetic to or influenced by Iran, including Jalal Talabani, who served as the Iraqi president and died in 2017.

Iranian-backed militias have refrained from attacking U.S. troops since they returned to Iraq in 2014 to help Iraqi forces fight the militants from Islamic State, a common foe of Washington and Tehran.

## Holiday Update

The Wall Street Journal will not be printed on Monday, September 3, in observance of Labor Day.



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## CHINA Factory Activity Bounces Back a Bit

A gauge of factory activity in China rebounded slightly in August, boosted by accelerated production and government efforts to arrest slowing growth and blunt the impact of the trade fight with the U.S.

The official manufacturing purchasing managers' index edged up to 51.3 in August from July's 51.2, data released by the National Bureau of Statistics showed Friday. The uptick bucked the forecasts of many economists, including those polled by The Wall Street Journal who expected the index to tick down to 51.1.

Some analysts attributed the rebound to factory production that remained robust on orders from earlier in the year and to redoubled efforts by Beijing to keep the economy's growth momentum from slowing too quickly.

Beijing has in recent months pumped out more cash for banks and eased its grip on local government borrowing to help the economy and ward off any fallout from its tariff battle with the U.S.

—Liyan Qi and Grace Zhu

## EUROPE

### Trade Aide Suggests End to U.S. Car Levies

The European Union's top



COLLAPSE: The wood-framed roof of San Giuseppe dei Falegnami, a 16th-century church built over an ancient Roman prison, collapsed in Rome's Forum on Thursday. No one was injured.

trade official proposed going beyond a U.S.-EU trade plan agreed at the White House last month and eliminating all car tariffs.

Cecilia Malmström told the European Parliament that for autos, the EU is "willing to bring down even our car tariffs to zero, all tariffs to zero, if the U.S. does the same."

President Trump and European Commission President Jean-Claude Juncker last month agreed to dial back tensions over trade and begin talks on cutting tariffs across the Atlantic.

In a joint statement, the two sides pledged "to work together

toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods."

—Daniel Michaels

## SYRIA

### Civilians in Rebel Area May Be Evacuated

Fearing a military offensive, the U.N. envoy for Syria proposed civilians holed up in the rebel-held region of Idlib could evacuate to government areas—a move that would send many back into parts of Syria they once fled in the 7½-year war.

U.N. envoy Staffan de Mistura

expressed fears of a "perfect storm" that could affect nearly three million people—nearly half of whom arrived from elsewhere in Syria—in the region largely held by al Qaeda-linked fighters.

Russia expressed openness to the idea. Ahmad Ramadan, a spokesman for the Syrian opposition's delegation to U.N. talks with the government, called Mr. de Mistura's proposal "unrealistic."

Mr. de Mistura said he had no information about any "imminent attack" but pointed to information about military buildups and messages of warning between the sides in Syria.

—Associated Press

## WORLD NEWS

# Anti-Immigrant Protests Rock German City

BY BERTRAND BENOIT

BERLIN—The German city of Chemnitz saw renewed anti-immigration protests Thursday, five days after the violent death of a resident turned the city into a rallying point for far-right opponents of the government's refugee policy.

The demonstrations, which turned violent at times, have shocked the country and are the latest manifestation of the divisions caused by the influx of close to two million asylum seekers since 2015.

Police are questioning two men—one from Syria and one from Iraq—over the fatal stabbing early Sunday morning of a local man identified by police only as Daniel H.

Within hours of the killing, protesters took to the streets shouting anti-immigration slogans. A video posted on social media showed a group of white men chasing two foreign-looking youths as one man yelled "You aren't welcome here."

On Monday, a demonstration registered by a local anti-immigration group drew around 6,000 protesters, some per-

forming the banned Nazi salute. About 20 people were wounded in clashes between rival groups of demonstrators and the police, according to regional authorities in Saxony, the eastern state where Chemnitz is located.

The state's interior ministry had requested police reinforcements ahead of another protest planned during a visit to the city by Michael Kretschmer, the premier of Saxony, on Thursday. Björn Höcke, a right-wing leader of the Alternative for Germany, or AfD party, has urged supporters to conduct a "march of mourning" in Chemnitz on Saturday. Mr. Höcke has previously called for a reassessment of Adolf Hitler's rule.

Thursday's protest drew an estimated 900 participants according to the Saxony police, making it much smaller than Monday's. It ended after two hours without incident.

The refugee crisis that peaked in the summer of 2015 rocked the sedate world of German politics and boosted support for the AfD. The party's ratings went from low single



Thursday's protest in Chemnitz drew an estimated 900 participants, according to the Saxony police.

incidents in Chemnitz this week, saying that "people hounding others" and "mobs spreading hatred on the streets," as seen on video footage from the city, was incompatible with the rule of law.

"We can't allow such incidents to happen anywhere on our streets," she said Tuesday.

Some have called for a stronger response to the far right. Deirdre Berger, director of the American Jewish Congress's Ramer Institute for German-Jewish relations in Berlin, criticized the Saxon police.

"When a vandalizing mob goes on a manhunt over several days and engages in self justice, when people chant neo-Nazi slogans and show the Nazi salute without police doing anything, it is deeply alarming," she wrote in a letter to German Interior Minister Horst Seehofer this week.

Others blamed the government's refugee policy. "When the state can no longer protect its citizens, people take to the streets and protect themselves," Martin Frohmaier, an AfD lawmaker, wrote on Twitter after Sunday's fatal stabbing.

digits to a 12.6% score at last year's general election, making it the largest opposition party in parliament. Some of AfD's best electoral results were in Saxony, where it came second only to Chancellor Angela

Merkel's Christian Democrats.

Earlier this summer, a dispute over tightening immigration rules divided Ms. Merkel's party and almost toppled her government. The two sides eventually reached a compromise after Ms. Merkel condemned the

## Italy Holds Up Renewal of EU's Migrant Naval Mission

A naval operation that has rescued tens of thousands of migrants in the Mediterranean hung in the balance Thursday, as a new Italian government intent on overhauling Europe's migration policy threatened to scrap it.

*By Laurence Norman  
in Vienna  
and Giovanni Legorano in Rome*

The operation, whose core mission is tackling smuggling gangs, has been a critical element of the bloc's response to the migration crisis since its launch three years ago.

A meeting of EU defense ministers in Vienna ended Thursday without agreeing on

a new mandate for the mission, Operation Sophia, which will expire at the end of the year unless EU members unanimously agree to extend it.

Italian Interior Minister Matteo Salvini, who leads the anti-immigration government the League, told reporters in Rome on Thursday that if the EU doesn't accept Italy's proposed changes to Sophia's rules, the government might not continue supporting the mission.

"If we get the umpteenth no from Europe, we'll have to assess whether to continue to spend money for a mission...whose burden falls just on one country," he said.

Mr. Salvini has pledged to keep Italy's ports shut to boats

ferrying migrants until other European countries, particularly France, agree to take a share of the migrants rescued in the Mediterranean.

EU foreign-policy chief Federica Mogherini said that the discussions had shown unanimous support for the mission but that it wasn't clear whether members could come to a compromise. She said talks would continue in coming weeks.

The clash comes as EU governments continue a three-year effort to agree on overhauls of the bloc's basic asylum rules. A migration summit in June suggested ways of easing the inflow of migrants but left open many questions about how a reformed system

should work.

Operation Sophia was set up at the height of Europe's 2015 migration crisis, following the deaths of thousands of people seeking to cross by boat from North Africa to Europe.

The operation has rescued close to 50,000 people in the Mediterranean. More than 150 suspected smugglers have been arrested and over 500 smuggling boats destroyed as part of the mission. The operation aims to stop arms-smuggling near Libya's coast, train Libyan coast guards to stop people-smuggling, and track illegal oil exports from Libya.

EU officials said that the mission has also helped drive down the number of people seeking to cross to Europe.

mise after Ms. Merkel pledged to negotiate agreements with other European countries allowing Berlin to turn back asylum seekers who have open applications elsewhere.

Ms. Merkel condemned the

Source: Frontex

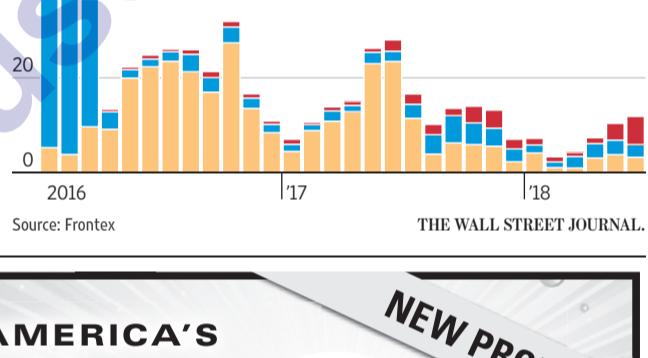
THE WALL STREET JOURNAL.

### Points of Entry

Migrants detected crossing into Europe via the main Mediterranean routes, monthly

80 thousand

Central Mediterranean route, to Italy  
Western, to Spain  
Eastern, to Greece



### FROM PAGE ONE

## Emerging Currencies In a Rout

*Continued from Page One*

The South African rand fell 2.5%, while the Indonesian rupiah finished the day at its lowest level against the greenback in nearly three years. The Brazilian real was close to a more than two-year low and India's rupee hit a record low.

The tumult highlights a heavy international dependence on the dollar. Some 48% of the world's \$30 trillion in cross-border loans are priced in the U.S. currency, up from 40% a decade ago. Exchange-rate fluctuations affect the ease of servicing that debt. And with U.S. interest rates still low by historical standards and the dollar only halfway back to its 2016 highs, the stress could increase as the Fed keeps tightening.

"After what we saw happen in Turkey, the market started to ask what country was next: South Africa, Brazil, Indonesia," said Eric Wong, a fixed-income portfolio manager at Fidelity International. "The market is still gripped at times by fear, trying to differentiate the good ones from the bad ones."

The market moves come amid a debate about the effects of U.S. monetary policy on the rest of the world—and how they might cycle back to the U.S.

"Given the dominance of U.S. financial markets and institutions, and the dollar's prominence in global finance, any actions taken by the Fed inevitably reverberate around the world," said Eswar Prasad, professor of economics at Cornell University.

Fed Chairman Jerome Powell said in May that "the role of U.S. monetary policy is often exaggerated" when it comes to global financial conditions, with fast growth in emerging economies, and commodity prices, playing bigger roles in capital flows. His counterparts in India and Indonesia, how-



A currency-exchange sign in Buenos Aires in June.

rocketing inflation and the lira's 43% fall against the dollar this year. The central bank didn't return calls seeking comment.

"None of the problems that led to the accelerating depreciation have been solved in Turkey," said Antje Praefcke, an analyst at German lender Commerzbank. "The cautious tinkering with symptoms on the part of the government and central bank and last week's holidays granted the lira a brief breather, but not more."

Currencies pegged to the dollar have also come under pressure. Hong Kong has spent heavily to defend its link to the dollar, while central banks in Bahrain and Lebanon have pledged to maintain their pegs.

Raghuram Rajan, the former governor of the Reserve Bank of India, said neither the Fed nor emerging-market policy makers could ever perfectly attune their economies to one another.

"Unfortunately, this is a reality of the world we live in," Mr. Rajan told The Wall Street Journal last week from the Jackson Hole, Wyo., symposium on monetary policy. "Hopefully we will eventually filter some international responsibility into the mandates of central banks, to avoid such negative spillovers."

The Fed's effects on the rest of the world may eventually flow back to the U.S., as the rising dollar and higher bond yields make debt more expensive and suck money out of other countries, harming their economies and international trade demand. As the Fed has raised rates and unwound its massive bond-buying program—known as quantitative easing—the yields on U.S. Treasurys have increased, making that market more attractive for international investors.

"There's a stark divide between the Fed thinking that the effects of unwinding QE will be minor, local and likely to already be priced in, versus what we find in market terms, which is that it's likely to be major and global," said Matt King, global head of credit-products strategy at Citi.

—Jon Sindreu contributed to this article.

*The tumult highlights a heavy international dependence on the U.S. dollar.*

measure points to fragility in South Africa, Argentina and Turkey, as well as Ghana, Sri Lanka, Malaysia among other countries.

In the case of Turkey, external debts stood at 53% of gross domestic product at the end of 2017, according to the International Monetary Fund.

Last week, the lira rebounded amid moves by officials to make betting against the currency difficult for international investors. But investors believe those short-term effects have faded, and markets are again focusing on the country's underlying woes.

Investors are concerned that President Recep Tayyip Erdogan of Turkey has pressured the central bank to hold down interest rates, despite

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## WORLD NEWS

# South Korea Star Must Win or Face Draft

Son Heung-min's military service rides on match against Japan in Asian Games

BY EUN-YOUNG JEONG

SEOUL—For South Korean soccer star Son Heung-min, there is a lot more than national pride at stake in Saturday's gold-medal match against Japan at the Asian Games.

If South Korea loses, the 26-year-old forward for English Premier League club Tottenham Hotspur will have to hang up his cleats and get used to holding a rifle: He will be required to complete nearly two years of mandatory service in South Korea's military.

Win, however, and Mr. Son will walk away with not only a gold medal and the satisfaction of vanquishing his country's rivals, but also an exemption from the bulk of military duty, freeing him to play at his athletic peak.

South Korean law requires able-bodied men to serve 21 months in the military before the age of 30, a decades-old policy regarded as sacrosanct in a country still technically at war with North Korea. Because

Mr. Son lives abroad, he can't delay his service beyond the age of 27.

But the law also offers a discount for athletes who bring home top prizes at international sports competitions. For soccer players, exemptions are given for winning a medal of any color at the Olympics, or a gold at the Asian Games.

If South Korea defeats Japan in Jakarta on Saturday, Mr. Son can fulfill his national duty with about a month of basic military training and 544 hours of community service over a period of 34 months—a far easier prospect than almost two years on a military base.

A person familiar with Tottenham's thinking said the soccer club was happy to give Mr. Son the opportunity to play at the Asian Games with the possibility of reducing his military duty in mind.

Mr. Son's conscription condition has transfixed soccer fans at home and abroad. On South Korea's presidential website, more than 800 petitions have been submitted by members of the public, most of them calling for him to be exempted from the draft. Some have offered to serve in his place.



Son Heung-min, second from right, during a match between South Korea and Iran on Aug. 23.

"I will go to the military for four years instead of Son Heung-min," one petitioner wrote.

Completing one's military service is a touchy subject in South Korea. Numerous celebrities, sports stars and politicians have been publicly disgraced after appearing to try to dodge the draft.

South Korean singer Psy,

best known for his viral 2012 hit "Gangnam Style," drew criticism after he was found to have performed concerts during his conscription period. (He redeemed his reputation by serving a second time.)

Former Arsenal striker Park Chu-young was almost dropped from the national team in 2012 when he tried to use a loophole to delay his

military service for 10 years. He was eventually added to the roster and won an exemption after helping his country to a bronze medal at the London Olympics that year.

Mr. Son's saga comes at a time of soul-searching over South Korea's draft system. Last month, the Defense Ministry said it would reduce mandatory service to a mini-

mum of 18 months starting in October—part of a plan to build a smaller but stronger force.

And on Thursday, a day after South Korea defeated Vietnam in the Asian Games semifinal, Seoul's Supreme Court held a public hearing on the legality of conscientious objection, refusing to fulfill military duties for religious or other personal beliefs. South Korea imprisons more conscientious objectors than the rest of the world combined, according to Amnesty International.

Mr. Son missed earlier opportunities to obtain the athletic exemption in 2012 and 2014, when he wasn't on the national team.

At Wednesday's semifinal between South Korea and Vietnam, a Vietnamese fan held up an altered picture of Mr. Son in a military uniform with the caption: "SON HEUNG MIN JOINS KOREAN ARMY"—rooting for a Vietnamese victory. South Korea won 3-1.

Mr. Son has been tight-lipped on the prospect of military duty. But during this year's World Cup, he described his attitude heading into a game: "It's like going to war."

—Andrew Jeong in Seoul and Joshua Robinson in London contributed to this article.

## President Shuffles Cabinet as His Poll Numbers Slide

BY ANDREW JEONG AND KWANWOO JUN

SEOUL—South Korea's leader, facing growing discontent over the economy and setbacks on North Korean disarmament, replaced five members of his cabinet.

President Moon Jae-in on Thursday named Gen. Jeong Kyeong-doo, chairman of the Joint Chiefs of Staff, as defense minister, ousting Song Young-moo after a little more than a year on the job.

Mr. Moon also replaced his trade and labor ministers as he

struggles to overhaul the country's export-led growth engine, which is losing steam after decades of economic expansion.

The cabinet shuffle was aimed at "injecting new energy" into the administration, Kim Eui-kyeom, a spokesman for the presidential Blue House, told reporters after introducing the new officials.

South Korean administrations typically replace ministers every one to two years. Support for Mr. Moon, in office for 15 months, has fallen to 56% from a high of 84% last year, according to Gallup Ko-

rea, largely because of weak job growth. Exuberance over his engagement with North Korea has also given way to concerns that progress has slowed.

"The honeymoon is over for sure," said Kang Won-tae, a political-science professor at Seoul National University. He said Mr. Moon's popularity peaked around June when his party won local elections in a landslide.

The choice of Gen. Jeong as defense minister is likely to add momentum to a revamp of the air force and navy, which have historically received less

support than the army.

"The general has a deep understanding of the current military reforms, operations and the U.S.-South Korea military alliance," said Mr. Kim, the presidential spokesman.

Nine of the 11 defense ministers since 2000 have been come from the army; Gen. Jeong will be the first from the air force since 1996. As president, Mr. Moon has tried to accelerate development of a homegrown missile-defense system and to acquire more advanced military hardware.

In a bid to reinvigorate his

economic policy Mr. Moon named Sung Yun-mo and Lee Jae-kap—both U.S.-educated career bureaucrats—to head the trade and labor ministries, respectively. He and his advisers have spoken of focusing on "income-led growth" by encouraging smaller businesses and startups.

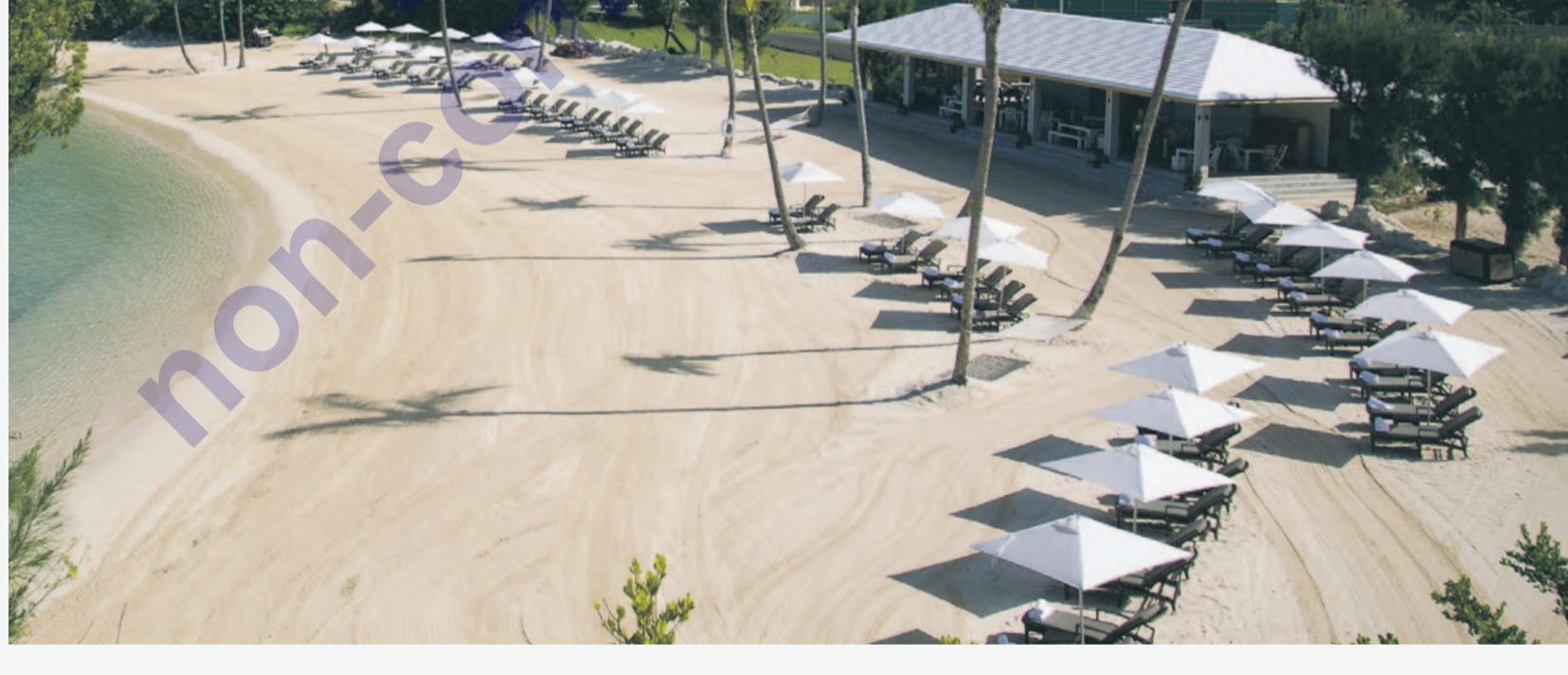
His government this week proposed a 2019 budget that represents the biggest jump in spending in a decade, including substantial increases for social welfare and subsidies for private companies to hire young workers.



SOUTH KOREAN PRESIDENCY/EPA/SHUTTERSTOCK

Gen. Jeong Kyeong-doo was appointed defense minister.

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## FROM PAGE ONE

# U.S. Gun Sales Have Fallen

*Continued from Page One*  
guns to fall 50% to \$90 million for the year ended April 30, compared with the previous fiscal year.

Sturm, Ruger & Co. Inc. reported a 13.5% drop in firearms net sales for the first six months of the year compared with a year earlier. The company doesn't break down sales by type of firearms, but it sells AR-15-style rifles.

With no available industry-wide sales data, background checks provide a rough measure of the decline in overall firearm sales. The checks fell 11% in 2017 from a record in 2016, according to an analysis of data from the Federal Bureau of Investigation by the National Shooting Sports Foundation, an industry group. That excludes checks for concealed weapons and other permits not related to gun purchases.

Remington Outdoor Co. filed for bankruptcy in March and emerged two months later. It is the oldest U.S. gun maker, founded in 1816, and makes AR-style rifles under its Bushmaster and DPMS Panther Arms brands.

Gun makers are now seeking to counter slumping sales of the rapid-fire weapon, which played a big part in reviving the U.S. gun industry. At the NRA's spring convention in Dallas, they offered new colors, sizes and models. Windham Weaponry offered two AR-style rifles in new calibers, one designed for hunting and another for long-range sharpshooting.

## A slow start

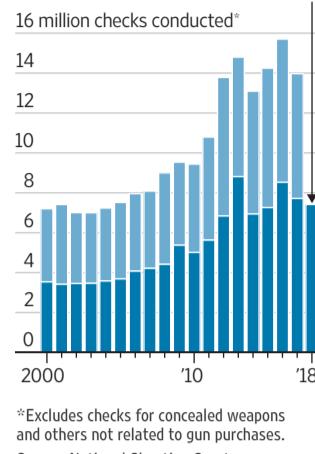
For decades, the AR-15 attracted little interest from gun owners, gun companies or gun-control advocates. Colt introduced the rifle to the civilian market in 1964 as the semiautomatic version of the M16 rifle used by the U.S. military. It was marketed as the "superb hunting partner," but sales never took off. Colt was the only maker of the model until it came off patent in 1977.

Randy Luth, founder of DPMS Panther Arms, said some traditional gun owners

## Echoes of a Trump Slump

Gun makers report a fall in sales since the election of President Donald Trump, which is reflected in declining requests for background checks by prospective gun buyers.

### National Instant Criminal Background Checks



accustomed to bolt-action hunting rifles and shotguns shied away from the military-style weapon when he first began selling them in the early 1990s.

Legislative opposition to such rifles began after a 1989 schoolyard shooting in Stockton, Calif., where a gunman armed with a semiautomatic AK-47 killed five people and injured 32. President Bill Clinton signed the Federal Assault Weapons Ban in 1994 that restricted the manufacture of various types of semiautomatic guns and limited sales to older models.

The ban expired in 2004 and the industry quickly ramped up production: U.S. companies made one million AR-style rifles in the following four years, according to the shooting sports foundation's estimates.

The timing was fortuitous for gun makers. Thousands of American veterans who had used the military version of the rifle in Iraq and Afghanistan were returning home. "The Army was actually educating future customers," Mr. Luth said, about "the success and fun of an AR-15." He now runs a gun-parts company Luth-AR after selling DPMS in 2007.

The weapon's design—lightweight and easy to shoot—broadened its appeal. Gun owners easily swapped out



Chris Waltz, in the inventory room of his company AR-15 Gun Owners of America, said: "Obama was the best AR-15 salesman."

parts and added accessories. Fans called them Legos for adults.

"There's a 'wannabe' factor as well," said Bill Silver, a former sales executive at Kalashnikov USA and former head of commercial sales at SIG Sauer. "People want to be a special-forces guy."

More significantly, periodic government calls for restricting or banning the AR-15, which has been used in some of the deadliest mass killings, sparked waves of panic gun-buying during President Barack Obama's two terms.

"Obama was the best AR-15 salesman there was," said Chris Waltz, a 54-year-old gun dealer and Army veteran in Warner Robins, Ga.

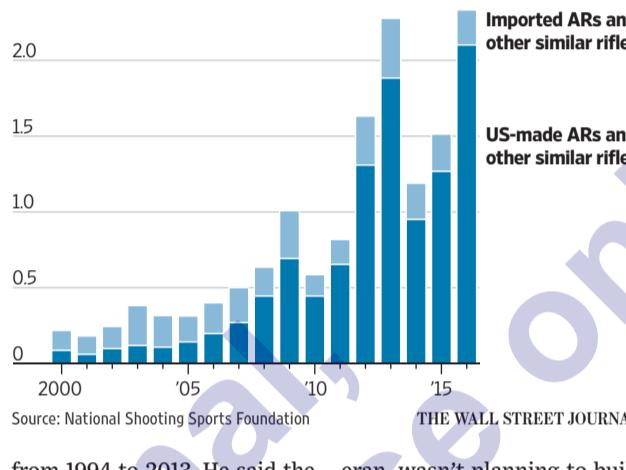
Similarly, the prospect of a Hillary Clinton presidency drove sales in the months leading to the November 2016 presidential election.

Mark Westrom, former owner and CEO of AR-rifle maker Armalite, recalled the buyer panic after Mr. Obama called for an assault-weapons ban after the December 2012 killing of 20 children and six adults at the Sandy Hook Elementary School in Newtown, Conn., by a gunman with an AR-15-style rifle. The legislation failed.

"The structure of the market was massively expanded by various panics," said Mr. Westrom, who ran Armalite

## Manufacturing Velocity

### Number of AR-style rifles made for domestic sale



from 1994 to 2013. He said the company ramped up production during these periods, carefully calculating their duration.

"This is an odd market that is stimulated by Democratic administrations," Mr. Westrom said.

The "anxious buyer" was considered the largest group of potential first-time gun buyers, according to a 2017 marketing report produced by Southwick Associates Inc. for the shooting sports foundation.

"Drawing attention to the concern that firearm sales could be further restricted will have a great impact on Anxious Buyers," the report said, citing AR-style weapons as "best bets" for these prospects.

Buyer demand pushed AR-style rifles from a niche product to more than a quarter of the \$10 billion U.S. firearm market last year, according to analysts. At least 143 companies, from small gun makers to publicly traded giants, make the rifles, according to the 2016 Shooter's Bible Guide to AR-15s, more than double the number of manufacturers from five years earlier.

Companies made 9.3 million AR-style and similar rifles in the U.S. for domestic sales from 2009 through 2016, compared with 2.1 million in the previous 19 years, according to the shooting sports industry group.

Mr. Waltz, the Georgia vet-

eran, wasn't planning to build a gun business when he began making his Facebook posts complaining about calls for an assault-rifle ban after the Sandy Hook killings.

He trademarked the name "AR-15 Gun Owners of America," and then set up an online store selling T-shirts and badges. Soon he started selling complete rifles, scopes, parts and ammunition. Business got so good he hired seven employees and bought a boat and RV.

Every time an official raised

the idea of restricting sales of

AR-15s, sales jumped. When

Mr. Trump was elected, Mr.

Waltz said, things changed:

"There was a visible dip in

sales. We saw it right away."

Mr. Waltz is a committed

supporter of the president,

and he keeps a signed photo-

graph from Mr. Trump in his

office. He sells T-shirts with

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ence to the purported reply of

a Spartan king when told to

lay down his weapons before a

larger Persian army.

Springfield Armory has

tried to appeal to younger and

more diverse buyers. The com-

pany describes its AR-15s as

"built for the free and inde-

pendent" and "represents the

next generation of America's

personal defense rifle."

The company's video has a

hard-rock soundtrack and

shows younger adults—men,

women, white, African-American—firing the gun in slow motion.

"It appealed to a broader

base," said Mr. McKelvain, the

Springfield president. "But

you run a fine line alienating

the hard-core types."

When asked about the car-

pet cult, Ronald Couri, Cour-

istan's president, said, "It's the

first I ever heard about it." He

wasn't aware of a letter, but

noted that the patterns are

copyrighted. Still, he thought

the group's outfits were "very

funny."

Ms. Bowden said she isn't

worried about copyright issues

because the group isn't sell-

ing anything. "It's the opposite,"

she said. "We're spending our

hard-earned money to dress up

like carpet."

The new carpet has at least

one defender. Ray Allen, a 53-

year-old telecom worker from

Columbia, S.C., and longtime

Dragon Con attendee, came to

the convention in a costume

showing the new carpet pat-

tern. Initial response was

tepid, he said. "I had these

grand illusions of a counter-

protest culture, but not a lot of

people got it," he said.

Nina Herrera-Davila, a

spokeswoman for Marriott In-

ternational Inc., had some

worrisome news: The company

is steadily replacing carpeting

in many of its properties with

hardwood flooring.



AR-15-style rifles from Rock River Arms at the National Rifle Association conference in May.

PATRICK T. FALLON FOR THE WALL STREET JOURNAL

# Carpet Fans Can Be Tight-Knit

*Continued from Page One*

Zan Bowden, a 45-year-old IT worker from Florida, organized the first group to wear the pattern in a Dragon Con parade in 2016. Ms. Bowden, who posted notices on social media, wasn't sure anyone would show up. People came in all kinds of

# GREATER NEW YORK

# Lawmaker Seeks Pension Overhaul

BY JOSEPH DE AVILA

New Jersey Senate President Steve Sweeney is once again pushing to cut pension costs, setting up another standoff with the state's public-employee unions.

He must also sell his pension-overhaul plan to the public and Gov. Phil Murphy, a Democrat who campaigned on protecting the middle class.

Mr. Sweeney, the top Democrat in the state Senate, said in an interview there is no time to waste. Pension and health-care costs will eat up nearly a quarter of the state's \$45 billion budget by fiscal year 2023, fueling a \$3 billion deficit, according to a recent report from a fiscal task force established by the state Legislature.

"We're broke," said Mr. Sweeney, who supported a 2011 pension overhaul under former

Republican Gov. Chris Christie that infuriated public employees. "Just throwing tax dollars at it isn't going to fix it."

One of the task force's proposals, which Mr. Sweeney is endorsing, would shift new state employees and those with less than five years of service to a hybrid pension and 401(k)-

*'All of the solutions seemed to be pointed at the back of public employees.'*

style plan. Another would move public employees to less-expensive health-care plans and require future retirees to pay more for health care.

A spokeswoman for Mr. Murphy said he would review



Senate President Steve Sweeney and Gov. Phil Murphy in June.

Mr. Sweeney's proposals. "The governor's guiding principle is always whether a proposal strengthens New Jersey's middle class and working families," she said.

New Jersey has a pension liability of \$115 billion and only 55.8% of that is funded, according to the fiscal panel's report. Lawmakers put aside \$3.21 billion to pay for pensions for the current fiscal year. That figure is expected to rise to \$6.63 billion by 2023.

The fiscal panel's cost-trimming proposals together could save \$3 billion annually, Mr. Sweeney said. The task force included lawmakers, academics and financial experts but had no public-sector union representatives.

Critics of the overhaul plan note that this estimate hasn't

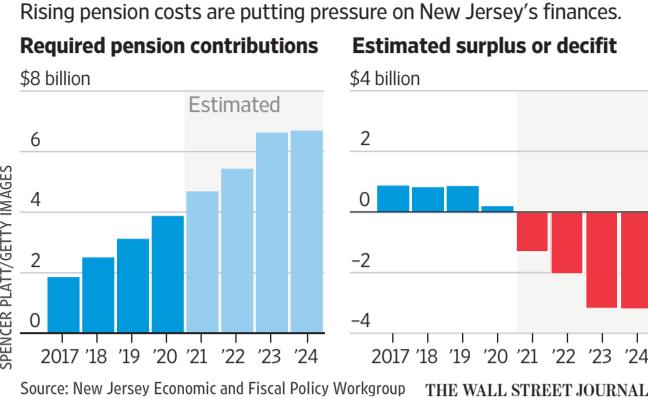
been verified by actuaries. Mr. Sweeney said that is in the works.

"All the solutions seemed to be pointed at the back of public employees," said Marie Blistan, president of the New Jersey Education Association, which represents teachers and backed Mr. Murphy's candidacy in 2017. The NJEA spent \$5 million during the 2017 election trying to unseat Mr. Sweeney.

A senior official in the Murphy administration said the pension proposal wasn't a serious solution. The recommendations for health benefits seek more money from current employees and retirees instead of cutting the cost of care, which Mr. Murphy would prefer, the official said.

Mr. Murphy has called for

## Benefit Bind



ramping up payments to the pension system over the next five years to address the system's unfunded liabilities. That plan relies in part on raising taxes on New Jersey's millionaires.

Messrs.

Murphy and Sweeney clashed during this summer's prolonged budget fight over tax increases. Mr. Murphy had sought a sales-tax increase and wanted to raise taxes on millionaires. Mr. Sweeney, who previously supported a millionaire's tax, fought both, saying the new federal tax law added to New Jersey residents' tax burden.

The final budget agreement ended up raising taxes on families earning more than \$5 million and began a four-year surcharge on businesses earning more than \$1 million.

Hetty Rosenstein, the New Jersey director of the Communications Workers of America, which represents some state workers, said it is unfair to cut health benefits for workers to fix pension problems created by the state. Mr. Sweeney's pension proposals also won't solve the system's unfunded-pension-liability problem, she said.

# Mayor Still Desires Streetcar, but Plans Are Revised

BY PAUL BERGER  
AND KATIE HONAN

New York City Mayor Bill de Blasio has pumped life into fading hopes of building a more than \$2 billion streetcar linking Queens and Brooklyn.

But in unveiling revised plans for the streetcar Thursday, Mr. de Blasio also revealed that, unlike in the previous version, the streetcar won't pay for itself.

Instead, should the project progress, the city will look to the federal government for about \$1 billion of funding for the streetcar's revised \$2.7 billion price tag.

At a news conference Thursday, Mr. de Blasio said the streetcar should be a priority for the federal government. "It would instantly be one of the biggest light rail projects in the history of the country," he said.

Other regional mass-transit projects have languished under the Trump administration. New York state and New Jersey are struggling to secure billions of dollars of funding for a new rail bridge and a tunnel under the Hudson River that are seen as critical for hundreds of thousands of daily commuters through the region.

Some transit advocacy groups oppose the city's streetcar project because of its expense and its low projected ridership compared with other forms of mass transit. According to city estimates, the streetcar is expected to carry about 50,000 daily riders during its first year. By comparison, the L subway line carries 400,000 people on an average weekday.

"We think now that the fig leaf of 'pays for itself' has come off, the city should call the project off," said Jon Or-



A rendering presented Thursday by the city shows the proposed Brooklyn-Queens Connector, which now has a \$2.7 billion price tag, running along Berry Street in Williamsburg.

cutt, a spokesman for the advocacy group Transit Center.

Mr. Orcutt added that federal or city funds that could be used for the streetcar should be directed toward the Metropolitan Transportation Authority's plans to modernize the city's subway and bus systems.

The city launched its bid to build a streetcar, known as the Brooklyn-Queens Connector, in

2016. The initial vision was to run the connector along a 16-mile corridor from Astoria in Queens, through Williamsburg and downtown Brooklyn to Sunset Park.

That vision has changed. According to a two-year study released Thursday by the city, the Sunset Park leg of the system attracted too few riders to justify its cost. The revised plan has the

streetcar ending at Gowanus.

Initially, the streetcar was projected to cost \$2.5 billion.

The project has been pushed by real-estate interests along the waterfront, which would see their property values increase with the construction of the streetcar.

The Friends of the Brooklyn-Queens Connector, a real estate-backed nonprofit that

supports the project, has spent at least \$280,000 lobbying city officials regarding the project since 2016.

The mayor said the project would benefit hundreds of thousands of people, and the new route moved away from the initial one that ran along luxury buildings.

The city believed it could fund the project through the

increased value of real estate along the route, which would increase tax revenues and provide a source of revenue for bonds. Now, the city believes it can only fund \$1.4 billion through the increased value of real estate.

The revised plans estimate that construction will begin in 2024 with a projected opening date of 2029.

# City Changes Parking and Pickup Rules for Carriage Horses

BY KATIE HONAN

New York City's horse carriages will move into Central Park and pick up passengers at designated locations in an effort to improve conditions for the animals, marking Mayor Bill de Blasio's latest attempt at reining in the industry.

Mr. de Blasio said Thursday that passengers will be able to get on the carriages at five locations throughout Central Park. They can still take rides on city streets, but moving the horses away from the curb will improve their health and reduce congestion, the mayor said. Currently, the horse carriages wait for passengers on Central Park South, a street along the park with car traffic.

"Central Park South right now, you see it all the time, the horses in close proximity to traffic, it is a location that we believe could be used much more effectively in terms of mass transit, in terms of Vision Zero Initiatives," the mayor said.



Carriage drivers say most of their business is walk-up, and they need to be on Central Park South.

The locations for pickup are in the center lane of the Grand Army Plaza entrance to Central Park, the East 72nd Street entrance near Fifth Avenue, the West 72nd Street entrance near Central Park West, the

West 67th Street roundabout, and the Seventh Avenue entrance to the park.

The changes are expected to begin in the fall, with public hearings in October.

Carriage drivers, who have

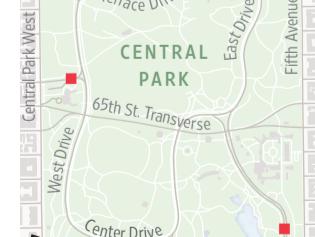
fought against any restrictions to their industry, said the majority of their business is walk-up, and they need the visibility by parking on Central Park South.

"We were really blind-

## Giddy-Up!

Mayor moves horse cabs inside Central Park.

■ New horse waiting area



Sources: Office of the New York City mayor; OpenStreetMap

THE WALL STREET JOURNAL.

were we asked for input."

The change comes from the Department of Transportation, which avoided trying to bring up a bill in the City Council. The mayor's previous attempt to restrict the horse-carriage business in 2016 failed before it could be voted on by the council.

"By limiting boarding of horse-drawn cabs to designated areas within Central Park, the amount of time that horses spend alongside vehicular traffic will be reduced, thus reducing potential harm to the animals," said Polly Trottenberg, commissioner of the transportation department.

Activists from NYCLASS, an animal-rights group, said moving the horses into the park is more humane. "Forcing horses out among traffic—on hot pavement—with cars and buses speeding by never made sense, and there's no reason the most progressive city in the world should tolerate it for a single day longer," organization co-founders Wendy Neu and Steve Nislick said in a statement.

## GREATER NEW YORK

## Plenty of Emotion on Display at the U.S. Open



TIMOTHY A. CLARY/AGENCE FRANCE PRESSE/GETTY IMAGES

ROBERT DEUTSCH/REUTERS

SETH WENIG/ASSOCIATED PRESS



JULIAN FINNEY/GETTY IMAGES

ANDRES KUDACKI/ASSOCIATED PRESS

KEVIN HAGEN/ASSOCIATED PRESS

**FACES AT FLUSHING MEADOWS:** The heat was on Thursday as players competed on Day 4 of the U.S. Open. After highs in the 90s, cooler temperatures were forecast for Friday. Clockwise from top left: Angelique Kerber of Germany, Roger Federer of Switzerland, Yafan Wang of China, Su-Wei Hsieh of Taipei, Jelena Ostapenko of Latvia and Alexander Zverev of Germany hit the courts.

## Complaints About Housing Authority Workers Investigated

By KATIE HONAN

New York City's Department of Investigation said it has opened a probe into misconduct complaints at a Bronx affordable housing development operated by the New York City Housing Authority.

The entire staff of the development was reassigned last

week after the complaints.

NYCHA had "longstanding concerns" about the upper level staff at the Throggs Neck houses, according to Robin Levine, a spokeswoman for the authority.

"Those concerns, coupled with troubling allegations of misconduct, are why the staff was reassigned. We can't com-

ment further on an ongoing investigation," she said Thursday.

Commissioner Mark G. Peters said the Department of Investigation received complaints that would be looked into in addition to NYCHA's internal investigation.

"DOI is opening an investigation into possible employee

misconduct in the New York City Housing Authority's (NYCHA) Throggs Neck development after further reviewing the allegations, including two complaints it received this summer about improper behavior by staff at the Throggs Neck development," he said in a statement.

Ms. Levine said the

agency—which is the largest public housing authority in the country—is cooperating with the investigation.

Earlier this summer, NYCHA announced it would need \$31.8 billion to repair its decades-old buildings, which was \$7 billion more than previous estimates.

NYCHA was also put under

a federal-monitor program after an investigation by federal prosecutors found major health and safety violations throughout its sprawling housing stock.

Mayor Bill de Blasio said Thursday that the city was fully investigating the allegations involving NYCHA staff at the Throggs Neck Houses.

## GREATER NEW YORK WATCH

## MANHATTAN

## Ex-Driver Drops Suit Against Trump Firm

A former chauffeur for President Trump on Thursday dropped his lawsuit alleging he wasn't paid for thousands of hours of work.

Noel Cintron's attorney, Larry Hutch, said the case has been submitted to arbitration for resolution. The Trump Organization had requested such a result in papers filed in Manhattan federal court this month.

Mr. Cintron sued the Trump Organization in July, but not Mr. Trump. The Trump Organization said then that Mr. Cintron was always "paid generously and in accordance with the law." A lawyer for the business didn't respond to a request to comment on Thursday.

The lawsuit said Mr. Cintron was Mr. Trump's driver for 20 years until the Secret Service took over in 2016.

The lawsuit alleged that Mr. Cintron routinely worked 50- to 55-hour weeks without overtime even though he was eligible for it. It said he made \$75,000 annually since 2010, but lost his health insurance when his pay was raised from \$68,000 that year. He sought \$170,000 in overtime alone, along with other costs and damages.

—Associated Press

## CONNECTICUT

## Priest Ordered Back to Prison Over Drugs

A Connecticut Roman Catholic priest who ran a methamphetamine ring has been sent back to prison for nine months for failing another drug test while on supervised release.

Kevin Wallin asked a federal judge in Hartford on Thursday to continue his supervised release so he could begin long-term residential treatment for substance abuse. But Judge Alfred Covello sent him back to prison.

Judge Covello warned Mr.

Wallin earlier this year that he faced more prison time if he failed another drug test.

"I know my behavior has not been good," Mr. Wallin told the judge before being sentenced. "I have no desire to continue down this path."

Mr. Wallin resigned as a pastor in the Bridgeport Diocese in 2011, and proceedings are under way to permanently remove him from the priesthood.

He was sentenced to more than five years in prison in May 2015 for selling meth and freed on supervised release in November 2016.

—Associated Press

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Right: Cottage twin trundle bed in antique white or wrought iron. Reg. \$1559, Sale \$779, Now \$701.10. Optional trundle stores a second mattress underneath.

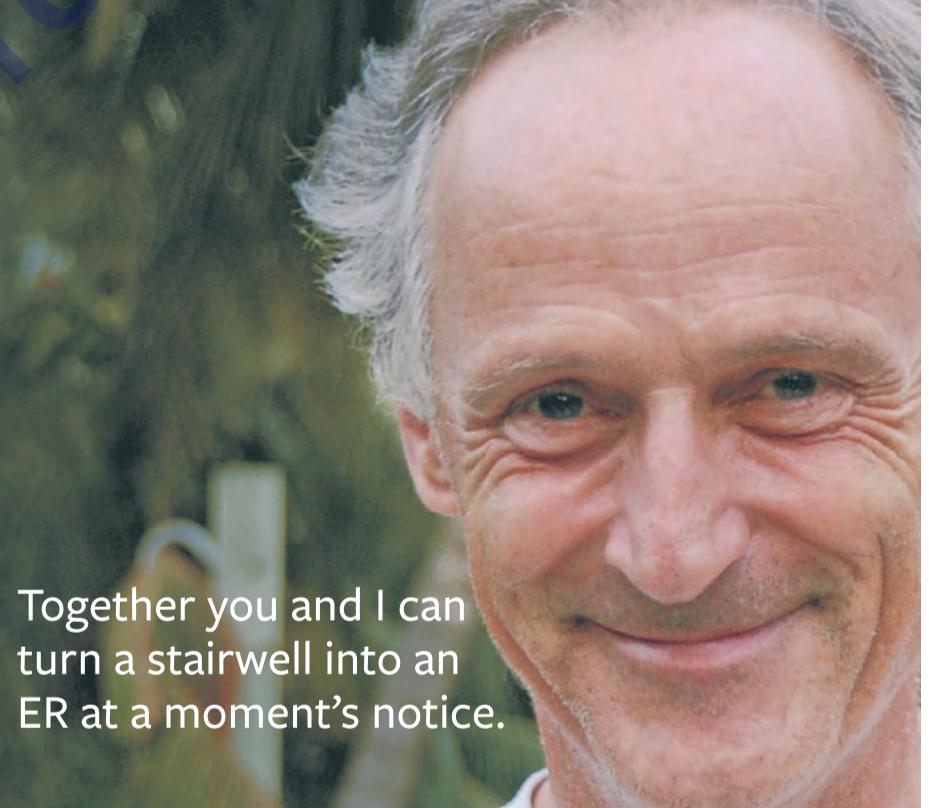


Above: Barcelona solid mahogany platform bed. Available with or without built in drawer option. Reg. \$3359-\$6399, Now from \$1663.20.

Right: Cottage twin trundle bed in antique white or wrought iron. Reg. \$1559, Sale \$779, Now \$701.10. Optional trundle stores a second mattress underneath.

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# LIFE & ARTS

FILM REVIEW

## 'Destination': A Trip to Loathing

BY JOHN ANDERSON

**A WRITER FRIEND** has long threatened to compose an essay titled "Romantic Comedies Are Neither." She's never quite gotten around to it, but can probably rest a bit easier now: Writer-director Victor Levin has had much the same idea, and fashioned it into the perversely amusing "Destination Wedding."

It should be said right off that this provocative off-black comedy, starring the Gen-Xer's dream cast of Keanu Reeves and Winona Ryder, is not for everyone. And the people it is for will have to be in the mood. But Mr. Levin evidently doesn't care: A veteran writer and producer, he has been involved in some very successful television ("Mad Men," "Mad About You") and has made a very rare kind of film, one that not only doesn't spoon feed its viewers, but almost dares them to keep watching. That he's cast his film with the very watchable Reeves-Ryder team is a concession to orthodoxy, one supposes. But the two actors are playing people unlike any they, or anyone else, has ever played before, outside of a play by Ionesco or Beckett.

Setting out to dismantle the apparatus of the Hollywood romance, Mr. Levin has his two characters, Frank and Lindsay, meet not-cute at an airport somewhere in the Los Angeles area; that they're flying Mokulele Airlines to San Luis Obispo is a joke (and/or a possible hat tip to Mr. Reeves's Hawaiian heritage). That the flight will take five hours is also a joke, not only because of the geography but because Frank and Lindsay—who have adjoining seats—have been recoiling from each other from the moment they met.

The wedding they're attending—"so 'special' it has to be an epic imposition," as Lindsay puts it—is between some woman they don't know and the man who dumped Lindsay at the altar six years earlier. Frank loathes the groom as well, only coincidentally, but is attending because his mother insisted. They are given adjoining rooms

at the local chichi hotel and are seated together at the rehearsal dinner. "You think they're trying to set us up?" Lindsay asks Frank, between their verbal bombardments of each other. It seems that way. And also seems a major miscalculation.

But there's a slow-burning fuse on the Frank-Lindsay erotic explosion,

fanned by their nonstop expressions of existential dread, disgust with humanity and the pointlessness of the universe. At one point, Lindsay mentions she's intending to sign a do-not-resuscitate order, just in case. Not Frank: He wants intubation, blood transfusions, needles of adrenaline to the heart.

"What if there's no hope?" asks Lindsay.

"There's already no hope!" says Frank.

Only Frank and Lindsay have any dialogue in what is a comically underpopulated movie—they're too self-absorbed to share the oxygen, perhaps—but it's an intelligent, rapid-fire and decidedly mordant script. Mr. Levin has written for a movie that's not just an anti-romance but a variation on screwball comedy. "How did I get in this position?" Lindsay asks one morning, her head hanging off the bed, to which Frank says, "You made some poor life choices." There's a very similar moment in "Bringing Up Baby," involving Katharine Hepburn, who's living with a leopard. "You have to get out of this apartment!" says Cary Grant, alarmed by the cat, to which she answers: "I can't. I have a lease."

"Destination Wedding" doesn't have a leopard, but it does have a puma. It also lacks anything like the nonstop buoyancy of the Howard Hawks film, but the sepulchral tone is intentional. "Do you believe there's someone for everyone?" Lindsay asks Frank, who answers: "Close. I believe there's no one for everyone." Most contemporary movies are meant to be loved by everyone. Not this one. But those who fall may fall hard.

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



Keanu Reeves and Winona Ryder in 'Destination Wedding'



AMAZON PRIME VIDEO (2)

TELEVISION REVIEW | By John Anderson

## 'Jack Ryan' Enters The Present

John Krasinski gives us a hero who is introspective, intelligent and sensitive

**EVERYONE NEEDS** to make a living. Does John Krasinski have to make his playing Jack Ryan? Won't Tom Clancy fans see the new "Jack Ryan" series as a clear and present danger to the legacy of a character who has propelled their favorite author's novels since 1984 ("The Hunt for Red October")? Can the semi-cerebral Mr. Krasinski do justice to a role that's been done on the big screen by such noted exponents of lumpen machismo as Alec Baldwin, Harrison Ford, Ben Affleck and Chris Pine? Is Mr. Krasinski too smart for the part? Will heads be exploding across the Ryanverse?

Clancy fans will find that they have to adjust. What the rest of us will find is an eight-part reimagining of Jack Ryan that hews closely to the conventions of the terrorism-themed, action-thriller genre, with a couple of exceptions, notably the casting—the strategy of which seems obvious. Mr. Krasinski—a star of NBC's "The Office" and, much more recently, of the horror hit "A Quiet Place"—exudes introspection, intelligence and sensitivity. As such, he will appeal to a viewership outside the circle of hardcore, Cold War-nostalgic Clancy fans and action junkies. All that's required is reinventing history. Or, at least, the history of Jack Ryan.

We meet the latest edition in present-day Washington, D.C., where the 30-something Boston College alumnus, ex-Marine, one-time Wall Street trader and recreational oarsman is working as a less-than-senior analyst for the CIA. One morning, he and his colleagues find themselves under the supervision of former field officer Jim Greer (Wendell Pierce), whose new job at HQ is a humiliating demotion—something awful happened, but we have to wait a bit to find out exactly what.

Meanwhile, Greer is in a perpetual wrath. He treats a roomful of CIA professionals like a class of underachieving second-graders. He derides Jack Ryan in a way that hasn't happened before. The point is, now we're riding along with a subordinate, action-averse, desk-top-bound Jack Ryan at the outset of his CIA career.

We've already been introduced to two brothers, children in Lebanon's Beqaa Valley, circa 1983, who are playing outside their house when Western jets start bombing the place to kingdom come.

Their mother is killed. The younger of the two is maimed. The older is Suleiman (Ali Suliman), who will grow up to be the mastermind of a terrorist cell in Syria, and Jack's principal nemesis in his efforts to avert an attack on the U.S. The younger is Ali (Haaz Sleiman), Suleiman's most faithful operative, who will lead Jack in a pursuit across Europe. It's a globe-trotting series, with lots of travel opportunities for Jack.

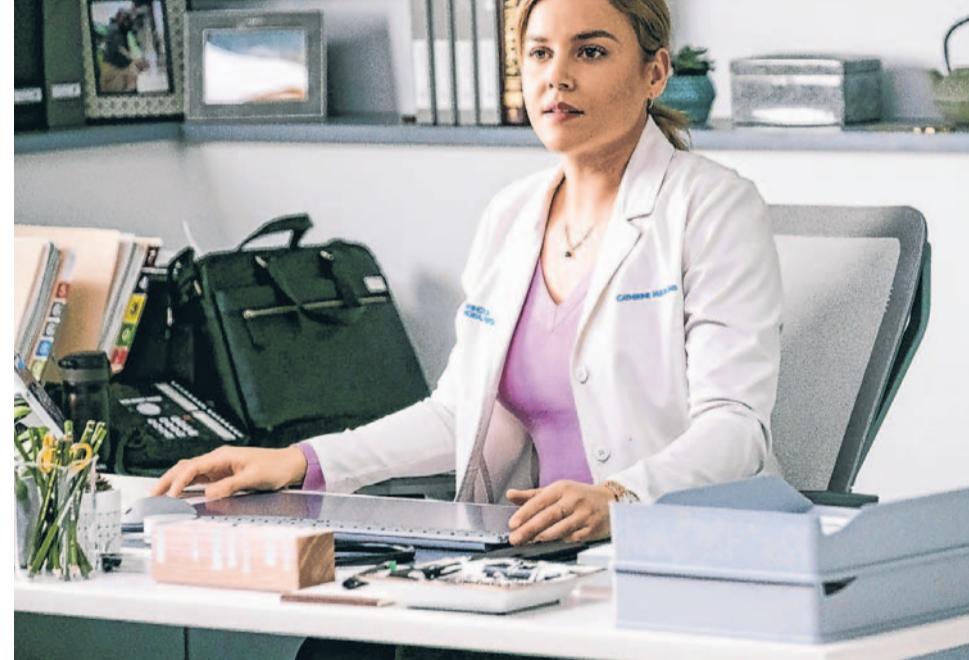
But first he has to get out of the office. Clancy's "boy scout" is not naturally a man of action; his ill-fated deployment in Afghanistan left him with a bad back, among other things. So he spends his days scouring the internet for unsavory-looking bank transfers and has discovered the movement of \$9 million into what might well be a terrorist cell in Paris.

His superior, Greer, is initially dismissive of Jack's suspicions. Greer is dismissive of everything; he's more dyspeptic than the terrorists. But the two agency colleagues are eventually

similarities to the videos leaked by Chelsea Manning back in 2010 just might be a total coincidence.

Far more significant in terms of the show's message are the motivations of Suleiman and Ali. They seem, at least early on, to be inspired by revenge, rather than jihad—Suleiman actually unseats one leader of his area's dominant Islamic militant faction by using that reliable means of persuasion, cash.

The question a viewer is prompted to ask is whether the two characters are meant to be more sympathetic—which they are—because the not-so-



Abbie Cornish as Cathy Mueller, above; John Krasinski as Jack Ryan and Wendell Pierce as Jim Greer, top, in the new Amazon Prime series 'Tom Clancy's Jack Ryan'

dispatched to a black site in Yemen, where a pair of money-laundering suspects are being held for Jack to interrogate. Before anything can be accomplished, however, jihadists sweep into the site and free the prisoners—one of whom (spoiler alert) is Suleiman.

This raid on the U.S. outpost seems intended to evoke the 2012 attack on the American compound in Benghazi, and is just one of the ways the show's creators, Carlton Cuse and Graham Roland, have brought Jack into the immediate world. They also show a flair for making mischief.

Those money-laundering suspects?

When we first meet them, they're being "softened" with the music of conservative country singer Toby Keith; waterboarding would be more merciful. Cathy (Abbie Cornish), the doctor being romanced back home by Jack when he's not touring Muslim countries, was named Muller in the books; here it's Mueller. And there's a sort of elaborate digression from the main events in episode 3 (possible spoiler alert) involving members of a U.S. military unit in Nevada that is operating the drones flying overhead in Syria and remotely annihilating various suspect characters.

If it's a "good" strike, one operator rewards the other with a dollar. All random acts of violence that they aid and abet aren't inspired by fundamentalist fanaticism. In addition, "Jack Ryan" allows them to personally avoid engaging in any of the truly barbaric acts themselves, thus making them more complex and more interesting to watch than, say, murderous religious zealots with a fulltime spiritual commitment.

Women have a more prominent role than is characteristic of a Clancy-related vehicle. Suleiman's wife, Hanin (Dina Shihabi), has a mind of her own—she backs down one jihadist leader with considerable aplomb—but her independence leads her into calamity. Marie-Josée Croze plays something of a cliché—a hardboiled, chain-smoking French cop who needles Jack about his passive nature—but she's a necessary counter-irritant to Mr. Krasinski. No one is safe, of course, and the series does journey into some horrific violence without being oblivious to the political realities of a world in which terrorism is encouraged to flourish. It's a smart show, for all its huffing and puffing. Mr. Krasinski might even grow on you.

**Tom Clancy's Jack Ryan**

Friday, Amazon Prime

## LIFE &amp; ARTS

## MUSIC REVIEW

# Playing to Their Strengths

Justin Vernon of Bon Iver and Aaron Dessner of the National team up on 'Big Red Machine'

BY MARK RICHARDSON

**WISCONSIN-BASED** singer-songwriter Justin Vernon broke into the public consciousness in 2007 with an album called "For Emma, Forever Ago." A solo effort released under the name Bon Iver, it was a record defined by isolation. Written and recorded in a remote cabin while Mr. Vernon was recovering from a breakup, and featuring spare and minimal arrangements focused on his voice and acoustic guitar, "For Emma" was the lonely howl of a solitary man processing grief. Nevertheless, it eventually went platinum.

The lone-man-in-the-woods mythology of "For Emma" was a starting point, but Mr. Vernon's career in the decade since has been defined by collaboration. Over that period there have been two more proper Bon Iver full-lengths, recorded with bandmates like drummer and vocalist S. Carey and bassist Michael Lewis, who contributed significantly to its overall sound, but this project is just part of Mr. Vernon's musical output. He has lent his voice to Kanye West's albums and contributed to bands focused on experimental rock (Volcano Choir) and smooth R&B-inflected pop (Gayngs), while chipping in on pieces by artists like the German synth duo Mouse on Mars and the got/drone/minimal saxophonist Colin Stetson. Along the way, Mr. Vernon co-founded the Eaux Claires music festival, built a studio, and is part of a team launching a new record label/digital platform. The onetime loner from the cabin now sits at the center of a multipronged creative movement.

Among his expansive body of collaborative work was a 2009 song titled "Big Red Machine." Written and recorded with Aaron Dessner, guitarist and multi-instrumentalist for the brooding indie-rock band the National, that track has now evolved into a full-fledged project. Messrs. Vernon and Dessner, working under that track's name, have released a self-titled album via the duo's nascent People imprint.

Mr. Dessner co-wrote all of the songs with Mr. Vernon and handled a significant portion of the instrumentation for the record, and there are dozens of other contributors—including Jan St. Werner of Mouse on Mars, as well as some of Mr. Dessner's bandmates from the National—reflecting the communal ethos of the pair's new venture. But any album that features Mr. Vernon's powerful voice, which can sound delicate and brittle one moment and be layered into a swooping angelic chorus the next, is going to sound a lot like Bon Iver. This release is above all for fans of Mr. Vernon's main project.



Justin Vernon and Aaron Dessner have taken a collaboration from 2009 and turned it into a full-fledged project

Electronics figure heavily on the new record, but it doesn't exactly sound contemporary. Rather, "Big Red Machine" sounds like trip-hop-inflected rock from years past, with the kind of loops that bands like Radiohead were experimenting with at the turn of the millennium. The bass guitar, generally played by either Mr. Vernon

the history of its contributors and taking their respective sounds into new territory. "Lyla" finds Mr. Vernon half-rapping on the verses, throwing in a jumble of goofy imagery ("Scratch that! / Abandoned Winnebago sack") over a busy, bass-led thump. While the words may not scan on paper, Mr. Vernon's energy sells them, and a sweet multitracked chorus—one of many on the record—provides a sturdy emotional counterweight.

Mr. Vernon and Mr. Dessner play to each others' strengths. The opening track, "Deep Green," features some of the best songwriting on the album, with fragments of a busted relationship dumped out like a bag emptied onto a table. As the details pile up ("We met up at the High Line / Great park") is followed by a description of a character wearing a torn T-shirt featuring the rapper Tupac Shakur) and the arrangement builds from a whisper to a scream, Mr. Vernon sounds especially naked and vulnerable. And Mr. Dessner, a master of the line-ending guitar fill, pushes him further, seeming to comment on the action as it un-

The album, out on the People imprint, sounds like trip-hop-inflected rock from years past

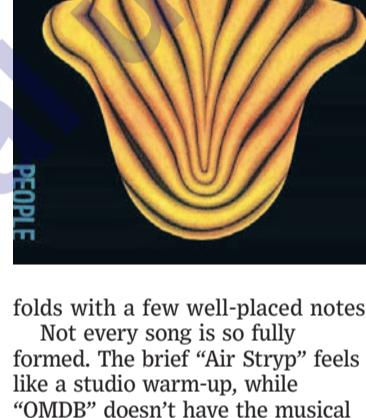
or Mr. Dessner, serves as the anchor as a colorful array of textures—toy electronics, expensive synths, horns, strings, piano—are folded in. Plowing forward in clipped phrases, the bass drives home that these songs are more about grooves and vamps than harmonic development.

Big Red Machine works best when it plays with genre, tweaking

"Devil" mixed with the massed voices of the Lumineers.

Mr. Vernon's words are cryptic across the album, with hard-to-decipher verses, and the ultimate meaning is sometimes found in a memorable repeated affirmation, something that might be uttered by people trying to pump themselves up before an important moment. "Forest Green" hammers home variations on a phrase calling for "more time," as if a relationship (or the fate of the world) hinged on more careful use of it. And the closing "Melt" repeats "Well you are who you are" as the song builds over soaring guitar stabs, Mr. Vernon screaming, breathless. "You dreading your speech / Just follow your feet!" are the final words of the last verse, and if the precise meaning of that directive isn't clear, the massed voices of the song's exhilarating final minute suggest that we're all in it together.

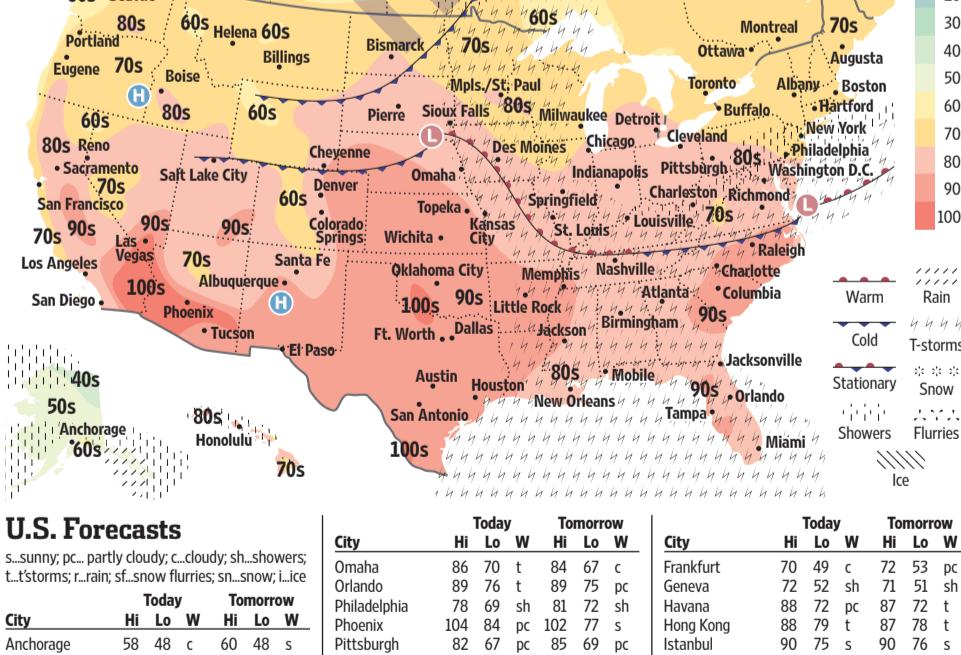
Mr. Richardson, the former executive editor of *Pitchfork*, is a writer and editor living in Brooklyn, N.Y.



folds with a few well-placed notes.

Not every song is so fully formed. The brief "Air Stryp" feels like a studio warm-up, while "OMDB" doesn't have the musical ideas to sustain its nearly 8-minute length. But there are moments of real transcendence. "Hymnastic" finds the band veering in the direction of traditional black gospel, with stately piano chords and Mr. Vernon's voice layered into a mini-choir, while "I Won't Run From It" features a prominent acoustic guitar that evokes Appalachia, a touch of the Grateful Dead's "Friend of the

## Weather



## U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	58	48	c	60	48	s
Atlanta	87	72	pc	88	71	t
Austin	98	72	s	97	75	pc
Baltimore	82	69	sh	84	71	c
Boise	80	53	s	82	53	s
Boston	74	66	c	76	66	pc
Burlington	78	63	pc	81	66	c
Charlotte	92	71	pc	89	69	t
Chicago	82	72	pc	84	71	t
Cleveland	81	65	s	89	70	pc
Dallas	97	77	s	95	77	s
Denver	89	56	pc	81	52	pc
Detroit	81	69	s	87	73	t
Honolulu	87	75	pc	87	74	c
Houston	91	73	t	89	73	t
Indianapolis	86	69	pc	87	70	t
Kansas City	89	72	t	90	71	pc
Las Vegas	101	76	s	100	80	s
Little Rock	90	71	s	89	72	s
Los Angeles	87	67	s	86	68	c
Miami	88	78	t	87	78	t
Milwaukee	77	71	pc	80	70	t
Minneapolis	81	66	t	82	61	pc
Nashville	87	71	t	89	71	pc
New Orleans	85	77	t	84	77	t
New York City	75	68	s	77	70	sh
Oklahoma City	94	70	pc	93	70	s

## International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	66	47	pc	68	52	pc
Athènes	93	75	s	93	74	s
Baghdad	117	85	s	113	82	s
Bangkok	90	79	sh	93	78	t
Beijing	85	66	pc	84	68	pc
Berlin	69	51	pc	70	55	pc
Brussels	67	47	pc	69	50	pc
Buenos Aires	52	44	c	55	43	r
Dubai	103	90	pc	105	90	s
Dublin	65	55	c	67	54	c
Edinburgh	66	54	pc	66	56	c

## The WSJ Daily Crossword | Edited by Mike Shenk



## OBlique Reference | By Matt Gaffney

- The answer to this week's contest crossword is a famous fictional character.
- Across**
- 1 Hennessy and Rémy Martin, notably
  - 2 Jay's follower
  - 3 Pulls a fast one on
  - 4 Break
  - 5 "Now I remember"
  - 6 Calvin Coolidge's alma mater
  - 7 Blazer of trails
  - 8 Far from brief
  - 9 Farm female
  - 10 Date
  - 11 Language similar to Thai
  - 12 Trivial entertainment
  - 13 Starbucks size
  - 14 Meal in a bowl
  - 15 Practical joke
  - 16 Jay's follower
  - 17 Pulls a fast one on
  - 18 Far from brief
  - 19 Farm female
  - 20 Date
  - 21 Language similar to Thai
  - 22 Trivial entertainment
  - 23 Starbucks size
  - 24 Meal in a bowl
  - 25 Practical joke
  - 26 Jay's follower
  - 27 Pulls a fast one on
  - 28 Jay's follower
  - 29 Farm female
  - 30 Date
  - 31 Language similar to Thai
  - 32 Trivial entertainment
  - 33 Starbucks size
  - 34 Meal in a bowl
  - 35 Practical joke
  - 36 Jay's follower
  - 37 Pulls a fast one on
  - 38 Relating to hearing
  - 39 Gold, silver or bronze
  - 40 Part of a PC monitor, once
  - 41 Stops
  - 42 Tolerate
  - 43 Admits guilt in
  - 44 Columbus, e.g.
  - 45 Weimararer warning
  - 46 Diarist Anais
  - 47 Many, many years
  - 48 Say "ole"
  - 49 Sweary words?
  - 50 Brush brand
  - 51 "Entourage" agent
  - 52 The Wizard of Menlo Park's initials
  - 53 Spread widely, as a rumor
  - 54 Much of Mongolia
  - 55 Portable bed
  - 56 Guatemalan girl, say
  - 57 Like some heroes
  - 58 Dumpster emanation
  - 59 Suze of financial advice
  - 60 Like the bone in a porterhouse steak
  - 61 "This is bad!"
  - 62 Journey segment
  - 63 Like the bone in a porterhouse steak
  - 64 "Cold Mountain" star
  - 65 Tots
  - 66 Blues singer Washington
  - 67 Some NFL linemen
  - 68 One-trip ship
  - 69 Author of the "Fear Street" series
  - 70 Tolerate
  - 71 "Cold Mountain" star
  - 72 Blues singer Washington
  - 73 Some NFL linemen
  - 74 January utterance
  - 75 1980s conflict mentioned in Billy Joel's "We Didn't Start the Fire"
  - 76 Has more stamina than
  - 77 Mustard, e.g.
  - 78 Expensive eggs
  - 79 Bring into being
  - 80 Guatemalan girl, say
  - 81 Like some heroes
  - 82 Dumpster emanation
  - 83 Suze of financial advice
  - 84 Like the bone in a porterhouse steak
  - 85 "Cold Mountain" star
  - 86 Blues singer Washington
  - 87 Some NFL linemen
  - 88 One-trip ship
  - 89 Author of the "Fear Street" series
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  - 91 "Cold Mountain" star
  - 92 Blues singer Washington
  - 93 Some NFL linemen
  - 94 January utterance
  - 95 1980s conflict mentioned in Billy Joel's "We Didn't Start the Fire"
  - 96 Has more stamina than
  - 97 Mustard, e.g.
  - 98 Expensive eggs
  - 99 Bring into being
  - 100 Guatemalan girl, say

## Previous Puzzle's Solution

DEMILUNA MAEVE  
OPENFORUM ABRAM  
CATALONIA KLINE  
PEPS SKEETER  
GOSTAG SSNS EDY  
AWS SNAP ADDL  
TEED IDI TOECAP  
ETRE MARGE LYRA  
DOTCOM ICET  
TORTOISE TOILISH  
RICA OWLS LESBOS  
COMPUSA SOAP  
PURER INESSENCE  
TRICK REMATCHES  
STAKE SWIG SLOP

Email your answer—in the subject line—to [crossovercontest@wsj.com](mailto:crossovercontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, Sept. 2. A solver selected at random will win a WSJ mug. Last week's winner: Cynthia Lund, Alexandria VA. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

## SPORTS

NCAA

# College Football's Empty Seat Problem

Announced attendance dropped 3.2% last season, but schools' ticket scans show even fewer fans in the stands

BY RACHEL BACHMAN

**WHEN MINNESOTA** hosted Nebraska at TCF Bank Stadium last year, the game featured charismatic new Golden Gophers coach P.J. Fleck, a home team fighting for a bowl berth and a big-name opponent. The announced attendance was 39,933—an OK crowd for a crisp November day in Minneapolis—but it didn't tell the whole story.

Only 25,493 ticketed fans were counted at the gates, 36% lower than the announced attendance and about half of the stadium's capacity. More than 14,000 people who bought tickets or got them free didn't show up.

College football has an attendance problem. Average announced attendance in football's top division dropped for the fourth consecutive year last year, declining 7.6% in four years. But schools' internal records show that the sport's attendance woes go far beyond that.

The average count of tickets scanned at home games—the number of fans who actually show up—is about 71% of the attendance you see in a box score, according to data from the 2017 season collected by The Wall Street Journal. In the Mid-American Conference, with less-prominent programs like Central Michigan and Toledo, teams' scanned attendance numbers were 45% of announced attendance.

Even teams in the nation's five richest conferences routinely record thousands fewer people passing through gates than they report publicly. The no-shows reflect the challenge of filling large venues when nearly every game is on TV, and they threaten a key revenue source for athletic departments.

"Attendance drives recruiting, attendance drives donations, merchandise sales," said Rob Sine, who until earlier this year was president of IMG Learfield Ticket Solutions, which works with dozens of colleges. If fans don't use their tickets, he added, "they're more likely to not come back."

Most schools scan and keep count of tickets used at football games. The Journal requested access to those counts under public-records law, and most public schools supplied them. Private schools aren't subject to public-records law.

Minnesota's gap between scanned and announced attendance could have been worse—its announced attendance doesn't include stadium staff, marching bands or media, as many other schools do. A Minnesota spokesman said officials were unavailable to comment.

When Arkansas hosted No. 21 Auburn, scanned attendance was more than 25,000 lower than announced attendance. Overall last year, Arkansas' scanned home attendance was 58% of its announced attendance as the Razorbacks went 4-8. Nonetheless, Reynolds Razorback Stadium is reopening Saturday after a \$160 million renovation that increased capacity by about 4,000. An Arkansas spokesman declined to comment.

Florida State, which won the



NELSON CHENAULT/REUTERS

When Arkansas hosted No. 21 Auburn last season in October, scanned attendance was more than 25,000 lower than announced attendance.

2013 national title, last season had a scanned attendance that was 57% of its announced attendance. FSU spokesman Rob Wilson blamed personnel and technical issues in scanning tickets and said, "We do not believe the difference is as large as the data appears to show."

Sine, the ticketing expert who's now chief revenue officer at ticketing company AXS, said technology has improved to the point that scanning errors generally have a minor effect on ticket counts.

Attendance is more than a vanity issue. The NCAA requires schools to maintain a 15,000 "actual or paid" home attendance on a rolling two-year average to stay in football's top division.

Many schools take a generous approach in compiling announced attendance, by including ushers, security guards and even the guys at the concession stand. That partly explains how Purdue's announced attendance last season spiked 13,433 per game—the largest jump in college football. (Purdue didn't report how many tickets it actually scanned last year, citing what a spokesman called "outdated equipment, connectivity problems and user error.")

The NCAA accepts the announced attendance numbers schools submit "at face value," NCAA spokesman Christopher Radford said.

Despite the rising value of TV rights contracts, football ticket sales and donations often make up

more than half of athletic-department revenues. College officials say many factors are incenting fans to stay home including: affordable big-screen TVs; the availability of more games on TV; length of games; and rising prices.

Sagging student attendance remains a problem, even at perennial power Alabama. As part of a recently announced renovation of Bryant-Denny Stadium, the school plans to add a student terrace to create "a more interactive and social environment," athletic director Greg Byrne said.

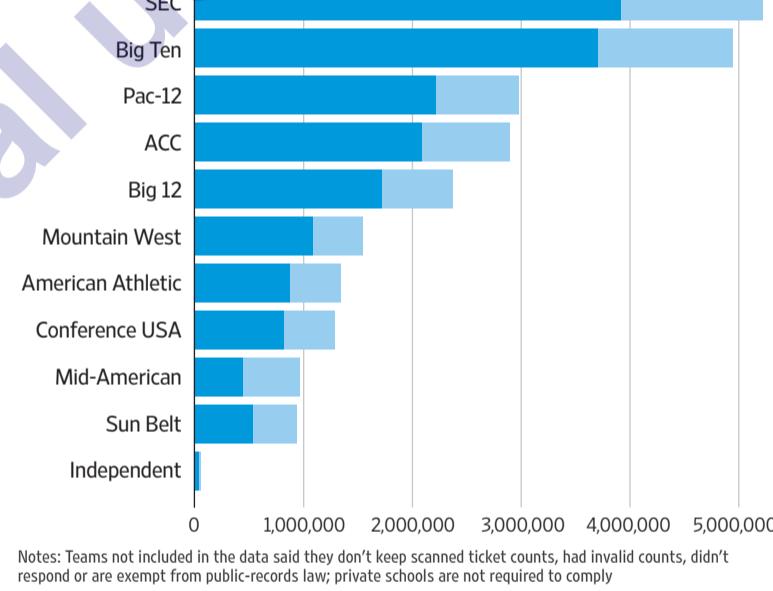
Crowds at South Carolina have ebbed in recent years and scanned attendance made up 78% of the Gamecocks' announced attendance last season. South Carolina held a one-day sale for the season opener against Coastal Carolina: \$18.01 per ticket in honor of the school's founding year. It sold 3,100.

"If you're in the upper deck and buying a ticket for 45 bucks, and the choice is, I can sit on my couch and have a really good view, you might do that," said Lance Grantham, associate athletic director for ticketing and customer relations. "The [TV] product is just outrageously good."

Michigan Stadium, the "Big House," whose 107,601 capacity is the nation's largest, still claims a streak of 100,000-plus attendance games dating back to 1975, even though two games last year showed fewer than 80,000 scanned tickets. A Michigan spokesman said

## Announced Attendance Isn't the Whole Story

The number of tickets scanned at the stadium vs. team announced attendance for home games, in 2017



Notes: Teams not included in the data said they don't keep scanned ticket counts, had invalid counts, didn't respond or are exempt from public-records law; private schools are not required to comply

Sources: school records; athletics website box scores

THE WALL STREET JOURNAL.

surges of fans at gates just before kickoff sometimes prompt workers to tear tickets rather than scan them. Michigan counts the media, stadium workers and marching bands in its attendance.

Nebraska boasts a sellout streak that dates to 1962. But during last year's 4-8 record, there was an average gap of more than 18,000 per game between scanned and announced attendance—mostly no-

shows, a spokesman said.

Not every school pumps up its attendance figures. Of the nearly 100 football programs that gave data to the Journal, just one used a turnstile count for its announced attendance: Navy.

Said athletic director Chet Gladchuk: "It is just the way we do business."

—Tom McGinty contributed to this article.

## MICHIGAN VS. NOTRE DAME

BY RACHEL BACHMAN

**IN A SPORT DEFINED** by intense tribal rivalries, there's one thing many college football fans can agree on: They hate Notre Dame and Michigan.

The matchup between the No. 12 Fighting Irish and No. 14 Wolverines resumes on Saturday night after a three-season hiatus. Notre Dame pulled out of the series after it agreed to play five Atlantic Coast Conference games a season, but the programs missed the matchup and re-booked it.

It's not the highest-ranked pairing of the weekend—that's No. 6 Washington against No. 9 Auburn in Atlanta. It doesn't feature the most dominant teams—No. 1 Alabama or No. 2 Clemson—or the most controversial. No. 5 Ohio State coach Urban Meyer is suspended for the first three games for his mishandling of domestic-violence allegations against a former assistant.

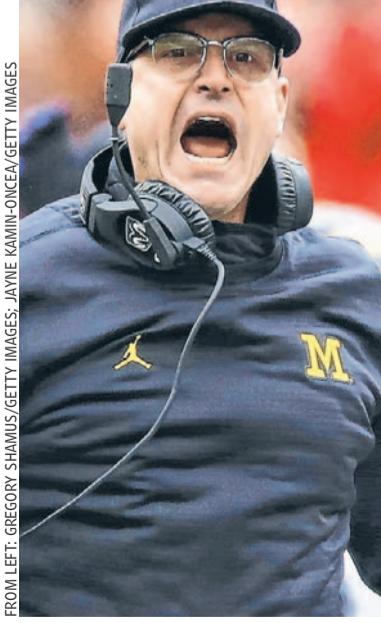
But Michigan-Notre Dame is his-

torically one of the highest-rated early-season games on TV, so even non-fans are likely to watch it. It's the matchup fans love to hate.

"There's emotion attached to both schools, and it mainly comes from one thing: the arrogance of the respective fan bases," said ESPN TV and radio host Paul Finebaum, a longtime prominent voice in college football. "They never stop talking about the past."

A nationwide survey of 1,015 adult sports fans, conducted at the request of The Wall Street Journal last week by research firm LightSpeed, asked them which college football team they considered the most hated. No. 1 and No. 2 in this poll, Alabama and Ohio State, have won national titles in the last four years, while No. 4 Penn State is still emerging from the shadow of the Jerry Sandusky sex-abuse scandal.

Notre Dame ranked No. 3 and Michigan No. 5 in the survey, despite the teams making the national championship game just



Michigan coach Jim Harbaugh, left, and Notre Dame coach Brian Kelly

once in the past 20 years. That one appearance was embarrassing: The Irish were crushed by Alabama 42-14 after the 2012 season.

So why all the hate for Notre Dame and Michigan?

The programs each claim 11 national titles and boast multiple Heisman Trophy winners. They brag about their schools' top-30

academic rankings. They even swear they have the world's best fight song. Notre Dame irks the rest of the country by remaining independent instead of joining a conference like almost every other school. Michigan irks by simply being Michigan.

"I must have missed the announcement that Michigan had re-

placed Harvard, Princeton and Yale as the premier institution in the nation," Finebaum said.

Lou Holtz, who coached Notre Dame to its most recent national championship, in 1988, said there has been resentment for the Fighting Irish since the 1991 start of their unusual contract for NBC to broadcast every home game.

Holtz recalled the top-ranked Irish losing to Boston College in 1993 on a last-second field goal as interested observers a few hours northeast in Ann Arbor, Mich., watched on TV.

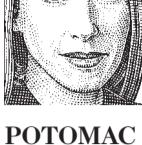
"They tell me that the press in the Michigan press box cheered when he made the field goal," Holtz said. "That was told to me by a reliable source."

"I was there," said Bruce Madaj, Michigan's former sports information director. "That is actually true."

More recently, however, both programs have under-achieved by their own lofty historical standards. Over the past 20 years the Wolverines and Irish have fallen further between the first and last AP top-25 polls of the season than nearly all other teams, according to Stats LLC. Michigan had the second-biggest collective drop and Notre Dame the fourth-biggest. (Fellow football bluebloods Florida State and Nebraska notched the first- and third-biggest drops.)

## OPINION

# What Bruce Ohr Told Congress



POTOMAC WATCH  
By Kimberley A. Strassel

To believe most media descriptions of Justice Department lawyer Bruce Ohr, he is a nonentity, unworthy of the attention President Trump has given him. This is remarkable, given that Mr. Ohr spent Tuesday confirming for Congress its worst suspicions about the Federal Bureau of Investigation's abuse of its surveillance and sourcing rules.

If Mr. Ohr is only now under the spotlight, it's because it has taken so much effort to unpack his role in the FBI's 2016 investigation of the Trump campaign. Over the past year, congressional investigators found out that Mr. Ohr's wife, Nellie, worked for Fusion GPS, the opposition-research firm that gave its infamous dossier, funded by the Hillary Clinton campaign, to the FBI. They then discovered that Mr. Ohr had numerous interactions of his own with Fusion chief Glenn Simpson and dossier author Christopher Steele, and that he passed on information from these talks to the bureau. So the G-men were being fed the dossier allegations from both the outside and the inside.

This week's news is that Mr. Ohr's deliveries to the FBI came with a caveat. Congress already knew that Mr. Ohr had been aware of Mr. Steele's po-

litical biases. In notes Mr. Ohr took of a September 2016 conversation with Mr. Steele, he wrote that the dossier author "was desperate that Donald Trump not get elected and was passionate about him not being president." Congressional sources tell me that Mr. Ohr revealed Tuesday that he verbally warned the FBI that its source had a credibility problem, alerting the bureau to Mr. Steele's leanings and motives. He also informed the bureau that Mrs. Ohr was working for Fusion and contributing to the dossier project.

Mr. Ohr said, moreover, that he delivered this information before the FBI's first application to the Foreign Intelligence Surveillance Court for a warrant against Trump aide Carter Page, in October 2016. Yet the FBI made no mention of this warning in the application, instead characterizing Mr. Steele as a "reliable" source. Nor does the application note that a senior Justice Department official's spouse was contributing to the dossier and benefiting financially from a document the FBI was using in an investigation. That matters both because the FBI failed to flag the enormous conflict and because Mr. Steele's work product potentially wasn't entirely his own.

No reference to Mr. Ohr—direct or cloaked—can be found in any of the four applications for Page warrants, according to those who have seen them. This despite his more than a dozen conversa-

tions with FBI agents over the course of the probe that addressed the content in and sourcing behind the surveillance applications. I'm told Mr. Ohr made clear that these conversations variously included all the heavyweights in the FBI investigation—former lead investigator Peter Strzok, former FBI senior lawyer Lisa Page, and former Deputy Director Andrew McCabe. So senior people were very aware of his role, information and conflict.

**He warned the FBI  
Steele had credibility  
problems. The bureau  
forged ahead anyhow.**

All this is what Republicans are referring to when they hint that the Ohr interview provided solid evidence that the FBI abused the Foreign Intelligence Surveillance Act. "Before yesterday, we thought the FBI and DOJ had not disclosed material facts they were aware of in the FISA application. If Bruce Ohr testified truthfully, we now know that to be the case," Rep. John Ratcliffe of Texas tweeted Wednesday. (The Justice Department declined to comment, citing an inspector-general investigation.)

As for Mr. Ohr's interaction with the FBI, he told congressional investigators this week that while initially he reached

out to the FBI, the bureau also later came looking for information about Mr. Steele. That outreach happened after the FBI had terminated Mr. Steele as a source in October 2016 for violating bureau rules about talking to media. So even after having been warned of Mr. Steele's motivations, even after having fired him for violating the rules, the FBI continued to seek his information—using Mr. Ohr as a back channel. This surely violates the FBI manual governing interaction with confidential human sources.

That Mr. Ohr came shopping the Steele info should have on its own set off FBI alarm bells. Mr. Steele was already in direct contact with the FBI by early July. Why would Mr. Steele then go to work on a Justice Department source, and refunnel the same allegations to the bureau? The likely answer is that the Fusion crowd wanted to exert maximum pressure on the FBI to act. Had the FBI bothered to try to find out what was behind such a pressure campaign, it might have stumbled upon the obvious answer: politics.

Unless it didn't care. The evidence continues to mount that the FBI didn't want to know about bias, or about conflicts of interest, or about the political paymasters behind the dossier—and it certainly didn't want the surveillance court to know. It wanted to investigate Donald Trump.

*Write to [kim@wsj.com](mailto:kim@wsj.com).*

## Is It Time for Pope Francis to Resign?

HOUSES OF  
WORSHIP  
By Robert P.  
George

The world recently learned that f o r m e r Washington Archbishop Theodore McCarrick had sexually harassed and seduced seminarians and even abused minors. Stunned and angry Catholics demanded to know how church officials failed to stop his predations, which went on for decades. A purported answer came Saturday. Archbishop Carlo Maria Viganò issued a "testimony" accusing several senior Church officials—including Pope Francis—of allowing Archbishop McCarrick, who was also a cardinal, to enjoy influence despite knowing of his evil deeds. Archbishop Viganò, a former papal nuncio (or ambassador) to the U.S., urged the pope to resign.

Many Catholics agree that the pope should resign if the charges are true. But are the charges true? What did the pope know about the McCarrick affair and when did he know it?

According to Archbishop Viganò, around 2009-10 Pope Benedict XVI ordered Cardinal McCarrick to leave the seminary where he was living, dedicate himself to private prayer and penance, and avoid public life in the church. As for his many subsequent public appearances, even during the Benedict pontificate (and sometimes with Archbishop Viganò himself), Archbishop Viganò said that the legendarily well-connected cardinal's

friends in the curia looked the other way as he defied the sanctions.

Archbishop Viganò claims that Archbishop McCarrick's successor in Washington, Cardinal Donald Wuerl, "lies shamelessly" in saying he knew nothing of his predecessor's immorality and criminality. Cardinal Wuerl also categorically denies that officials gave him any documentation or information regarding sanctions against his predecessor. Someone isn't telling the truth.

The Viganò testimony contains quotations and details about dates and meetings—but also inferences and insinuations. Skeptics argue that he is miffed at not being made a cardinal or out for revenge against churchmen who reject his "conservative" theology. Others have come to his defense by highlighting his integrity and love for the church. They also point to the few and partial denials from the accused.

Yet the Viganò debate is secondary. More important are his testimony's factual claims, which can be vetted with hard evidence. I agree with the U.S. Conference of Catholic Bishops: The questions raised by Archbishop Viganò "deserve answers that are conclusive and based on evidence," because "without those answers, innocent men may be tainted by false accusation and the guilty may be left to repeat sins of the past." Let's consider what evidence is public already and ask how the rest can be brought to light.

The National Catholic Register has reported that someone close to Pope Benedict confirmed that the retired pontiff recalls ordering sanctions against Cardinal McCarrick. Msgr. Jean-François Lantheaume, counselor of the nunciature under Viganò, told Catholic News Agency, "Viganò said the truth. That's all."

**If an archbishop's explosive claims are vindicated, this papacy must end.**

Moreover, Archbishop Viganò stated that Msgr. Lantheaume was prepared to testify that his predecessor in the nunciature had communicated Pope Benedict's sanctions to Cardinal McCarrick. The Viganò testimony states that "all the memos, letters, and other documentation mentioned here are available at the Secretariat of State of the Holy See or at the Apostolic Nunciature in Washington, D.C."

Several documents could conclusively settle who is lying: former Nuncio Gabriel Montalvo's 2000 report to the Vatican recounting Cardinal McCarrick's misdeeds throughout the 1980s and '90s; Archbishop Viganò's 2006 and 2008 memos on the matter for the Vatican; and Pope Benedict's instructions for his secretary of state to impose sanctions. Also of interest would be letters about those sanctions

from the Vatican to the nunciature, from the Vatican to Cardinal Wuerl, or from a Vatican official to Archbishop Viganò.

It also should be determined if Archbishop Viganò met with Pope Francis on June 23, 2013, between morning Mass and the noon Angelus address. That's when he says he told the pope of the McCarrick dossier—which also should be made public.

Any materials showing that the pope knew of any McCarrick sanctions before meeting with the cardinal on June 19, 2013, would be critical. Archbishop Viganò's testimony does not clearly assert that the pope "lifted" sanctions, contrary to some reporting. But he does say that Pope Francis has known since at least the end of June 2013 of a dossier detailing grave sexual offenses. If the pope knew of that dossier and nevertheless empowered the cardinal to represent and influence the church worldwide for five years, the future of this pontificate is in the gravest doubt.

Pope Francis told reporters on Sunday that he would not say a word about Archbishop Viganò's claims. He added that they could decide for themselves. The only way this is possible is for the pope to order church officials in any office containing pertinent documents to release them. Then we will know the truth.

*Mr. George is a professor of jurisprudence at Princeton and a visiting professor at Harvard Law School.*

By Susan Shapiro

**A**s a 20-year-old graduate student in creative writing, I asked a professor how to submit work for publication. "If you're already worried about publishing," he said, "you're not a serious writer."

I was serious—and desperate to learn how to make a living with the literary craft I'd been studying. But nobody in my program would discuss it. After two degrees in six years of higher education, I didn't even know how to write a cover letter to submit the pages I'd spent years perfecting. It took decades of missteps and failures for me finally to figure out how to pay my bills as an author, freelancer and adjunct professor.

Later, teaching journalism myself, I wanted to help my students get on a faster track for success. I was disappointed by the administration's dismissive attitude about helping students get bylines, jobs, lit-

rary agents or teaching gigs. My department heads pushed me to assign my classes 8,000-word, third-person term papers instead of the shorter pieces editors wanted. "We don't care about publication or payments," one said. "We're not a trade school."

**Too many teachers see the pursuit of money as shameful.**

Many in liberal-arts education cling to this lofty, elitist opinion that it's sinful to discuss any remuneration. Top journalism schools and master's programs in the fine arts charge as much as \$60,000 a year for tuition—similar to that of business, medical and law schools. But unlike those other fields, they rarely teach their students how to get jobs and income.

I remember how confused

and frustrated I was by the discrepancy between what top schools offer and what's needed to launch a profitable career. It's a glaring gap, as if the faculty believe wanting to support yourself with the subject you study is greedy and shameful.

That's why I began sharing practical information in my journalism, nonfiction and creative-writing classes. I found that helping a diverse group of students land articles, internships, jobs, agents, editors and teaching positions was empowering and transformative.

An African-American Navy vet landed a full-time job in a hospital after writing a poignant op-ed describing how he'd become temporarily homeless when he returned home with service-related injuries. A 21-year-old protégée of mine wrote an essay explaining why she dropped out of college after a sexual assault, and was able to help other young women with a

*Ms. Shapiro, a New School professor, is a co-author of "The Byline Bible: Get Published in Five Weeks."*

BOOKSHELF | By S.C. Gwynne

## The Manning Mystique

### In the Name of the Father

By Mark Ribowsky  
(Liveright, 378 pages, \$29.95)

**A** rchie Manning was that most unfortunate type of professional athlete: a brilliant player who rarely got to play. A won, a man who tried very hard for a very long time with virtually nothing to show for it. In a career as a quarterback spent mostly with the New Orleans Saints, Mr. Manning compiled a record of 35 wins, 101 losses and three ties. He led the NFC in passing in a year when the Saints finished last in their division. He was that good. The Saints were that bad. Chased relentlessly and hit mercilessly, he spent much of his career either running for his life or getting the stuffing knocked out of him. In 10 seasons with New Orleans, he was sacked 338 times; with a lesser quarterback, that number would have been much higher.

Against all expectations, Archie Manning was a loser. His redemption came in the form of his sons Peyton and Eli, who lit up the NCAA and then the National Football League, winning two Super Bowls each and transforming Archie's miserable, suffering legacy into a glittering sports dynasty. Along the way, the Mannings have become fixtures of American culture and a first family of football. They endorse cars, wristwatches, insurance, pizza and sports equipment; they host charity events and awards ceremonies and "Saturday Night Live"; they lend their voices to "The Simpsons" and author children's books. The sons' careers have been obsessively scrutinized in the media, from their enormous salary deals to their inexplicable losing streaks and personal eccentricities. The Mannings are known quantities. They have been covered to death.

Which raises the question of why we should be interested in Mark Ribowsky's *"In the Name of the Father: Family, Football, and the Manning Dynasty,"* a group biography that rehashes several decades of media coverage. There is nothing here that we have not seen or heard, even though there are many things left to learn about the Mannings. It would be fascinating to know how, for example, in the embrace of the sort of wealth and fame and idolatry enjoyed by today's football stars, Peyton and Eli turned out to be generally reasonable, sensible, sane and good-humored men. They are far from perfect, but they haven't been soured by all the attention.

Celebrating the careers of three phenomenal quarterbacks—Archie, Peyton and Eli—but shedding no light on the secrets of their success.

The most striking thing about *"In the Name of the Father,"* in fact, is its almost total reliance on the work done by others. Mr. Ribowsky spoke with no one in the Manning family and with none of the Mannings' close friends. There are only a handful of interviews cited here, all quite briefly and none of which shed much light. Nor are there interviews with the principals in the extended legal battle between Peyton Manning and Jamie Naughtright, the woman at the center of a protracted sexual-harassment lawsuit against the quarterback. That legal process has been nasty and messy, a rare blot on Peyton's career. Mr. Ribowsky refers to the case frequently in the book, often with the suggestion that Peyton was in the wrong. But he quotes the coverage of others instead of conducting a single interview with Ms. Naughtright. If she declined to speak with Mr. Ribowsky, he doesn't mention it. The book's only Manning quotes are drawn from a co-autobiography published by Archie and Peyton in 2000.

This is too bad, since there is so much about the Mannings that begs closer examination. What, for example, makes Peyton—surely one of the most unusual players ever to have inhabited the NFL—so radically different from everybody else, including his principal nemesis, Tom Brady? Brilliantly focused, mulishly stubborn, studious, obsessively hard-working, domineering—the antithesis of his goofy, easy-going, inscrutable, sometimes-too-relaxed brother—Peyton once tried to force his teammates while at the University of Tennessee to practice at 5:30 in the morning. When they balked at the term "mandatory," he changed it to "mandatory voluntary." His attention to detail and improvisation revolutionized the game and elevated the standards of every quarterback and video-room analyst in the league.

Instead of a deep dive, *"In the Name of the Father"* offers a digest of mainstream journalism, a summary of the three Manning careers. Every season they played, from college through the pros. Every game. Much of it tedious, empty of meaning. They win a few, they lose a few. The fans are wild with enthusiasm; the fans are cruelly disappointed. Time goes on. Yawn. The approach is always linear, never thematic; there are details on game scores and statistics but never any reflections, for example, on the effects of Peyton's hypercompetitiveness on his teammates and coaches.

This isn't to suggest that there is no value in being reminded of the Mannings' phenomenal playing careers. Peyton's remarkable 2015 season with the Denver Broncos, ending with a Super Bowl victory in the final game of his career, makes for satisfying reading. As does Eli's game-saving pass to receiver David Tyree to lead their New York Giants over the New England Patriots in the 2008 Super Bowl. There is, after all, some virtue in having all of this transcendence gathered up in one place.

*Mr. Gwynne is the author of "The Perfect Pass: American Genius and the Reinvention of Football."*

### Coming in BOOKS this weekend

The American odyssey of Romare Bearden • A life of Hubert Humphrey • Bernd Heinrich's science and prose • The worst sea disaster in U.S. history • Hercule Poirot's latest case • Sam Sacks on new fiction • & much more

## OPINION

## REVIEW &amp; OUTLOOK

## North Carolina's Gerrymander Coup

The Supreme Court this year punted on deciding two partisan gerrymander cases. Democrats have now refused a fair catch and decided to run the ball back up the field for a touchdown in North Carolina, where liberal judges this week struck down the state's congressional map.

Republicans control 10 of North Carolina's 13 congressional seats though a majority of registered voters are Democrats. Liberals claim this is evidence of invidious discrimination by the GOP Legislature against Democratic voters. What they really want is judges to enshrine a Democratic congressional majority.

Gerrymander cases are typically tortuous, and North Carolina's is no exception. A liberal panel of judges in 2016 invalidated the state's congressional map as an unconstitutional racial gerrymander. The Legislature then redrew the map without considering race while ensuring that the new districts were compact and contiguous and preserved the GOP's majority.

The liberal group Common Cause and Democratic voters sued again, complaining that the new map burdened their First Amendment rights, equal protection under the laws and the Constitution's guarantee that "the People" can elect their representatives.

In January a liberal panel led by Fourth Circuit appellate Judge James Wynn agreed and ordered the Legislature to redraw the maps. The Legislature appealed to the Supreme Court, which tossed the case back to the panel in June after ducking a ruling on partisan gerrymanders in Maryland and Wisconsin.

Thank you very much, Judge Wynn said this week while reaffirming the court's prior decision that the map is unconstitutional because it supposedly dilutes Democratic votes and imposes "burdens on Plaintiffs based on their previous and ongoing political expression and affiliation." The 321-page decision is long on case history and short on legal analysis.

The Supreme Court has long held that political considerations are permissible and even intrinsic to legislative redistricting. The question the Court has been grappling with over the last three decades is *how much* partisanship is too much. Judge Wynn joined by liberal colleague Earl Britt side-stepped this question and ruled that any political considerations are

unconstitutional if judges say so.

The judges conflate partisanship, past voting and political views. Many conservative Democrats voted for President Trump because they agree with his positions on trade and cultural issues, which is one reason he won the state in 2016 despite Democrats' registration advantage.

Partisanship is not fixed on the individual or district level. In 2010 Republicans won a 68-52 majority in the state House and 31-19 in the Senate—the party's first legislative majority in a century. Republican Pat McCrory won the governorship in 2012 by 11.5 points but lost by a smidgen four years later. Even under the GOP's alleged gerrymander, Democrats could pick up three districts this year.

Judge Wynn intends to appoint a "special master" to redraw maps, perhaps in time for the November election. This would create election confusion in the extreme. He apparently wants partisan judges to make political decisions instead of lawmakers elected by "the People." And he has a history of imposing his liberalism from the bench and twice lost elections to the state supreme court before President Obama chose him for the Fourth Circuit.

In a partial dissent, Judge William Osteen explained that "only the state legislatures, through their power to draft congressional districts in the first instance, and Congress with its power under Article I, Section 4 of the United States Constitution, have the authority to remove political partisan considerations entirely from the redistricting process."

Democrats are howling about potential Russian interference in the midterm elections, but judicial intervention represents a more tangible threat to the Constitution's ordered liberty and may determine which party controls the House next year. Earlier this year a Democratic majority on the Pennsylvania Supreme Court redrew the state's congressional map to give the party an edge in as many as five districts.

North Carolina's GOP Legislature is appealing the panel's decision to the Supreme Court, but conservative and liberal Justices might deadlock on whether to stay the ruling before Brett Kavanaugh is confirmed. The Court's dodge this summer allowed liberal judges to pose as legislators, and they are doing so.

## The Oil Export Boom

When George W. Bush signed legislation in 2007 to subsidize and mandate the production of biofuels, he cited the urgent need to liberate America from "long-term" dependence on "oil from foreign lands." Turns out there was an easier, much less expensive way: drill, baby, drill.

The Energy Information Administration announced this month that the port district of Houston-Galveston began exporting more crude oil than it imported for the first time. Houston-Galveston exports in April surpassed imports by 15,000 barrels a day, and by May the difference had grown to 470,000 barrels a day. That port district handles more than half of all U.S. crude exports, which hit a record of two million barrels a day in May.

The export boom is testament to U.S. ingenuity that has driven rapid advances in hydraulic fracturing and horizontal drilling, especially in shale rock. The breakthroughs have lowered drilling costs and put Texas's Permian Basin at the center of an oil-and-gas drilling revolution that will next year see the state producing

more oil than either Iraq or Iran.

Washington also gets credit for removing regulatory hurdles like the oil export ban. Republican leaders in Congress took flak in 2015 for agreeing to extend green-energy subsidies for a few years in return for Barack Obama's signature on a statutory end to the 40-year-old export ban.

Some conservative pressure groups derided the policy trade as a sellout while liberals complained that ending the ban would serve Big Oil. The real beneficiaries are workers, investors and the overall economy, as well as greater flexibility in foreign policy as the U.S. is less vulnerable to authoritarian oil exporters.

The U.S. is unlikely to be a net oil exporter soon, since American refineries require heavy crude from abroad. Shale drillers produce lighter grades. But the gap between imports and exports shrank in 2017 to a 24-year low of 6.8 million barrels a day from more than nine million in 2012. The lesson is that American invention and entrepreneurship remain indomitable—when government gets out of the way.

## No Nafta Redo Without Canada

President Trump says his new trade deal with Mexico can go forward without Canada, but that's more bluster than reality.

Congress won't pass a new deal if it excludes our northern neighbor.

means it would require 60 Senate votes.

"NAFTA was a tri-party agreement only made operative with legislation enacted by Congress. Any change, such as NAFTA's termination, would require additional legislation from Congress," Mr. Toomey said in a statement on his website.

Excluding Canada would also make it harder to win union support that could persuade Democrats to vote for the new deal. Unifor—which merged the Canadian Auto Workers and the Communications, Energy and Paperworkers Union of Canada—and unions affiliated with the AFL-CIO represent more than a million workers in Canadian companies. A 25% U.S. auto tariff would cost many union workers their job.

The major remaining differences ought to be easy to settle. The biggest concerns Nafta's Chapter 19, which provides arbitration panels to appeal antidumping and countervailing duties imposed by one of the countries. The U.S. wants to kill these panels because dumping suits have become a protectionist favorite for industries like lumber and steel. But Canada needs Chapter 19 as a recourse so the U.S. can't use antidumping laws and national-security excuses to carve out big Nafta exceptions.

Government procurement rules and opening the Canadian dairy market are also points of contention, though Canada has signaled a willingness to compromise on dairy. A compromise that accepts Chapter 19 in return for a dairy opening would be a win for both sides.

Mr. Trump says his tariff policy will yield "smart" trade deals, but a bilateral deal with Mexico isn't good enough. He needs Canada as much as Canada needs the U.S. market.

## Liberal judges hijack redistricting to abet a Democratic House.

## LETTERS TO THE EDITOR

## Mr. Nader Misses the Mark on Driverless Cars

Regarding Ralph Nader's "Driverless-Car Legislation Is Unsafe at This Speed" (op-ed, Aug. 23): Automation isn't a panacea. It only relocates the opportunity for human failure from driver's seat to whatever houses the software, or whoever writes it. The automation system itself, as a technological entity, has a failure risk that could result in accidents.

Why should we put our lives and our loved ones at the risk of imperfect technology so quickly? It seems that we are being subjected to a technology that is being rushed to the marketplace by a global network of overzealous software, sensor and car manufacturers and their army of lobbyists, all trying to cash in on this frenzy while being monitored by a patchwork of unprepared, feckless or captured regulators.

This is a serious public-policy issue, and as Mr. Nader suggests, we need to make sure we've really tested the technology before unleashing it on the public. It's the job of competent, proactive regulators to scrutinize this.

PROF. NAJMEDIN MESHKATI  
University of Southern California  
Los Angeles

Contrary to Mr. Nader's description, exemptions from Federal Motor Vehicle Safety Standards (FMVSS) aren't a blank check to recklessly build cars that don't adhere to the public's safety expectations. Rather, by law, any company seeking an exemption must prove to federal regulators that such vehicles will be at least as safe as nonexempt vehicles.

The whole point of FMVSS exemptions is to balance the need for the development of transportation innovation with an accepted baseline of safety. To date, it's a system that has worked well but must be expanded.

IAN ADAMS AND CALEB WATNEY  
R Street Institute  
Washington

An additional safety issue with self-driving vehicles is the effect an outage of cellular or GPS service would have on them and those around them. Will there be highways cluttered with thousands of inoperable vehicles? What will it cost and who will pay for this? In addition to the cost per vehicle, there are unknown infrastructure costs to operate the system and provide enhanced electrical capacity for charging electric-powered vehicles. At some

point nonautonomous vehicles will need to be eliminated to provide the supposed enhancement to safety. Who will pay for the loss of value and disposal of those 250 million redundant vehicles? Due to the economic dominance of the companies that will profit from autonomous vehicles, they may be inevitable, but the public is entitled to insight about the costs it will bear.

STEVEN A. BECKELMAN  
Edgewater, N.J.

Passing the AV Start Act and enabling a bipartisan federal self-driving framework would benefit the nearly 20 million disabled Americans, in addition to retirees, who experience daily barriers to transportation and the opportunities it provides. Delaying the passage of critical self-driving legislation not only will derail these much-needed benefits, but prolong the status quo of rising death tolls on U.S. roads. In 2017, 40,100 people died from vehicle accidents, a 6% increase from 2015. As data show, 94% of crashes are due either wholly or in part to driver error; the lifesaving potential of self-driving cars is both obvious and significant.

ROBBIE DIAMOND  
President and CEO  
Securing America's Future Energy  
Washington

Mr. Nader complains about state pre-emption without noting that topics covered by existing Federal Motor Vehicle Safety Standards already pre-empt the states nor the impracticality of having 50 states attempt to duplicate the National Highway Traffic Safety Administration's vehicle safety and performance duties—an area in which states lack any technical knowledge and capacity. Regulators would be flying blind without such standards to incorporate in regulation.

The bipartisan AV Start Act, along with its already-passed House companion bill, would mandate the first national self-driving-car regulatory program. This technology aims to take on the 94% of crashes caused by human error and misbehavior and could save far more lives than anything Mr. Nader has supported in the past. Without this legislation, incorporating self-driving cars into the national auto regulatory framework will be further delayed.

MARC SCRIBNER  
Competitive Enterprise Institute  
Washington

## Pakistan Needs China's Help for Electricity

Regarding your editorial "Another 'Belt and Road' Hostage" (Aug. 21): While it is true that Pakistan's economy appears in dire shape, it is not correct to say that the money Pakistan borrowed from Chinese banks to fund the China Pakistan Economic Corridor (China's marquee Belt and Road Initiative) is to blame. Even today, CPEC loans make up around 10% of Pakistan's total debt.

As Ishrat Husain, former governor of the State Bank of Pakistan has

## Kavanaugh Has a Judicial Record, Unlike Elena Kagan

In an Aug. 28 letter Kristine Lucius of the Leadership Conference on Civil and Human Rights states that 99% of Elena Kagan's records from the Clinton White House were provided for examination, while Judge Brett Kavanaugh's White House records have not. She neglects to mention that Justice Kagan's White House documents were her only historical records because she had no record as a judge before moving into a top spot on the U.S. Supreme Court. Even then, Republicans looked at her "qualifications" and confirmed her. Judge Kavanaugh (yes, he is a judge) has an extensive and more current judicial record open to scrutiny for all to see. The Senate's advice and consent was intended to examine qualifications of nominees.

Democrats or progressives, whatever you call them, want someone who will support their agendas, not interpret the laws and our Constitution.

JOHN ROMI  
Pittstown, N.J.

Ms. Lucius ignores the hypocrisy of demanding Mr. Kavanaugh's White House records in the first place. Most Democrats have already decided to oppose his nomination, regardless. The only purpose in demanding them is to delay the confirmation proceedings as long as possible or, alternatively, to find something in those records that might persuade one or two Republicans to join their side. "Due diligence" is not remotely involved here, and Ms. Lucius surely knows that.

STEPHEN B. MIDDLEBROOK  
Virginia Beach, Va.

pointed out, one major cause of Pakistan's economic travails lies in its energy crises of supply, distribution and theft that have brought Pakistan's exports down from \$25 billion to \$21 billion. Export orders couldn't be fulfilled because exporters didn't have a reliable and uninterrupted power supply. He notes that the early phase of the CPEC, which is on track to add 8.6 gigawatts to Pakistan's electricity grid by 2020, will easily allow Pakistan to meet its annual CPEC debt obligations of \$2.5-\$3 billion.

SARWAR KASHMERI  
West Lebanon, N.H.

## Venezuela's Socialist Utopia

Regarding your editorial "Mone-tary Chaos in Caracas" (Aug. 20): It's obvious that Venezuela needs a visit by Bernie Sanders, Jerry Brown, Alexandria Ocasio-Cortez, Kamala Harris and members of the Democratic Socialists of America to sort things out the socialist way.

GERALD KATZ  
Edwards, Colo.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"I self-published my novel—and she panned it on her blog."

## OPINION

# An American Is Mislabeled A 'Russian Oligarch'

By Michael C. Child

**M**y friend Valentin Gapontsev is an American citizen. So what's he doing on a list of "Russian oligarchs"?

In 2017 Congress passed legislation mandating the U.S. Treasury make a list of Russians based on their net assets, "closeness" to Vladimir Putin, and indices of corruption. Treasury responded by reprinting Forbes magazine's 2017 list of richest Russians. Included on this list of Russian high-rollers and Putin cronies was Mr. Gapontsev. If ever there was a person who doesn't meet the definition of a Russian oligarch, he is it.

**Congress told the U.S. Treasury to make a list. Instead it borrowed one from Forbes magazine.**

Valentin is a physicist who left Russia after the Soviet Union's collapse and developed a revolutionary technology platform without government assets or assistance. He naturalized in 2008 and has lived and worked in the U.S. for nearly two decades. He built America's most successful laser company, IPG Photonics, which he took public in 2006. Now a member of the S&P 500, IPG has manufacturing and research-and-development operations in 11 U.S. states.

I got to know Valentin in 1999 when he was seeking investors. Attracted by his company's leading-edge technology, positive cash flow and profit generated from his limited capital investment, my firm jumped in. His vertical integration strategy created thousands of research and manufacturing jobs in the U.S., generates the best margins in the industry, and allows him to keep his technology close at hand. He avoids sending jobs or technology to China even though it is his largest market.

Given Valentin's remarkable success in the U.S., we were all shocked to learn that Valentin had been placed on the Treasury Department's oligarch list. Treasury officials argue that the list identifies the richest Russians and is not designed for imposing sanctions.

But listing Valentin has already had consequences. Competitors have used the list in their efforts to win new business. Valentin's name pops up as banks and other service providers do their normal "know-your-customer" screenings. His company is expending time and energy to get a dysfunctional U.S. government bureaucracy to remove him from the list.

If Congress gets its way, things could get worse. Two Democratic senators have written major U.S. and European banks asking for information on the assets of those on the oligarchs list. The recently enacted National Defense Authorization Act asks the administration to provide a classified briefing on the world-wide assets of each person listed.

A proposal by Sens. Marco Rubio (R., Fla.) and Chris Van Hollen (D., Md.) known as the Deter Act could even lead to the confiscation of Valentin's stock in IPG.

Treasury says there is no process for changing its list. That's ridiculous. Before further damage is done, the Treasury Department should remove Valentin from the oligarch list and clearly state that his inclusion was a mistake.

*Mr. Child is a senior adviser and former managing director at TA Associates, a growth private-equity firm.*

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# Why Republicans Stick With Trump

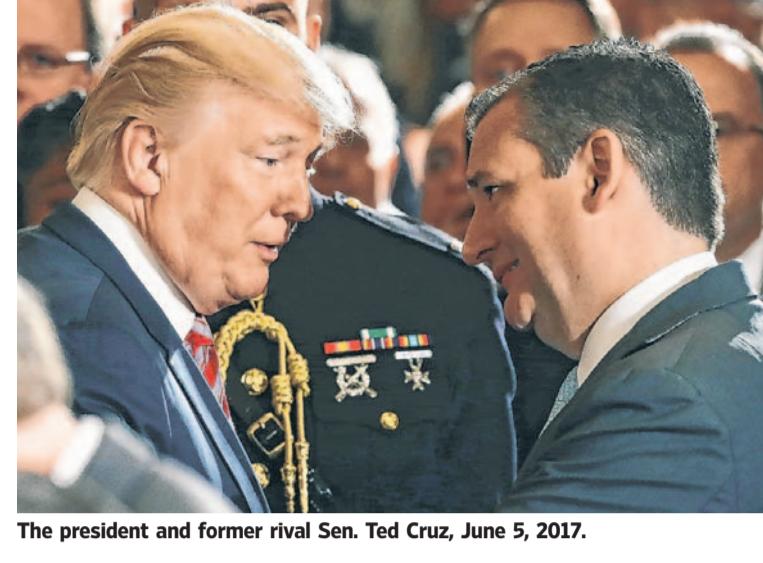
By Bobby Jindal

**W**ith each new controversy, Donald Trump's opponents plead with Republicans to denounce him. Hasn't Mr. Trump broken from GOP orthodoxy on free trade, immigration and entitlement reform? Not to mention the personal scandals and the never-ending tweets. Why do Republican leaders hesitate to rebuke him?

A shallow answer is politics: Sens. Jeff Flake and Bob Corker both tangled with Mr. Trump, and it turned out to be political suicide. But to get a deeper answer, it's instructive to examine what Mr. Trump *hasn't* done. Since the campaign, Mr. Trump has abandoned many of his previous positions and embraced traditional conservative views.

• *Spending and taxes.* During the election, Mr. Trump promised a \$1 trillion infrastructure plan. Some Republicans feared his first initiative on taking office would be a pork-laden spending package reminiscent of Barack Obama's stimulus bill. They also worried he would cut a deal with Democrats to raise taxes. "I am willing to pay more," Mr. Trump said in May 2016. "And do you know what? The wealthy are willing to pay more." Instead, the reverse happened: There's no infrastructure plan in sight, except for the border wall, and Mr. Trump signed a sweeping bill to reduce personal and corporate taxes.

• *Court nominees.* In 2015 candidate Trump said his sister, a liberal federal judge, would be a "phenomenal" Supreme Court justice, though he claimed he had been joking. After Justice Antonin Scalia died, Mr. Trump decided to release a list of potential replacements. This was a central reason many conservatives voted for him. In appointing Justice Neil Gorsuch, President Trump made good on his promise. Since then, constitutionalists have cheered the quality



MARK WILSON/GETTY IMAGES

The president and former rival Sen. Ted Cruz, June 5, 2017.

and sheer quantity of his appointments to all levels of the judiciary.

• *Abortion.* In a successful effort to win the Iowa caucuses, Sen. Ted Cruz attacked Mr. Trump's "New York values." A Cruz TV ad showed Mr. Trump years earlier calling himself "pro-choice in every respect." Yet President

**It's all the things he *hasn't* done. On key issues, the president has come around to conservative positions.**

Trump has reinstated Reagan's "Mexico City policy," which prohibits federal funds from going to international groups that provide or promote abortions. Mr. Trump is also moving to require a hard division between abortion providers and clinics that take federal Title X funds, which would be a significant hit to Planned Parenthood.

• *Israel.* In February 2016, Mr. Trump claimed he would not take sides between Israel and the Palestin-

ians, saying he would be "sort of a neutral guy." Sen. Marco Rubio labeled this "an anti-Israel position." Yet in December 2016, when the United Nations considered a resolution calling for an end to Israeli settlements, including in East Jerusalem, Mr. Trump said it was "extremely unfair to all Israelis" and pressed the Obama administration to veto it. Then this year Mr. Trump made good on his promise to recognize Jerusalem as Israel's capital and move the U.S. Embassy there. Time and again, he has proved to be a reliable ally for Israel.

• *Guns.* In a 2000 book, Mr. Trump wrote: "I support the ban on assault weapons and I support a slightly longer waiting period to purchase a gun." After the school shooting in Parkland, Fla., earlier this year, President Trump did briefly suggest expanding background checks and raising the age limit to buy certain guns. But he quickly reverted to strong Second Amendment rhetoric, while saying that massacres could be prevented by fixing mental-health services and arming teachers.

• *Health care.* In 2015, candidate Trump told "60 Minutes" that his plan would provide universal health coverage paid for by the government. "I am going to take care of everybody," he said. Campaigning in New Hampshire a few months later, he said Medicare could save an unrealistic \$300 billion if the government negotiated with drug companies to lower prices. But as president, Mr. Trump has pursued more-conventional Republican policies, such as adding work requirements to Medicaid, expanding short-term insurance plans, and broadening association health plans.

• *Defense.* In a 2013 interview, Mr. Trump seemingly supported the sequestration cuts to defense spending—only complaining that, as "a very small percentage of the cuts that should be made," sequestration wasn't big enough. In 2015 he suggested, unworkably, that by eliminating waste he could strengthen the military while still reducing spending. Yet in his first address to Congress as president, he proposed a 10% increase to the Pentagon's budget, which he later called "historic."

It isn't unusual for a politician to change positions. Unsurprisingly, voters tend to be more forgiving of flip-flops when they agree with the final result. This explains why Mr. Trump is forgiven for abandoning Republican orthodoxy on free trade and entitlement reform: those convictions were always held more by donors than voters. The same is true of support for "comprehensive immigration reform." If he were to cross his party on issues like taxes, abortion or guns, it would be quite another story. But in the meantime, begging Republicans to ditch Mr. Trump is a waste of time.

*Mr. Jindal served as governor of Louisiana, 2008-16, and was a candidate for the 2016 Republican presidential nomination.*

## Make Free Riders Pay? Easier Said Than Done

By F.H. Buckley

**T**he gross world product, the annual value of world-wide economic production, was more than \$80 trillion in 2017. In real terms, that's more than a three-fold increase from 40 years earlier. The enormous wealth gain reflects the benefits of a world dominated by and profiting from an American military and economy—a world with open sea lanes and unhindered trade, with the U.S. dollar as the global reserve currency. That's how the Trump administration sees the world, and its military and trade policies are driven by the president's desire to monetize America's contribution to the global commons. *The world is free-riding on us; let's make them pay.*

But the commons is hard to monetize, especially in international affairs. How could the administration make other countries pay what it sees as their share?

One possibility is to sell citizenship rights, perhaps by expanding the EB-5 Immigrant Investor Program. Other countries have tried this. Yet it didn't work out well, mostly notably in Canada, where thousands of condos went empty in Toronto and starter homes are too

expensive for young people. Ottawa ended its investor program in 2014. Selling citizenship rights also would be hard to square with the Trump administration's nationalism.

Another possibility is a departure tax on foreign direct investment. Foreign companies that invest in the U.S. would be hit with a levy if they repatriated their earnings, but not if they reinvested the money in the U.S. But that's unlikely to work either. The top four new FDI countries in 2017, accounting for more than half of foreign investment, were Canada, the U.K., Japan and France. These aren't backward countries free-riding on America's rule of law. Further, the Commerce Department reports that FDI accounts for more than six million direct U.S. jobs, and another 2.5 million indirect or induced jobs.

Then there's trade policy, which the Trump administration has used as leverage to achieve diplomatic and military objectives. The administration went easy on China in trade disputes when it was seen as helping the U.S. on North Korea, then leaned on Beijing when things seemed to be going well and Chinese help didn't seem necessary. As for Canada, the U.S. is running a goods and services trade surplus, and nearly nine mil-

lion U.S. jobs depend on trade, so you'd expect Washington would cut the Canadians some slack. But they're only spending 1.3% of GDP on their military, and so far they've been cut out of the revised North American Free Trade Agreement.

**Could the U.S. credibly threaten to reduce military spending to Canadian levels?**

Mr. Trump would never do it. America would have to make a credible threat to reduce military spending to Canadian levels and give up its role as the world's policeman.

Call it "Atlas Shrugged." But it isn't a credible threat for two reasons. First, if the global commons shrank, the U.S. would be a big loser too, maybe the biggest. Second, like other large countries, America seeks to project its power for the glory it provides. It's what foreign-policy realist Hans J. Morgenthau identified as the desire for dominance that he thought the principal cause of rivalry and conflict between nations.

Glory is an old-fashioned word. It evokes images of Knights of the Round Table. But it's an ineradicable part of human nature. The East Ender in Kipling's day might think that, poor as he was, at least he had part ownership of all the pink bits on the map. So too today, for Americans who bask in the glory of their country. They won't give it up, and the world knows that.

*Mr. Buckley teaches at Scalia Law School and is author of "The Republican Workers Party: How the Trump Victory Drove Everyone Crazy, and Why It Was Just What We Needed," forthcoming next week.*

## Things That Make You Go Hmmm

By John Steele Gordon

**S**en. John McCain died Aug. 25 of a brain tumor, a glioblastoma. Sen. Ted Kennedy died of the same disease, also on Aug. 25, nine years earlier.

That's quite a coincidence. But in a world as wide as this one, extremely unlikely things happen every day. Last spring a friend of mine had a straight flush in a hand of five-card draw poker. There are 2,598,960 possible hands in five-card draw, only 36 of which beat the lowest straight

flush. So the odds of losing while holding a straight flush are about 1 in 72,000. He lost anyway.

History provides endless examples of odds even longer than that:

• Thomas Jefferson and John Adams were the only signers of the Declaration of Independence to become president. They are also the only two presidents to have died on the same day. That day was July 4, 1826, 50th anniversary of the signing. Jefferson's last words were, "Is it the fourth?" Adams's last words were, "Thomas Jefferson survives." He was wrong; Jefferson had died a few hours before. President James Monroe also died on July 4, in 1831.

• Of the dozen or so most significant men of the 19th century, two, Abraham Lincoln and Charles Darwin, were born on the same day, Feb. 12, 1809. Lincoln was born in a dirt-floored one-room log cabin 3 miles south of Hodgenville, Ky., Darwin in upper-middle-class comfort in Shrewsbury, England.

• In the 1940s, the president of General Motors and the president of General Electric were each named Charles E. Wilson. They weren't related. They were known as Engine Charlie and Electric Charlie to keep them straight. Chief Justice Earl Warren was succeeded on the Supreme Court by Chief Justice Warren Earl Burger.

• The town of Codell, Kan., founded in 1888, had never been struck by a tornado until it was hit on May 20, 1916. It was struck again on

May 20, 1917, and yet again, this time severely, on May 20, 1918. It has never been hit since.

• In his only novel, "The Narrative of Arthur Gordon Pym of Nantucket," published in 1838, Edgar Allan Poe tells a story of a shipwreck where the starving survivors draw lots to see who will be killed so that the others can survive by eating his flesh. The

**Odds are these historical coincidences will strike you as unlikely.**

man who lost was named Richard Parker. In 1884, a British yacht named Mignonette was lost in the South Atlantic. The survivors decided to sacrifice one so that the others could live. The man killed was named Richard Parker.

• The number of documented cases of meteorites striking a house is extremely small. Only three are known to have occurred in the U.S. in the 20th century. But two of those houses are in the town of Wethersfield, Conn., 13.1 square miles in size. They were struck only 11 years apart, in 1971 and 1982. There were no injuries in either case.

• On Aug. 18, 1913, a roulette wheel in Monte Carlo came up black 26 times in a row. The odds against that happening are approximately 136,823,183 to 1.

• A total of 112 men died in the

course of building Hoover Dam. The first person killed was J.C. Tierney, who drowned on Dec. 20, 1922, as he was surveying for a location for the dam in the treacherous waters of the Colorado River. The last man lost died on Dec. 20, 1935, exactly 13 years later. He was Patrick Tierney, J.C.'s son, who fell off an intake tower shortly before construction was completed.

• The RMS Titanic had two far less famous sister ships, the older Olympic and the younger Britannic. They were a hard-luck class. On Sept. 20, 1911, when the HMS Hawke collided with the Olympic, both ships were badly damaged but no lives were lost. On April 14, 1912, the Titanic hit an iceberg and sank in mid-Atlantic with the loss of 1,500 lives. On Nov. 21, 1916, the Britannic, which had been converted into a hospital ship after World War I broke out, was hit by a mine in the Aegean Sea and sank with the loss of 30 lives. On board all three ships at the times of their respective misfortunes were Violet Jessop, a nurse, and Arthur John Priest, a stoker.

• The assassination of Archduke Franz Ferdinand, heir to the Austrian throne, set off World War I. He and his wife were riding in a car that bore the license plate A 11118. The war ended four years later when the armistice came into effect Nov. 11, 1918.

*Mr. Gordon is author of "An Empire of Wealth: The Epic History of American Economic Power."*

## WORLD NEWS

# Canadian Pipeline Work Blocked

Court ruling delivers blow to government as it seeks to bolster country's oil exports

BY KIM MACKRAEL  
AND PAUL VIEIRA

OTTAWA—A Canadian appeals court annulled regulatory approval of the Trans Mountain pipeline expansion project, dealing a blow to the country's Liberal government after it agreed to purchase the corridor from **Kinder Morgan** Inc. in a multibillion-dollar deal.

Thursday's court ruling is the latest impediment in a yearslong, politically fraught effort to expand the amount of landlocked crude oil that can be moved from the province of Alberta to the Pacific Coast, where it can be loaded on tankers and transported to faster-growing economies in Asia. The bulk of Canadian crude is shipped to the U.S.

Canadian Finance Minister Bill Morneau said the court's ruling doesn't change the government's plan to buy the Trans Mountain project for 4.5 billion Canadian dollars (US\$3.5 billion). He said the deal, which was first announced in May, could close as early as Friday.

"As a government, we can manage risks that, in these particular circumstances, would have been difficult for any private-sector company to bear," Mr. Morneau said. He added the government intends to sell the project to a private-sector buyer in the future.

The Trans Mountain project, which envisages nearly tripling the amount of western Canadian crude moved along the corridor, has faced stiff opposition in Canada's westernmost province of British Columbia, where environmentalists, indigenous groups and lawmakers say it puts the pristine Pacific coastline at risk.

The government has argued the project is vital for the



Steel pipe for Trans Mountain pipeline rested on railcars in British Columbia in May. This month, protesters demonstrated against the project.

country's economic future because it would alleviate a bottleneck in oil transportation that has made it difficult to get Canadian crude to offshore markets.

The unanimous decision, from three judges on Canada's Federal Court of Appeal, found an approval order issued by Prime Minister Justin Trudeau in November 2016 was flawed and must be reviewed. Kinder Morgan said that, because of the ruling, it is taking steps to suspend construction on the 710-mile pipeline expansion, less than a week after the project began.

In its decision, the court said Canada failed to adequately consult with indigenous groups on the pipeline project and relied on a study that didn't fully consider the impact of increased oil-tanker traffic on the environment. Canadian law requires the government to consult and accommodate indigenous groups on developments that might adversely affect them. The court said Canada needs to do



additional consultations with indigenous groups.

The court decision was in response to lawsuits filed by indigenous groups, environmental advocates and local British Columbia governments looking to overturn Canada's regulatory approval.

Canada failed "to engage, dialogue meaningfully, and grapple with the real concerns of the indigenous applicants

so as to explore possible accommodation of those concerns," the appeals court said.

Chief Maureen Thomas of the Tsleil-Waututh Nation, one of the applicants in the court case, said the decision justifies their yearslong fight. "We have made it clear that this project represented a risk too great to accept, and the rejection of these permits today is a big win for everyone who

loves this coast and this inlet."

The decision is a blow to Mr. Trudeau, who has made stronger environmental protections and reconciliation with indigenous groups central tenets of his government's mandate.

As it happens, the court decision emerged on the same day Kinder Morgan shareholders approved the sale of the pipeline to Canada's government during a vote at a special meeting Thursday.

Share prices of Canadian oil producers declined Thursday as investors considered the implications of the court decision.

"Any further delays to this important project will only serve to harm the Canadian economy by limiting access to global markets for the country's oil exports and depriving governments of additional tax and royalty revenues," said Al Reid, general counsel for Calgary-based oil producer **Cenovus Energy** Inc.

—Vipal Monga in Toronto contributed to this article.

# Economy Picks Up On Export Strength

BY PAUL VIEIRA

OTTAWA—The Canadian economy rebounded in the second quarter with its best performance in a year, powered by one of the strongest export gains this decade and an acceleration in consumer spending.

Canada's gross domestic product rose at a 2.9% annualized rate in the second quarter, to 1.878 trillion Canadian dollars (US\$1.446 trillion), Statistics Canada said Thursday. GDP climbed 1.4% in the previous quarter.

The result "was pretty much bang on Bank of Canada expectations, and so there is little reason for them to alter the path of their policy interest rate," said Brian DePratto, an economist at TD Bank. "Another hike is coming."

The Bank of Canada, which lifted its benchmark rate by a quarter-percentage point last month to 1.5%, is scheduled to issue its latest policy decision on Wednesday.

Analysts have been divided on whether the central bank will pull the trigger on another rate rise, with solid economic data offset by uncertainty over Canada's future in the North American Free Trade Agreement.

Three-quarters of Canadian exports are U.S.-bound, and the second-quarter data underscore the importance of unfettered access to the U.S. market. Export volume on a nonannualized basis rose in the three-month period by 2.9%, the largest gain in four years, led by shipments of energy and pharmaceutical products. Import volume climbed 1.6%.

Also bolstering growth was consumer spending, which climbed 0.6% in the second quarter, reversing a downward trend that began in last year's third quarter.

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# BUSINESS & FINANCE

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S&amp;P FIN ▼ 0.79%

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## Wells Fargo Probes Staff Expenses

**Employees are fired, suspended for alleged doctoring of receipts for dinner orders**

**Wells Fargo & Co.** has fired or suspended more than a dozen employees in its investment bank and is investigating dozens of others over alleged violations of the company's expense policy regarding after-hours meals, according to people familiar with the matter.

At issue is whether Wells Fargo employees ranging from analysts to managing directors

in New York, San Francisco and Charlotte, N.C., doctored receipts on dinners that they charged to the bank, the people said.

"We became aware that certain Wells Fargo Securities team members were not complying with the after-hours meals reimbursement policies after they were brought to the attention of our leaders by concerned team members," a Wells Fargo spokeswoman said in a statement. "We took action to address the issue and we continue to investigate the matter."

Wells Fargo, like other big banks, reimburses staffers for

food that they order when they have to stay late at the office to work on deals and other assignments for clients.

In recent months, however, executives within the invest-

By Peter Rudegeair,  
Emily Glazer  
and Coulter Jones

ment-bank division, which is known as Wells Fargo Securities, learned that some employees regularly placed dinner orders through delivery services such as Grubhub Inc.'s Seamless or Square Inc.'s Caviar earlier than the policy allowed, the people said. Later,

employees allegedly altered the time stamps on emailed receipts to make their meals eligible for reimbursement, these people added.

That discovery kicked off an internal review into months of expense filings that resulted in employees being fired or placed on administrative leave and that caused a delay in bonuses that were due to analysts earlier this summer, the people said. Since May, at least nine Wells Fargo analysts and associates have been terminated or have resigned voluntarily after the bank alleged they altered their meal receipts, according to a review

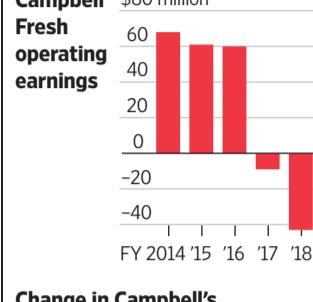
of Financial Industry Regulatory Authority records. Banks generally have 30 days to update Finra records.

Wells Fargo has faced a spate of issues since a sales-practices scandal erupted at the company in 2016. The bank's problems across many of its major business lines prompted the Federal Reserve to limit its growth, and it is currently under investigation for a range of problems, including improper customer charges by the Justice Department, Securities and Exchange Commission and other state and federal entities. The bank

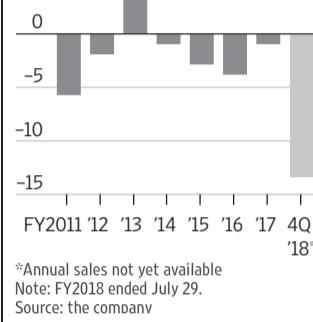
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### Going Cold

Campbell is losing sales in both the fresh business it wants to sell and its core soups.



### Change in Campbell's U.S. soup sales



\*Annual sales not yet available  
Note: FY2018 ended July 29.  
Source: The company

## Campbell Steps Out Of Fresh Food Aisle

By ANNIE GASPARRO AND CARA LOMBARD

**Campbell Soup** Co. plans to sell its international and refrigerated-foods businesses, abandoning its fresh-food push and leaving the door open to a full sale.

Campbell is looking for buyers for its Bolthouse Farms, Garden Fresh, Arnott's and Kelsen brands, which together generate \$2.1 billion in annual revenue, the company said.

"We will pursue further actions in addition to those," Interim Chief Executive Keith McLoughlin said.

He said Campbell remains open to splitting the company in two or doing an outright sale. Management and the board think the divestitures will make Campbell more attractive as an acquisition target, according to people familiar with the matter.

Campbell's shares dropped 2.1% on Thursday. Falling soup sales and Campbell's misfires in the fresh-food aisle have dragged its shares down by roughly one-third over the past two years.

"We had too many initiatives that made the company unnecessarily complex," Mr. McLoughlin said on a conference call Thursday. "We lost focus within our products and brands."

Divesting the international and fresh businesses would cut out one-fifth of Campbell's estimated revenue for the current fiscal year. The fresh and international businesses have drawn interest from several potential bidders, including private-equity firms, people familiar with the matter said.

Selling them may not be enough to appease activist investor Daniel Loeb of **Third Point** LLC and George Strawbridge Jr., a descendant of the inventor of Campbell's condensed soup, who together are pushing for a full sale. They revealed a combined 8.4% stake in the company earlier this month and could still launch a proxy fight for board seats within the next few weeks.

Third Point has said a sale to another food maker is "the only justifiable outcome." Representatives for Third Point declined to comment on Thursday.

Campbell hasn't discussed its plans with Messrs. Loeb or Strawbridge.

What remains of Campbell will be focused on U.S. soups and snacks, like SpaghettiOs and Kettle chips, putting pressure on management to improve those operations.

"We've actually spent a fair amount of money on innova-

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## Trump Proposes Retirement Changes

By VIVIAN SALAMA

**WASHINGTON**—President Trump is expected to sign an executive order Friday directing the government to review rules requiring retirees to start taking annual withdrawals from retirement funds after they turn 70 ½ and to consider making it easier for small businesses to offer employees 401(k) plans.

The action, expected to be signed during a ceremony in Charlotte, N.C., ahead of the Labor Day weekend, was billed by the White House as a push to better prepare workers for retirement.

As part of the initiative, the Treasury Department would review the rules on required minimum distributions from retirement plans to see if investors can keep more money for a longer time in 401(k)s, individual retirement accounts and other tax-sheltered savings plans. If successful, it could allow retirees to spread retirement savings over a longer period.

The executive order also would direct the Treasury and Labor departments to consider issuing regulations that could make it easier and cheaper for smaller employers to band together to offer 401(k)-type plans for their workers.

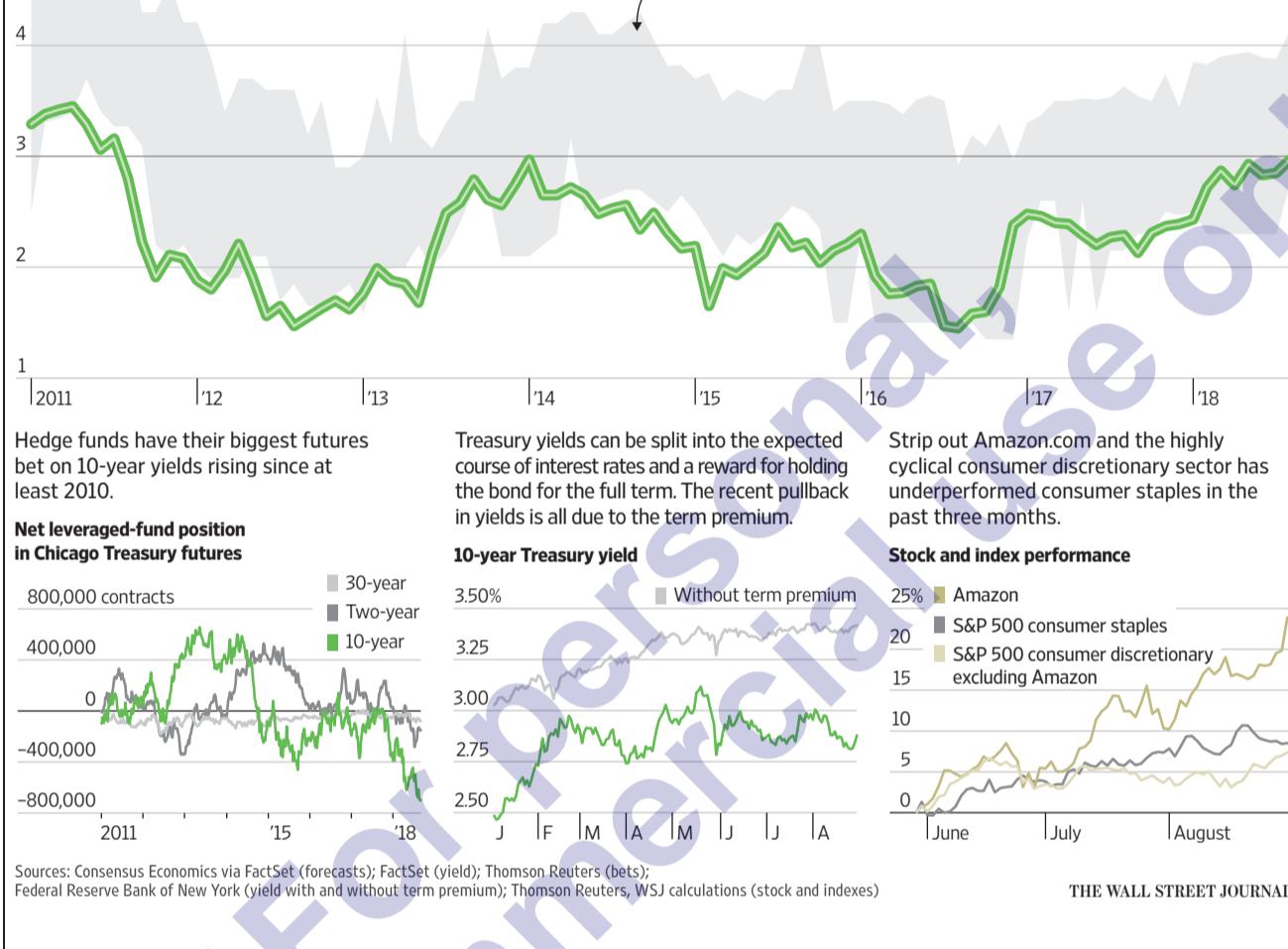
"These plans like other plans have large overhead and department costs," said James Sherk, special assistant to Mr. Trump for domestic policy. "Large employers can enjoy economies of scale by spreading those costs among larger groups of workers. Small busi-

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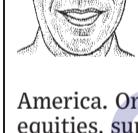
## Reading Between the Lines

Economists have long forecast that yields will rise over the next 12 months, but have been overly optimistic.



STREETWISE | By James Mackintosh

## Markets Say: Don't Bet on a Boom



Stocks and bonds seem to be telling two contradictory stories about a divided America. On one side are U.S. equities, supporting the idea of a new economic boom after hitting a series of highs. On the other are the dour pessimists of the bond market, where 10-year Treasury yields have stagnated after failing to hold above 3%.

The tale of two Americas in two markets is appealing, but in reality the same investors operate in both and have access to the same information. So how come they look so different?

Guskin Sheff Chief Economist David Rosenberg reckons neither market is telling us anything about the economy. Stocks are "being juiced by record M&A activity and stock buybacks," he says, while there is "scant chance"

of Treasury yields rising while European and Japanese yields are close to zero.

However, stocks and bonds are telling a consistent story of a slower but still-growing economy.

Start with equities: After their rapid drop in late January, there was renewed optimism as the U.S. economy surged and tax cuts boosted earnings. But for the past three months, defensive stocks have been doing well,

while the cyclical stocks that tend to climb when the economy accelerates have been lagging behind.

A market rising because of defensive stocks is at least rising—and even the cyclical sectors all have made money. The message is that growth prospects are unspectacular but fine, and far better than the signal coming from the rest of the world, where many cyclical stocks are

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## Decadent Drink Gets a Recipe Revamp

By JULIE JARGON

**Starbucks** Corp. is putting its decadent Frappuccino on a diet, looking to reduce the drink's high sugar levels, which have scared away increasingly health-conscious consumers and hurt sales.

Some versions of the drink contain more than twice as much sugar as a standard Snickers bar and far more calories. A 16-ounce Mocha Frappuccino contains 410 calories, compared with 250 in a 1.86-ounce Snickers.

It has been tough for Starbucks to lower the calories and keep the sweet taste that consumers expect.

"It was incredibly challenging to mimic what was taken out," said Jason Davis, senior manager of beverage innovation at Starbucks. To achieve a similar texture and taste, the company tested more than 20 types of cream and 70 different vanilla flavorings, and Starbucks created a new bottle to make sure the proper amounts of flavor are dispensed.

Getting this right is important to Starbucks because the

### Sugar High

Starbucks has reformulated the recipes of its most decadent beverages to make them healthier, but the Frappuccinos are still more indulgent than a Snickers candy bar.

◆ Snickers bar\*  
Old recipe for caramel Frappuccino\*  
New recipe\*

The new caramel Frappuccino recipe has 98% of the added sugar one should consume in a day

The old recipe had 132%\*

A Snickers bar has 54%\*

\*53 grams †16 ounces  
Notes: Daily values based on a 2,000 calorie diet; Sugar daily value based on 50 grams, roughly 10% of daily caloric intake  
Sources: the companies (nutrition); Dietary Guidelines for Americans (sugar daily value); U.S. Food and Drug Administration (nonsugar daily values)

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Calories  
150% daily value  
100  
50  
Total fat  
Sugar  
Saturated fat  
Sodium

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EA HOLDS ITS FIRE ON 'BATTLEFIELD V'

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## BUSINESS NEWS

# Microsoft Presses Vendors On Leave

BY LAUREN WEBER

**Microsoft** Corp. will soon require its suppliers and contractors to provide at least 12 weeks of paid time off to new parents, the software giant said Thursday.

The policy applies to Microsoft vendors with more than 50 employees and covers workers given substantial assignments for Microsoft. For example, a staffing agency that provides information-technology professionals to Microsoft and other clients would only have to cover employees assigned to Microsoft. It will affect thousands of workers around the country, the company said.

The paid-leave benefit requirement will be capped at \$1,000 a week in compensation, and Microsoft suppliers have 12 months to implement the change.

Pressure is mounting for employers, states and the federal government to offer family-leave benefits. Microsoft's new policy expands an initiative the company put into place in 2015, when it began to require that its vendors provide at least 15 days of paid sick and vacation time annually.

**A policy requires that vendors offer at least 12 weeks of paid time off to new parents.**

ally to workers assigned to Microsoft contracts.

The latest change answers some criticism faced by large U.S. corporations as they outsource more functions to contracting firms, staffing agencies and other third parties. By outsourcing more work, firms often avoid paying the gold-standard wages and benefits they provide to their internal employees. Third-party companies compete on price for contracts, which reduces their incentive to provide higher wages and more benefits to their own employees.

Dev Stahlkopf, Microsoft's general counsel, said that when the company implemented the 2015 requirement for paid time off, she heard from suppliers that some had wanted to offer greater benefits to employees but were reluctant to do so because rivals with fewer benefits would sell their services at a lower price.

With the benefit mandate, Microsoft is taking a step toward bringing the benefits of people not directly employed by the company closer in line with those of its own people. Microsoft's employees receive 12 weeks of fully paid leave for new parents, with an additional eight weeks for birth mothers.

Microsoft was the subject of the so-called permatemp lawsuit, a class action filed by workers who accused the company of using long-term temp workers to do the work of employees while denying them the benefits that employees received. The firm settled that suit in 2000 for \$97 million.

Microsoft's new policy also comes as more states and cities pass family-leave legislation that requires employers to provide a minimum number of paid days off to care for family members, including a new baby. The company's policy closely mirrors a law passed in 2017 by legislators in Washington state, where Microsoft is based. It guarantees most workers in the state get 12 weeks of paid time, also at a cap of \$1,000 in compensation per week. That benefit, which will be in place by 2020, will be funded through a tax on workers in the state and a smaller tax on employers.

While that law "will benefit the employees of our suppliers in Washington state, it will leave thousands of valued contributors outside of Washington behind," Ms. Stahlkopf said, adding that Microsoft's new policy will affect thousands of workers outside of Washington. "We understand this may increase our costs, and we think that's well worth the price," she said.

# Shipping Firm Embraces the Wind

As cost of oil surges, Maersk Tankers tests high-tech sails to cut its vessels' fuel bills

BY COSTAS PARIS

Marine fuel prices are soaring and the shipping industry is looking for ways to harness winds to power oceangoing vessels.

Danish giant Maersk Tankers said Thursday it has installed 100-foot-tall rotating cylinders on one of its product tankers, adding devices that are effectively high-tech sails that could cut the vessel's fuel bill as much as 10%. If the system proves out during testing, Maersk could use the technology on dozens of ships in its 164-tanker fleet.

The operation is the latest attempt to bring together modern oceangoing vessels with maritime's oldest and most basic technology: sails that harness wind power.

In the 1980s, French ocean explorer Jacques-Yves Cousteau commissioned the Alcyone—a vessel named after the daughter of the wind in Greek mythology—which used turbosails that provided thrust in the direction of travel along with the engines.

Shipping executives said previous efforts didn't catch on with operators because either the costs of such technologies were too high or tests didn't yield the expected fuel savings. But modern, lightweight and relatively cheap rotating sails show more promise, they said.

The cylinders on the Maersk tanker are made with composite materials by Finland-based Norsepower Oy and cost €1 million to €2 million (\$1.2 million to \$2.3 million) to fit on a vessel, depending on the ship's size.

The technology is based on what is known as the Magnus effect, in which a spinning object drags air faster around one side, creating a difference in pressure that pushes the vessel in the direction of the lower-pressure side.



The Maersk Pelican will test 100-foot-tall rotating sails that are expected to help cut fuel consumption by up to 10% for the shipper.

**A.P. Moeller-Maersk A/S**, the umbrella group that includes container-shipping giant **Maersk Line**, sold Maersk Tankers to its controlling shareholder Maersk Holding last year.

Maersk Tankers didn't disclose its annual energy bill. Maersk Line spent about \$3.4 billion on fuel last year for its fleet of roughly 800 vessels. The carrier expects its annual cost to increase by about \$2 billion in 2020, when it starts using cleaner fuels to comply with stricter environmental rules.

Marine fuel prices generally have increased about 30% this year from a year ago. "We have been taking incre-

mental steps to cut our energy bill for the past 15 years, but this could prove a game changer," said Tommy Thomassen, Maersk Tankers' chief technical officer. "Fuel makes up approximately 60% of our total cost and this technology has a significant potential to cut fuel consumption by 7% to 10% on the ships that it will be installed."

Mr. Thomassen said tests so far are promising, and if the savings are proven during the trial runs with the Maersk Pelican tanker, the spinning cylinders could be installed on about 80 of its large and medium-size product tankers.

The Pelican will sail in the

next few days.

The sails have been used since 2014 on a ferry operated by Dutch shipping firm Bore Ltd. and were installed on a Viking Line cruise ship in April.

Bore Vice President Jörgen Mansnerus has said the results were better than expected.

"There is a high interest in this technology," said Tuomas Riski, Norsepower's chief executive. "As the [technology] gets better, the cost will fall and there is the potential to make the rotor sails a standard feature for certain types of ships like tankers or dry bulk carriers."

The Maersk project is a

joint venture with Norsepower, Royal Dutch Shell and the U.K.'s Energy Technologies Institute, an industry group focused on alternative-fuel use.

Other shipping operators also are looking for ways to cut fuel costs.

Food and commodities giant Cargill Inc., for instance, has equipped one chartered dry bulk carrier with a 3,444-square-foot kite made of artificial fibers to harness wind power.

Maersk Line and Maersk Tankers also have started using special paints on ship hulls to cut down on algae and other microorganisms that increase drag.

# Fresh Bidder for Brookstone Brand

BY LILLIAN RIZZO

**Brookstone** Inc.'s brand is at the center of a brewing bidding war between two brand-licensing firms.

One day after Brookstone announced it received a \$35 million offer from **Authentic Brands Group** Inc., the company received another prospective offer from **Bluestar Alliance** LLC.

Bluestar, which owns brands including Bebe, Tahari and Limited Too, said in court papers on Tuesday that it submitted a letter of intent with a \$40 million cash offer for the Brookstone brand. The firm said its Tuesday offer was in response to the announcement of Authentic Brands' bid on Monday.

"A proverbial high-class problem," said Judge Brendan Shannon of the competing offer at a hearing Wednesday in U.S. Bankruptcy Court in Wilmington, Del.

The prospective offer from Bluestar wasn't reviewed by Brookstone's board as of the Wednesday hearing, mainly because a majority of the board is located in China, a company lawyer said.

Authentic Brands, backed by private-equity firm **Leonard Green & Partners**, has a history of picking up brand names at bankruptcy-run auctions. In June, the firm pur-



Bluestar Alliance LLC intends to make a \$40 million cash offer for Brookstone Inc.'s brand.

chased brands from Nine West Holdings Inc. for \$340 million. In previous years Authentic Brands acquired the brands associated with Aéropostale Inc. and Frederick's of Hollywood.

Meanwhile, Bluestar has been shopping for troubled retailer brands, too. In February, the licensing firm had made an offer for the brand behind shoe retailer Aerosoles but lost out to **Alden Global Capital** LLC.

Bluestar also helped Bebe

Stores Inc. bypass a bankruptcy filing in 2017 when it struck a joint-venture agreement with the women's retailer to keep its brand and website alive.

Like Authentic Brands, Bluestar is seeking approval to set the opening offer at a bankruptcy-run auction slated for late September. After the company's board reviews both offers, it will seek court approval on Sept. 6 to designate a so-called stalking horse bidder.

Brookstone sought chapter 11 protection in early August with plans to close its 102 mall-based stores and seek a buyer for its intellectual property and airport stores, which have fared better.

The proposed bid from Authentic Brands also included "an express interest" in finding a partner to keep the retail business, which includes the airport stores, alive. The offer from Bluestar doesn't indicate its plans for the remaining bricks-and-mortar stores.

# Boeing Wins Major Navy Contract to Build Drones

BY DOUG CAMERON

**Boeing** Co. on Thursday won a major contract to build new drones for the U.S. Navy, the first in a series of Pentagon contests that could stem declining sales at the aerospace giant's defense arm.

The Pentagon on Thursday said it picked Boeing following a three-way competition to build new MQ-25A Stingray drones that will fly from aircraft carriers to refuel combat jets. Analysts had said the program could give the winner an advantage in developing future unmanned systems for the military.

Boeing hasn't won a big, new Pentagon program in a competition since securing a deal in 2011 to build aerial tankers for the Air Force. It was the sole bidder to build the jets that will fly as the future Air Force One.

The company beat out Lockheed Martin Corp. and General Atomics LLC to secure an initial \$805 million deal to the first four Stingrays for the Navy. The service plans to buy an additional 72 of the drones for a total program cost of around \$13 billion.

The Stingray was originally conceived to carry weapons as well as provide refueling capabilities, with later plans also envisaging its use for reconnaissance. The Navy then changed tack in a bid to speed development and keep costs down, focusing on the drones' use for refueling.

Carrier-based aircraft are currently refueled with Boeing F/A-18 combat jets. The first Stingray is expected to fly in 2021, entering service three years later.

Northrop Grumman Corp., which developed a prototype that successfully landed and took off from an aircraft carrier, elected not to bid for the MQ-25A contract.

# San Francisco Awards Scooter Permits

BY ELIOT BROWN

San Francisco dealt a blow to the largest shared-scooter companies on Thursday, awarding two smaller startups exclusive rights to rent the electric-powered vehicles for a year in a decision that could change the course of the nascent market.

The nation's tech capital denied permits to 10 companies, including **Bird Rides** Inc. and Lime, which have raised nearly \$1 billion in capital to quickly populate cities with

scooters—often against the will of regulators.

The city also rejected permits for ride-hailing companies **Uber Technologies** Inc. and **Lyft** Inc., which only recently jumped into the scooter craze. Officials said past violations in their ride-share businesses hurt their applications.

Instead, San Francisco awarded the permits to two other startups, Scoot Networks and Skip Scooters, which together have raised nearly \$50 million.

While San Francisco is just

one city, it could have spill-over problems for the big scooter companies, whose high-powered investors see enormous potential to reshape urban transportation.

Bird and Lime, a unit of **Neutron Holdings** Inc., have racked up a growing collection of cease-and-desist letters from cities. Still, Bird and Lime both also scored a reprieve Thursday when Santa Monica, Calif., gave both companies two of four total permits for a scooter program in the beachside city.

Uber and Lyft also were awarded permits in Santa Monica. An Uber spokeswoman said granting two permits "unnecessarily limits mobility options in San Francisco," and it plans to discuss its concerns with the city. A Lyft representative couldn't be reached for comment.

A Bird spokeswoman said the company was disappointed with the San Francisco decision. A Lime spokesman said the company plans to appeal.

—Greg Bensinger contributed to this article.

## TECHNOLOGY

WSJ.com/Tech

# Japan Mulls China Telecom Curbs

By MAYUMI NEGISHI

TOKYO—Japan is studying restrictions on Chinese telecommunications-equipment companies **Huawei Technologies** Co. and **ZTE** Corp. as U.S. fears of cyberspying by Beijing prompt allies to follow suit.

U.S. officials have been arguing that using equipment from the two companies in network infrastructure constitutes a security risk. Australia last week banned both Chinese companies from its next-generation mobile network. A July study by the U.K. government said it found “shortcomings” in Huawei’s engineering processes that exposed new risks.

Officials responsible for cybersecurity in the Japanese government’s Cabinet Office said they have begun to study whether tighter regulations are needed to reduce the risk of infiltration through imported equipment, including equipment made by the Chinese companies. One of the officials said Japan was aware of other countries’ moves but would make an independent decision about regulation.



Fears of cyberspying by Beijing have sparked new scrutiny of Huawei and ZTE.

Tokyo’s study is still preliminary and nothing concrete has been decided, officials said. A representative of ZTE declined to comment. A Huawei spokesman declined to comment.

In response to earlier criticism, Huawei has said its equipment is safe. The company says it is owned by its employees and operates inde-

pendently from the government in Beijing. In the U.K., Huawei says it is working to address the government’s concerns.

Huawei and ZTE together accounted for roughly 9% of Japan’s telecom-equipment market in 2017, according to IHS Markit Technology.

Huawei doesn’t disclose its Japanese sales figures. It employed more than 950 people

in Japan as of last year and has partnered with major Japanese electronics companies, according to the company website.

Japan is racing to roll out so-called fifth generation networks next year, ahead of the 2020 Summer Olympics in Tokyo. Japan’s carriers are already placing orders for software and equipment that they

spent years developing with Huawei, analysts said. Japan’s biggest cellphone carrier, NTT DoCoMo Inc., as well as the No. 3 carrier, the Japanese mobile unit of SoftBank Group Corp., say they have conducted field trials with Huawei, in accordance with instructions from Japan’s communications ministry.

If no action is taken, Huawei, the world’s largest supplier of telecom equipment, looks poised to reap big rewards after it identified Japan as a key market in its ambition to set the standard on network technology more than a decade ago. The faster networks are expected to better connect vehicles, homes, banks, and infrastructure.

“The safety [of Huawei and ZTE equipment] has been demonstrated,” SoftBank mobile executive Jun Shimba said at a news conference Wednesday. Asked about possible government action against the companies, he said SoftBank would “conduct serious discussions” with regulators.

—Dan Strumpf contributed to this article.

# ZTE Logs \$1 Billion Loss in First Half

By DAN STRUMPF

HONG KONG—China’s **ZTE** Corp. disclosed a loss of 7.8 billion yuan—about \$1.1 billion—for the first half of the year, after a ban on purchasing American supplies triggered a life-threatening shutdown of the telecommunications giant.

The loss, which covers most of the period during which ZTE was shuttered, marks its first official accounting of its travails. The Commerce Department banned U.S. companies from selling to ZTE in April after it found the firm broke the terms of its settlement resolving earlier violations of U.S. sanctions on Iran and North Korea.

The penalty was effectively a death sentence for ZTE. The company sells telecom gear and smartphones globally, and is hugely reliant on American tech suppliers for parts, including chips from San Diego-based Qualcomm Inc.

The shutdown prompted a backlash from Beijing, turning the company into a football in broader trade talks between China and the U.S. The Trump administration eventually reversed the sanctions in exchange for a \$1 billion fine, a purge of senior management and a new compliance monitor.

On Thursday, ZTE, which is based in the southern city of Shenzhen, said the six-month loss compared with a profit of 2.3 billion yuan, or \$335 million, last year. Revenue fell 27% to 39.4 billion yuan.

ZTE now has a new nine-person board of directors led by Li Zixue, a longtime employee of one of ZTE’s government-owned shareholders. Mr. Li replaced Yin Yimin, who resigned along with the rest of the company’s previous board as part of the U.S. deal to keep the company in business.

ZTE said its plans for the second half of the year include a focus on investing in next-generation 5G wireless technology, and said its 5G products “are in sync with the global timetable for 5G commercialization.”

ZTE still faces concerns over the security of its telecom gear. Australia has banned ZTE and Chinese rival Huawei Technologies Co. from participating in the construction of its 5G networks, aligning it with U.S. policy and citing concerns that the gear could be tapped by Beijing. Japan is weighing a similar measure. ZTE and Huawei have said they operate independently of Chinese authorities.

## Fan Feedback Delays Launch of ‘Battlefield V’



WOLFGANG RATTAY/REUTERS

**Electronic Arts** Inc. has delayed the release of its “Battlefield V” videogame by four weeks to make “some final adjustments” after receiving feedback from the gaming community, the company said Thursday.

EA shares fell 9.8% to \$115.94. Before Thursday, the stock had risen 22% in 2018.

EA, which had planned to launch the shooter game in October, is now targeting a Nov.

20 release date for the latest in one of its tentpole game franchises.

The videogame publisher also said Thursday that it expects net bookings—the net amount of products it sells in stores or digitally—to be \$5.2 billion for its current fiscal year, down from its prior forecast of \$5.5 billion.

While part of that change is because of the game’s delayed launch, EA said \$115 million of the

change was because of revised expectations regarding foreign-exchange rates. Its new outlook for its mobile business also played into the new guidance.

“We’ve had valuable feedback from our community, and we’re going to take the time to make some final adjustments and deliver a great experience for our fans,” Chief Studios Officer Laura Miele said in prepared remarks.

Electronic Arts didn’t disclose

the feedback it received from Battlefield fans that prompted the delay. The new launch date for “Battlefield V” pushes the longtime war series out of a crowded window where it would’ve been sandwiched between the launches of two competing titles, Activision Blizzard Inc.’s next “Call of Duty” and Take-Two Interactive Inc.’s next “Red Dead Redemption.”

—Sarah E. Needleman and Allison Prang

## SoftBank Won’t Invest in NIO’s IPO

By JULIE STEINBERG AND MAYUMI NEGISHI

Japan’s **SoftBank** Group Corp., which was in talks earlier this year to take a stake in Chinese electric-vehicle maker **NIO** Inc., has decided not to invest in the Shanghai-based startup’s initial public offering, according to people familiar with the matter.

SoftBank had considered buying about \$200 million worth of shares in NIO’s IPO, The Wall Street Journal reported in April. It couldn’t be learned why the Japanese tech giant walked away from the potential investment. One of the people said SoftBank is actively looking at the electric-vehicle sector but hasn’t decided which company to back.

NIO, which has billed itself as an emerging competitor to Tesla Inc., is going public on the New York Stock Exchange. The company this week launched a stock sale that could raise up to \$1.32 billion. It plans to sell 160 million American depositary receipts at a price range of \$6.25 to \$8.25, which would value the car maker at up to \$8.5 billion ahead of its trading debut.

If an option to sell 15% more stock is exercised, NIO’s IPO could raise as much as \$1.52 billion. The offering is scheduled to price on Sept. 11 and the shares should begin trading the next day.

NIO was incorporated in 2014 by Bin Li, a Chinese en-



SoftBank previously considered buying about \$200 million of shares in the car maker’s debut.

trepreneur, and this year started selling its first electric cars. The company has yet to turn a profit. Its shareholders include entities affiliated with Chinese internet giant **Tencent Holdings** Ltd. and China-focused investment firm Hillhouse Capital Group.

The company is one of several electric-vehicle makers raising funds as the sector’s growth surges. Xiaopeng Motors, a Chinese electric-vehicle manufacturer backed by **Alibaba Group Holding** Ltd., said this month it had raised four billion yuan (\$586 million)

from private investors, valuing the company at nearly 25 billion yuan. The company is planning to raise more private capital in the next six months, said a person familiar with the matter. Another Chinese company, **Singulato** Motors, said it raised three billion yuan this year.

SoftBank is Alibaba’s largest shareholder, with a roughly 30% stake. The two companies’ founders sit on each other’s boards.

SoftBank has been collecting stakes in companies with driverless-car technologies.

Through its nearly \$100 billion Vision Fund, SoftBank has invested in **General Motors** Co.’s driverless-car unit GM Cruise Holdings and autonomous-vehicle startups Nauto Inc., Mapbox Inc. and Improbable.

SoftBank also owns stakes in **Uber Technologies** Inc., China’s Didi Chuxing Technology Co. and other ride-hailing companies, which amass data on when people travel and why—something SoftBank’s billionaire founder Masayoshi Son said will become more valuable with the arrival of self-driving cars.

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## BUSINESS NEWS

## BUSINESS WATCH

SIGNET JEWELERS

## Same-Store Rise In Sales Fuels Shares

**Signet Jewelers** Ltd., the world's largest retailer of diamond jewelry, reported positive same-store sales growth for the first time in a year, fueled by increased consumer confidence.

Its shares rose 24% to \$67.68 on the news.

Same-store sales for the parent of Kay Jewelers and Zales rose 1.7% in the second quarter from the prior year. Analysts polled by Consensus Metrix expected a 4.2% decline. Overall, revenue rose 1.5% to \$1.42 billion.

Chief Executive Virginia Drosos said that promotions and the addition of new items helped prop up sales in North America for the quarter.

For the second quarter, Signet reported a loss of \$31.2 million, or 56 cents a share, compared with a profit of \$85.2 million, or \$1.34 a share, a year earlier. The loss was driven by higher selling and administrative expenses as well as costs related to restructuring and the outsourcing of its credit operations.

—*Kimberly Chin*

DOLLAR CHAINS

## Sales Benefit From New Openings

**Dollar General** Corp. and **Dollar Tree** Inc. reported stronger sales for the latest quarter as the dollar-store chains benefited both from new openings and from customers spending more money and shopping more frequently.

Dollar Tree's second-quarter net sales rose 4.6% to \$5.53 billion. The company's Family Dollar banner, which it acquired in 2015, posted flat same-store sales growth, compared with 3.7% growth for both the Dollar Tree banner and Dollar General overall. Sales at existing Family Dollar locations started to improve last year, but things have gone backward in the past two quarters.

—*Aisha Al-Muslim*

## Samsonite Gets Handle on Woes

By MIKE BIRD

Kyle Gendreau, a senior executive at luggage maker **Samsonite International** SA, was in New York winding down after a conference in late May when he received an urgent call from a colleague in Hong Kong.

A short seller in Texas had just released a 48-page report slamming the company's business and accounting practices and accusing Samsonite's chief executive of resume fraud. The company's Hong Kong-listed shares were plunging, and its executives needed guidance on what to do.

Mr. Gendreau, a 49-year-old American who was Samsonite's chief financial officer at the time, said he didn't sleep at all over the next three days.

During that period, Samsonite shares fell more than 20% while the company worked with its lawyers, investment bankers and crisis communications advisers on a response to the accusations from Blue Orca Capital LLC and its founder Soren Aandahl. A short seller borrows stock and sells it, hoping to profit if the shares decline allowing them to be replaced at a lower price.

After Samsonite issued a short initial response to the report, Mr. Aandahl stepped up his attacks on the firm and its chief executive officer's credibility. A week later, Samsonite CEO Ramesh Tainwala resigned, and Mr. Gendreau was moved into the top job. The company followed up with a nine-page rebuttal to Blue Orca, defending Samsonite's accounting practices and business strategy.

"This was a good lesson for someone else who would go through this: Process quickly, answer concisely, and don't feed it. Don't feed the fire," Mr. Gendreau said in an interview Thursday in Hong Kong.

Samsonite executives haven't had any contact with Mr. Aandahl. He is still betting against the stock and said the company remains overvalued.



The luggage maker's share price is recovering from a sharp decline triggered by a negative report on its business practices in late May.

Since hitting a 14-month low three months ago, Samsonite shares have climbed about 16%, though they are still below where they traded before Mr. Aandahl's report came out in May.

The shares jumped more than 6% Thursday after the company reported a 16.6% rise in net sales to a record \$1.85 billion for the first half of this year. Excluding the effect of foreign-exchange moves, the increase from a year earlier was 12.9%.

Samsonite's earnings per share were down from a year earlier because of a one-time financing-related charge. The company said its first-half operating profit rose by more than a fifth to \$201.8 million.

Following the results, Japa-

nese investment bank Nomura maintained a buy recommendation on Samsonite shares with a target price of 34.90 Hong Kong dollars (\$4.45), close to where they were before the plunge. The stock closed at

a very frustrating situation," he said.

Mr. Parker said there may be some shareholders "who are a little bit more nervous around anything to do with governance than others...and needed special reassurance on that."

Not everyone is convinced.

Mr. Tainwala's departure resolved only some of the company's issues, according to Blue Orca's Mr. Aandahl, a former lawyer who is also his firm's chief investment officer.

"The compelling part of the short thesis was always the debt that the company carried," he said Thursday.

Samsonite, the world's biggest luggage maker by sales volume, is best known for its namesake brand of suitcases.

The company, which was founded more than century ago, went public in Hong Kong in 2011 and is currently domiciled in Europe.

In recent years, it has pushed into more upscale products like women's cross-body bags and laptop briefcases after acquiring New Jersey-based Tumi Holdings Inc. in 2016. Other brands Samsonite owns include American Tourister, High Sierra and eBags.

"Samsonite's long-term narrative is that the company is a midlevel brand, and it's trading like a luxury player. We've always thought that valuation isn't sustainable," Mr. Aandahl said.

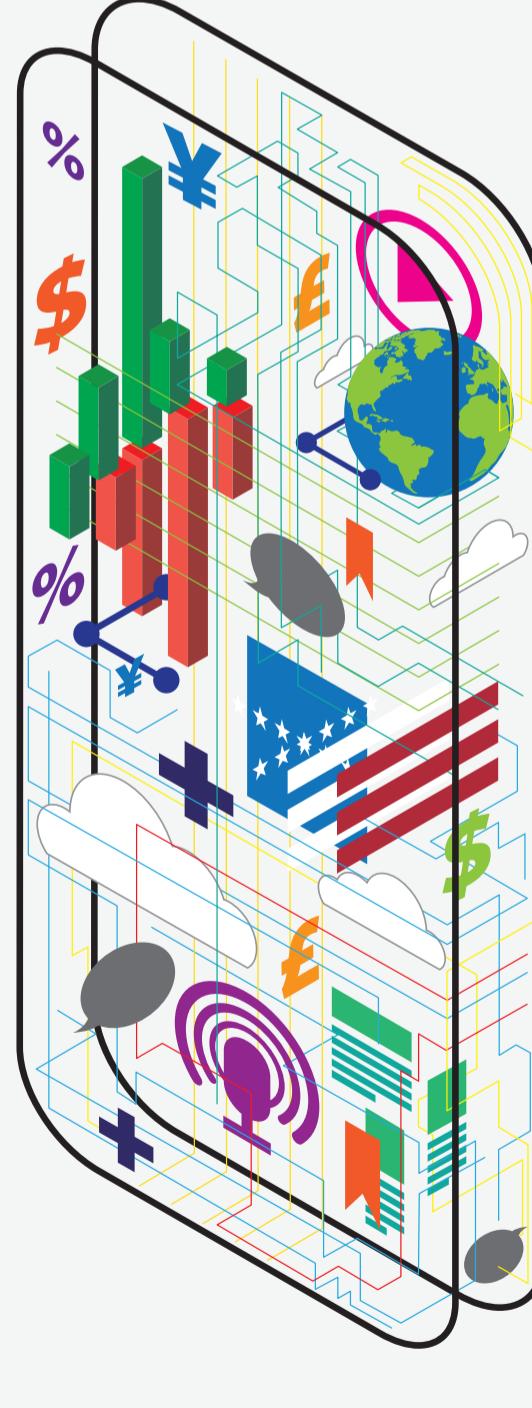
—*Steven Russolillo contributed to this article.*

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## BUSINESS &amp; FINANCE

# Pipeline Stocks Are Staging a Comeback

By RYAN DEZEMBER

Pipeline stocks are back from the dead.

Revved up earnings, thanks to record U.S. oil and gas production, and clarity on a federal tax ruling have lifted shares of energy master limited partnerships, which own and operate pipelines.

These companies, known as MLPs, have helped themselves as well. They have sold assets to pay down debt, reduced dependence on stock offerings to raise cash and simplified corporate structures to eliminate governance issues. Over the past six months, the benchmark Alerian MLP Index has risen 8.9%, outpacing the S&P 500's 6.9% gain.

MLPs, which avoid corporate taxes by paying out earnings to shareholders, gained popularity with yield-chasing investors over the past decade.

A period of historically low interest rates coincided with the shale boom, which necessitated big investments in infrastructure to carry oil and gas from new drilling fields unlocked by modern extraction techniques. More recently, rising interest rates and a prolonged slump in



Sections of a replacement oil pipeline are joined together.

energy prices that prompted MLPs to cut their once sacrosanct distributions took some of the shine off the stocks.

"The market voted with their feet in late 2015 and 2016, and investors got a lot more picky in what they wanted in a stock," said Becca Followill, senior managing director at U.S. Capital Advisors LLC. "The last few years, you've seen these

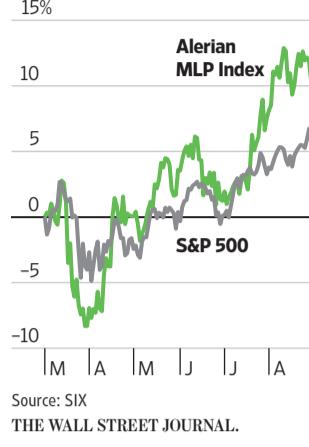
companies get fixed."

From a peak in August 2014, the Alerian MLP index lost 63% before bottoming out in February 2016. MLP shares rebounded somewhat alongside rising U.S. oil prices but were dealt a fresh blow in March.

On March 15, the Federal Energy Regulatory Commission announced a ruling that threatened tax advantages for some

## Back in Favor

Shares of pipeline-owning companies, MLPs, have outgained the broader stock market.



Source: SIX

THE WALL STREET JOURNAL.

pipeline-owning MLPs. Shares of some of the country's largest pipeline operators plunged more than 10% that day.

But regulators offered additional details last month around the ruling that alleviated many investor concerns. The sector index has since climbed 6.6%.

Pipeline operators have also broadly benefited from resur-

gent production and commodities prices that have stabilized amid strong demand. As Energy Transfer Partners LP Chief Executive Kelcy Warren put it earlier this month: "A monkey could make money in this business right now."

Analysts and investors also point to a big reduction in equity issuance by pipeline operators, which in earlier years made a habit of tapping equity markets whenever they needed cash. Such offerings dilute the value of existing shares. Through July, MLPs issued \$3.7 billion of equity, versus nearly \$36 billion in 2014, according to Goldman Sachs Asset Management Group.

Pipeline operators have in many cases turned to private-equity firms to make up the difference, selling assets and stakes in major projects to big investment firms, such as Blackstone Group LP and KKR & Co.

The pipeline business has historically been a way to invest large sums and get reliable returns when other deals, such as leveraged buyouts and other infrastructure projects, have become more scarce.

"Private equity is filling the

gap," said Jason Downie, managing partner at Tailwater Capital, a Dallas firm that recently raised \$1 billion to invest in pipelines and other energy infrastructure. This week, for instance, Tailwater's Silver Creek Midstream LLC agreed to pay Genesis Energy LP \$300 million for a Wyoming oil pipeline system.

Another trend drawing investors to MLPs are mergers designed to streamline corporate structures and remove governance issues. Energy Transfer Partners is merging with its parent, Energy Transfer Equity LP. A key element will be the elimination of incentive distribution rights, which entitle Energy Transfer Equity to a larger cut of payouts from Energy Transfer Partners than other shareholders.

Such complexities are unique to MLPs and have "kept some investors on the sidelines," said Jeff Jorgensen, portfolio manager in Brookfield Asset Management Inc.'s public-equities arm. The wave of simplification deals "demystifies what was a very niche asset class and gets the focus back on fundamentals," he said.

## Wells Fargo Fires Some In Probe

Continued from page B1  
has said it is cooperating with the probes.

At the same time, Wells Fargo is in the midst of a firm-wide expense-cutting plan, aiming to trim \$4 billion by the end of 2019. The company also is integrating its corporate- and investment-banking arms, a process that has led to layoffs, people familiar with the plans have said.

The investigation into altered meal receipts started with relatively junior analysts

and associates in the investment bank's San Francisco office and broadened from there, according to people familiar with the matter.

A majority of the junior staffers in that office left the bank or were suspended following the review, some of the people said.

The bank is investigating any policy infraction, including expensing dinner ordered before the typical 6:30 p.m. cutoff but not doctoring receipts, some of the people familiar with the matter said. The severe punishments for policy infractions have caused some inside Wells Fargo to question whether the consequences are too harsh given Wells Fargo's other woes, these people say.

Wells Fargo isn't the only financial firm that is punishing

employees alleged to have abused company expense policies. Fidelity Investments fired or allowed more than 200 employees to resign over accusations of widespread violations of the money manager's computer-buying and physical-fitness benefit programs, the Journal reported in May. At the time, a spokesman for Fidelity said the company took "appropriate action" and that no customers were involved or affected.

Top executives of Wells Fargo Securities earlier this month sent a note to employees clarifying the bank's policies and spelling out the specific time when meals could be expensed, according to the memo, which was described to the Journal.

—Gregory Zuckerman contributed to this article.



The telecom giant said it was accused of improperly moving the money out of the country.

## MTN Stock Falls After Nigeria Orders Return of \$8.1 Billion

By ALEXANDRA WEXLER

JOHANNESBURG—Shares in MTN Group fell as much as 25% Thursday after Nigeria's central bank ordered the African telecommunications giant to return \$8.1 billion that the bank said was moved out of the country illegally.

MTN said the Central Bank of Nigeria accused it of using improperly issued central-bank certificates to move money to South Africa between 2007 and 2015.

MTN rejected the claim and denied any wrongdoing.

Nigeria's central bank demanded that MTN transfer the funds to the bank—a procedure that a spokesman for the bank said was standard when repatriating funds.

Little known in the U.S., MTN is a telecommunications juggernaut in Africa and has expanded across the Middle East, including in high-risk markets such as Syria and Iran.

Nigeria is MTN's biggest market by subscribers and contributed 28% of its revenue in the first half of 2018. The dispute marks MTN's second potentially expensive run-in with Nigerian authorities in less than three years.

The central bank said it also fined several banks that facilitated MTN's money transfers.

Citigroup Inc., Standard Chartered PLC, Standard Bank Group Ltd.'s Nigerian unit and Diamond Bank PLC were ordered to pay a total of 5.9 billion naira (\$16.4 million) for violating laws governing foreign-

exchange transactions. It also requested that the banks help return the funds they transferred out of the country for MTN.

Squeezed by the 2014 oil bust and struggling to defend the value of its naira currency, Nigeria tightly regulates foreign-exchange transactions and requires companies to obtain central-bank certificates authorizing transfers out of the country.

Standard Bank denied any wrongdoing and said it would engage with Nigeria's central bank on the issues raised. Standard Chartered, Diamond Bank and Citigroup didn't immediately respond to requests for comment. Standard Chartered previously said it was co-operating with regulatory probes in the matter.

MTN said that an investigation conducted by the Nigerian Senate, and publicized in November, found that its local unit didn't collude to break foreign-exchange laws.

MTN has bet big on Nigeria, Africa's most populous country, where Groupe Speciale Mobile Association estimates that just 49% of an estimated 191 million people have an active cellphone. But telecom operators in the country have to navigate shifting regulations, wild swings in the naira and frequent power cuts.

In October 2015, the Nigerian Communications Commission fined MTN's Nigerian unit \$5.2 billion, alleging that the company missed a deadline to deactivate more than five million unregistered SIM cards under regulations meant to combat terrorism. In June 2016, the company said it had agreed to pay a fine of more than \$900 million over three years.

MTN shares closed Thursday down 19% at 86.50 South African rand (\$5.88).

—Margot Patrick, Oliver Griffin and Adam Clark contributed to this article.

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## MARKETS DIGEST

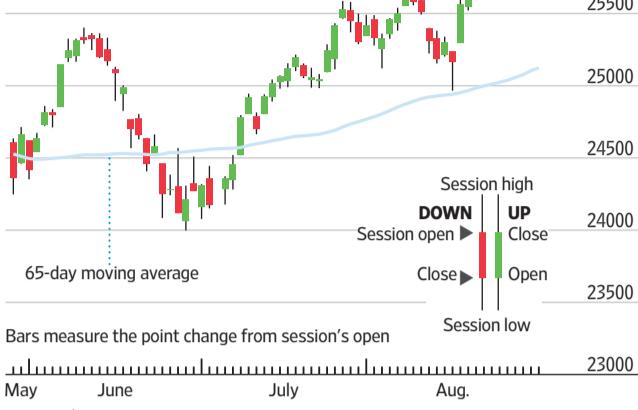
## EQUITIES

## Dow Jones Industrial Average

**25986.92** ▼137.65, or 0.53%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.50 20.15  
P/E estimate \* 16.63 18.38  
Dividend yield 2.11 2.30  
All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open  
May June July Aug.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2901.13** ▼12.91, or 0.44%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.06 23.53  
P/E estimate \* 17.68 18.73  
Dividend yield 1.83 2.01  
All-time high 2914.04, 08/29/18



May June July Aug.

## Nasdaq Composite Index

**8088.36** ▼21.32, or 0.26%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.89 24.94  
P/E estimate \* 21.28 21.19  
Dividend yield 0.97 1.13  
All-time high: 8109.69, 08/29/18



May June July Aug.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.						
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	SPDR S&P 500	SPDR S&P O&G Exp Prd	Qualcomm	Bank of America	Sprint Corp.	Utilities Sel Sector SPDR XLU	iShares MSCI EAFE SC	Finl Select Sector SPDR XLF
<b>Dow Jones</b>	26104.37	25934.80	<b>25986.92</b>	-137.65	-0.53	26616.71	21753.31	<b>18.4</b>	5.1	<b>16.0</b>						
Industrial Average	11379.36	11285.26	<b>11309.80</b>	-86.14	-0.76	11436.36	9267.39	<b>21.4</b>	6.6	<b>12.7</b>						
Transportation Avg	734.22	726.92	<b>729.79</b>	-0.18	-0.02	774.47	647.90	<b>-1.8</b>	0.9	<b>8.4</b>						
Utility Average	30279.56	30108.39	<b>30162.56</b>	-128.22	-0.42	30290.78	25418.33	<b>18.0</b>	9.0	<b>13.3</b>						
Total Stock Market	786.25	781.85	<b>782.88</b>	-3.85	-0.49	786.73	639.65	<b>21.4</b>	10.1	<b>13.6</b>						
Barron's 400	8133.30	8069.57	<b>8088.36</b>	-21.32	-0.26	8109.69	6360.19	<b>25.8</b>	17.2	<b>18.8</b>						
Nasdaq Composite	7691.10	7619.73	<b>7642.67</b>	-17.51	-0.23	7660.18	5867.35	<b>27.6</b>	19.5	<b>20.9</b>						
Nasdaq 100	2912.46	2895.22	<b>2901.13</b>	-12.91	-0.44	2914.04	2457.85	<b>17.4</b>	8.5	<b>13.4</b>						
SPDR S&P 500	2048.30	2037.40	<b>2039.49</b>	-10.74	-0.52	2050.23	1713.58	<b>17.8</b>	7.3	<b>12.7</b>						
SPDR S&P O&G Exp Prd	1097.99	1089.27	<b>1091.86</b>	-2.48	-0.23	1094.34	837.41	<b>29.9</b>	16.6	<b>17.4</b>						

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## 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 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	5,460.3	289.90	-0.40	<b>-0.14</b>	290.40	289.81
SPDR S&P O&G Exp Prd	XOP	4,686.6	42.56	-0.06	<b>-0.14</b>	42.65	42.56
Qualcomm	QCOM	3,968.2	68.05	-0.09	<b>-0.13</b>	68.58	68.00
Bank of America	BAC	3,158.3	30.99	-0.02	<b>-0.06</b>	31.05	30.98
Sprint Corp.	S	2,823.3	6.13	...	unch.	6.14	6.10
Utilities Sel Sector SPDR XLU	XLU	2,443.5	53.71	0.01	<b>0.02</b>	53.71	53.65
iShares MSCI EAFE SC	SCZ	2,167.5	63.00	0.13	<b>0.20</b>	63.00	62.87
Finl Select Sector SPDR XLF	XLF	1,863.3	28.36	...	unch.	28.39	28.32

## Percentage gainers...

American Outdoor Brands AOBC	498.1	11.69	1.92	<b>19.65</b>	11.89	9.76
Iululemon athletica LULU	1,347.6	148.25	11.25	<b>8.21</b>	149.00	136.49
Pinduoduo ADR PDD	90.2	18.74	0.75	<b>4.17</b>	18.88	17.99
FMC FMC	54.6	87.24	2.18	<b>2.56</b>	87.24	85.06
Iron Mountain IRM	84.0	36.80	0.85	<b>2.36</b>	36.80	35.94

## ...And losers

Ambarella AMBA	326.2	34.05	-5.70	<b>-14.34</b>	39.78	33.63
Zuora ZUO	339.0	30.00	-4.01	<b>-11.79</b>	34.35	28.20
Nutanix CIA NTNX	750.7	57.35	-3.47	<b>-5.71</b>	61.70	52.80
Ulta Beauty ULTA	236.2	233.50	-10.91	<b>-4.46</b>	246.20	222.90
Spirit Realty Capital SRC	201.8	8.00	-0.35	<b>-4.19</b>	8.40	7.89

## Trading Diary

Volume, Advancers, Decliners  
NYSE NYSE Amer.

Total volume*	613,493,365	9,844,929
Adv. volume*	138,016,620	4,293,955
Decl. volume*	456,755,622	5,363,711
Issues traded	3,047	322
Advances	1,043	139
Declines	1,874	166
Unchanged	130	17
New highs	114	3
New lows	62	5
Closing tick	29	6
Closing Arms*	1.74	1.16
Block trades*	5,604	104

Nasdaq NYSE Arca

Total volume\* 1,989,403,370 252,922,840

Adv. volume\* 766,461,279 41,427,417

Decl. volume\* 1,186,598,326 210,985,827

Issues traded 3,139 1,354

Advances 1,253 297

Declines 1,704 1,032

Unchanged 182 25

New highs 135 83

New lows 44 26

Closing tick 458 43

Closing Arms\* 1.14 1.13

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract		Open		High hilo		Low		Settle		Chg interest	
	March	2,931	2,944	2,905	2,932	.006	187,835					
Copper-High (CMX)-25,000 lbs.; \$ per lb.												
Sept. 2,7080 2,7125 2,6550 2,6905 -.0195 12,816												
Dec. 2,7310 2,7405 2,6840 2,7175 -.0190 143,370												
Gold (CMX)-100 troy oz.; \$ per troy oz.												
Sept. 1205,40 1205,60 1196,00 1197,70 -.650 619												
Oct. 1207,70 1209,00 1197,20 1200,00 -.650 53,088												
Dec. 1212,60 1214,00 1202,10 1205,00 -.650 357,638												
Feb'19 1218,20 1218,20 1207,80 1210,50 -.660 35,304												
June 1228,50 1228,50 1220,00 1221,70 -.670 8,418												
Dec. 1243,00 1243,30 1237,40 1239,50 -.700 3,956												
Palladium (NYM)-50 troy oz.; \$ per troy oz.												
Sept. 957,00 975,00 949,90 963,70 .520 940												
Dec. 954,70 970,00 944,50 960,70 .640 18,062												
March'19 946,00 960,60 ▲ 939,00 953,70 .680 533												
Platinum (NYM)-50 troy oz.; \$ per troy oz.												
Sept. 792,20 792,20 788,00 791,80 -.480 75,530												
Silver (CMX)-5,000 troy oz.; \$ per troy oz.												
Sept. 14,685 14,710 14,430 14,477 -.0220 13,071												
Dec. 14,780 14,825 14,545 14,594 -.2160 180,021												
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.												
Oct. 69,69 70,50 69,55 70,25 .074 412,879												
Nov. 69,33 70,07 69,21 69,81 .064 204,125												
Dec. 69,04 69,72 68,93 69,46 .059 295,330												
Jan'19 68,75 69,42 68,67 69,17 .056 169,010												
June 67,23 67,79 ▲ 67,15 67,63 .056 162,385												
Dec. 65,25 65,83 ▲ 65,25 65,71 .052 226,411												
NY Harbor Usld (NYM)-42,000 gal.; \$ per gal.												
Sept. 2,2475 2,2575 2,2384 2,2483 .0062 13,769												
Oct. 2,2541 2,2647 2,2443 2,2544 .0056 125,621												
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.												
Sept. 2,1123 2,1526 2,1089 2,1435 .0375 19,084												
Oct. 2,0039 2,0162 1,998 2,0090 .0092 154,757												
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.												
Oct. 2,869 2,890 2,841 2,874 .011 231,848												
Nov. 2,896 2,914 2,869 2,901 .011 190,544												
Dec. 2,985 3,000 2,960 2,988 .004 144,129												
Jan'19 3,072 3,087 3,045 3,074 .008 194,806												

## Cash Prices | WSJ.com/commodities

Thursday, August 30, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Thursday

## Energy

	Thursday		Thursday		Thursday	
Propane,tet,Mont Belvieu-g	1,0363					
Butane,normal,Mont Belvieu-g	1,2276					
Natural Gas,HenryHub-g	2,900					
Natural Gas,TranscoZone3-i	2,820					
Natural Gas,TranscoZone6NY-i	2,900					
Natural Gas,PanhandleEast-i	2,270					
Natural Gas,Ops-i	2,310					
Natural Gas,MarcellusNE PA-i	2,490					
Natural Gas,HaynesvilleLN-i	2,780					
Coal,C Aplic,125,000Btu,1S202-r,w	73,200					
Coal,PwdrRvrBsn,880,000Btu,0S502-r,w	12,150					

## Metals

	Thursday		Thursday		Thursday	
Gold,per troy oz	1206,70					
Engelhard industrial	1297,20					
Engelhard fabricated	1297,20					
Handy & Harman base	1197,30					
Handy & Harman fabricated	1329,00					
LBMA Gold Price AM	*1204,30					
Krugerrand,wholesale-e	1247,17					
Maple Leaf-e	1259,16					
American Eagle-e	1259,16					
Mexican peso-e	1453,88					
Austria crown-e	1178,46					
Austria phil-e	1259,16					
Silver, troy oz.	14,6400					
Engelhard industrial	17,5680					
Engelhard fabricated	17,5680					
Handy & Harman base	14,5610					
Handy & Harman fabricated	18,2010					

## Fibers and Textiles

	Thursday		Thursday		Thursday	
Burlap,10,40-in NY yd-n,w	0.5750					
Cotton,1/16 std lwd-mdpns-h	0.8092					
Cotlook 'A' Index-t	*93,30					
Hides,hyv native steers piece fob-u	55,500					
Wool,64,5staple,Terr,del-u,w	n.a.					

## Grains and Feeds

	Thursday		Thursday		Thursday	
Barley,top-quality Mnpls-u	n.a.					
Bran,wheat middlings, KC-u	90					</td

## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISSE.

The 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 30, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.61 -0.27

ADT ADT 8.93 -0.32

AES AES 13.90 -0.11

Aflac AFL 45.61 -0.43

AGNC Inv AGNC 19.14 ...

ANGI Homesvcs ANGI 21.45 -0.44

Ansys ANSS 185.37 -0.25

ASML ASML 205.10 -2.62

AT&amp;T T 31.96 -0.27

AbbottLabs ABT 67.02 -0.11

AbbVie ABBV 96.79 -0.79

Abiomed ABI 408.55 6.55

Accenture ACN 168.63 -1.14

ActavisBlz ATVI 74.10 -0.81

AcuityBrands AYI 15.15 -0.10

AdobeSystems ADBE 266.43 -1.93

AdvanceAuto APD 161.88 -1.76

AdvMicrDevcs AMD 24.89 -0.31

Aegon AEG 6.00 -0.03

AerCap AER 56.98 -0.24

Aetna AET 109.57 -0.20

AffiliatedMtrs AMG 146.00 -2.06

AgilentTechs A 67.65 -0.25

AiginoEagle AEM 34.86 -0.66

AirProducts APPD 166.73 -1.56

AkamaiTech AKAM 74.15 -0.52

AlaskaAir ALK 67.19 -0.18

Albaremar ALE 95.00 -1.67

Alcos AA 44.37 -0.76

AlexandriaREst AR 127.35 -0.73

AexionPharm ALXN 220.80 -0.01

Alibaba BABA 174.60 -3.90

AlinTech ALIN 387.05 1.62

Alkerimes ALKS 45.85 -0.24

Alleghany Y 63.55 -0.45

Allegion ALL 87.29 -0.33

Allergan AGN 190.89 0.55

AllianceData ADDS 239.19 -1.72

AlliantEnergy LNT 42.99 0.07

AllisonTransm ALSN 49.43 -0.26

Allstate ALL 100.03 -0.09

AllyFinancial ALLY 26.97 -0.09

AinylamPharm ALD 121.88 2.78

Alphabet GOOG 125.44 -10.21

Alphabt C GOOG 129.12 -10.18

Altiba AABA 69.33 -1.10

AlticeUSA ATUS 17.83 -0.24

Altria MO 58.60 0.26

AlumofChina ACH 10.50 -0.44

Amazon.com AMZN 2023.48 2.28

Ambrive ABV 59.55 -2.36

AmpelTechs ATRV 37.45 -1.77

Ampco AEC 11.12 -0.33

AnheuserBusch AMH 23.21 -0.01

AnhomsRents AMH 23.01 -0.01

Antennex ANT 265.01 -2.12

Apertgroup APTG 104.70 -1.40

Aptiv AVT 87.18 -0.05

AquaAmerica WTR 78.01 -1.29

ArborTech ATW 42.03 -1.78

ArcoMtns MT 30.40 -0.71

ArchCapital ACGL 30.60 -0.27

ArcherDaniels ADM 50.33 -0.02

Arconic ARNC 22.07 -0.10

AristaNetworks ANET 297.87 -4.32

ArrowElec ARW 78.01 -1.29

AspenTech AZPN 114.41 -0.43

Assurant AIZ 101.90 -1.44

AstraZeneca AZN 38.92 0.10

AthenaHealth ATHN 153.26 0.11

AtlasSoft ATLS 20.35 0.05

AttivoNet AVT 49.41 -0.55

Atxosofts CTSO 14.95 -0.35

Avnet AVT 44.31 -0.34

Avaya AVYA 22.03 0.05

AvayaAvailo AVX 19.39 -0.29

Aviatrix AVT 43.14 0.04

## BANKING &amp; FINANCE

# Merrill Resumes Retirement Commissions

By LISA BEILFUSS

Merrill Lynch is halting a ban on charging commissions in retirement accounts, marking a reversal for a Wall Street brokerage that has said fee-based services are better for clients.

The decision, effective Oct. 1, is the result of a review the brokerage arm of **Bank of America** Corp. launched in June after a U.S. circuit court threw out the Labor Department's fiduciary rule, which was meant to protect retire-

ment savers from conflicted financial advice.

While some rivals fought the regulation and held off on making big changes, Merrill Lynch originally said it would stop charging commissions in retirement accounts and in 2016 launched a media campaign advertising its new policy and commitment to clients' best interests.

The move to reintroduce commission-based brokerage accounts for retirement money resulted from the fiduciary rule being killed, according to

a senior Merrill Lynch executive, along with the Securities and Exchange Commission proposing its own rule covering all accounts, not just retirement money.

Observers say the SEC's version would be less restrictive on brokers, emphasizing disclosures of conflicts of interest.

Merrill Lynch said its move also follows feedback from clients, who have complained about a lack of choice in how they pay.

Some have also resisted a

transition to a fee-based model, which typically costs roughly 1% of assets under management.

Several brokers have said they have lost clients on account of the ban and welcomed the policy review.

The Merrill executive said that as the firm reinstates commissions for retirement accounts, it will step up disclosures to align with a potential SEC best-interest rule. Those will include a summary "with critical information about the brokerage relation-

ship" and fees charged.

Merrill will also update supervision of brokers and the accounts they manage, working to better identify situations where clients might pay less in a fee-based advisory account.

For Merrill and others across the brokerage industry, the fiduciary rule helped accelerate a shift to fee-paying advisory accounts from traditional brokerage accounts. Executives like the steady—and often higher—fees such accounts generate, and many say

they better jibe with a fiduciary model that puts clients' interests first and minimizes conflicts of interest.

The shift has helped brokerages better compete with low-cost automated advisers and brokers-turned-independent advisers, which typically charge fees and have for decades been required to put clients' interests before their own.

Merrill doesn't expect a large number of accounts to flip back to commission accounts, the executive said.



The lender says the U.S. banking environment has improved as interest rates increase and tax rates move lower.

## U.S. Business Bolsters TD Bank

By VIPAL MONGA  
AND ALLISON PRANG

**TORONTO—****Toronto-Dominion** Bank's U.S. division helped drive profit higher in the company's third quarter.

The Toronto-based bank, whose U.S. unit is among the 10 largest banks in the U.S. by assets, cited higher interest rates, increases in consumer and business loans and a reduction in U.S. tax rates for boosting its earnings.

"The U.S. footprint is powerful," said James Shanahan, an analyst with Edward Jones, based in St. Louis.

The U.S. retail division, earned 1.14 billion Canadian dollars (\$883.16 million), up 27% from a year earlier. The unit contributed almost 37% to TD's total third-quarter net income of C\$3.11 billion, up 12% from a year earlier. The quarter ended July 31 was the first

in which TD has earned more than C\$3 billion, said Riaz Ahmed, the company's finance chief, in an interview.

He cited a combination of economic growth, U.S. tax changes, rising interest rates and deregulation for an improved banking environment.

The U.S. business also got a boost from the equity of its **TD Ameritrade** investment, which brought in C\$225 million for the division, up 91%, primarily a result of TD Ameritrade's purchase of Scottrade.

TD Ameritrade Holding Corp. bought Scottrade Financial Services Inc. in September 2017.

TD executives have said in the past that they are interested in expanding in the southeastern U.S., but Mr. Ahmed said Thursday that lofty valuations for targets could keep TD from doing deals.

Overall, earnings per share totaled C\$1.65, up from C\$1.46.

TD's provision for credit losses rose 11% to C\$561 million.

The bank's share price fell 1% to \$60.80 Thursday.

TD's earnings weren't as strong as those of its Canadian banking peers as expenses rose, said Barclays analyst John Aiken in a note. "Had its performance been more in line with what we have seen with its peers this quarter, earnings would have been significantly stronger."

Earnings in TD's Canadian banking division rose 7.4% to C\$1.85 billion.

Both noninterest income and net interest income rose. Residential mortgage loans rose roughly 5%, and the bank expects similar growth for the rest of the year, said Mr. Ahmed.

Wholesale banking profit fell 24% to C\$223 million. TD said trading revenue was down.

Chief Executive Bharat Masrani cited a positive outlook for the remainder of the year.

"While we continue to see pockets of market uncertainty stemming from the geopolitical climate, both the Canadian and U.S. economies continue to perform well and support a positive outlook for our diversified businesses across the bank as we head into the final stretch of the year," he said.

TD set aside \$25 million during the quarter partly to deal with "trade related uncertainty" amid heightened worries in Canada over the fate of the North American Free Trade Agreement.

Mr. Ahmed said he was very encouraged that Canada and the U.S. have resumed talks and that the sides had set an optimistic tone about the possibility of an agreement by Friday. "We're very hopeful for a good outcome," he said.

**BEIJING—Industrial & Commercial Bank of China**,

the world's biggest bank by assets, is also China's most profitable, with a boost from a government campaign to discourage risky lending.

First-half net income rose 4.9% from a year earlier to 160.44 billion yuan (\$23.5 billion), state-owned ICBC reported Thursday.

The percentage rise was the biggest in more than three years.

Net interest income, the difference between what it pays and earns in interest, which accounts for most of ICBC's operating income, came to 277.62 billion yuan, a rise of 11%, nearly double the pace of a year earlier.

The robust performance was largely in line with those of its state-owned peers, **Bank of China Ltd.**, **Agricultural Bank of China Ltd.** and **China Construction Bank Corp.** The Big Four all reported faster profit growth, lower ratios of bad loans and fatter provisions against soured debt.

Boosting their results, analysts said, was Beijing's effort to choke off the higher-risk borrowing and lending that has sent corporate and local-government debt soaring.

By pushing up interbank borrowing costs, the campaign has squeezed smaller lenders but benefited the Big Four and other large state banks, which have vast retail deposits to lend to their smaller brethren.

The Big Four's improved profitability also allowed them to continue clearing soured debt off their books. ICBC said it seized this "window in time" to step up disposal of nonperforming loans, reducing its risks and improving asset quality.

"It is a wise decision to clean up the books in good days and save more profit for rainy days," said Shujin Chen, a bank analyst with Huatai Financial Holdings Ltd.

ICBC said it got rid of 107.7 billion yuan in bad loans in the first half. Even so, it reported 229.98 billion yuan of nonperforming loans on its books at the end of June, up slightly from the end of last year. Its nonperforming loan ratio, though, declined a tick, to 1.54% from 1.55%.

Chinese banks have long reported what many analysts believe to be incredibly low levels of bad loans, refusing to categorize many as non-performing even though they are long overdue.

**ICBC's robust results were largely in line with those of its state-owned peers.**

Regulators in recent years have urged the banks to correct that practice—but gradually, to limit the financial-market disruption.

Tighter regulation is casting a shadow on Chinese banks' prospects.

Fee income from selling high-yielding "wealth management products" to individual and corporate investors declined in the first half as the antidebt drive reined in some lending practices.

ICBC said in its half-year financial report that trade friction between China and the U.S. poses a potential risk to future operations if multiple sectors of the economy are hit.

—Grace Zhu

## Retirement Changes In Works

*Continued from page B1*  
nesses don't have the luxury of doing that."

The arrangement has been available, but only to employers with an affiliation or connection, such as members of the same industry trade association.

"We will try to find policy ideas that will make joining a 401(k) plan a more attractive proposition for small employers to the ultimate benefit of their employees," said Preston Rutledge, assistant secretary of labor for the Employee Benefits Security Administration.

Dan Kowalski, counselor to the secretary of the Treasury, said the initiative aims to make multiemployer plans more understandable and useful for employees and less costly and burdensome for employers. It will also look to modernize the life-expectancy tables that are used to determine required minimum distributions.

The White House effort draws from a bipartisan Senate bill and a House Republican plan to make retirement and savings part of a push for tax legislation later this year.

A bill known as the Retirement Enhancement and Savings Act hasn't advanced much amid a slim congressional

election-year calendar and partisan tensions over tax policy. However, the bill has attracted support from financial-services companies and AARP, the advocacy group for older Americans.

"This is a very positive step for enhancing retirement security," said Dan Zielinski, vice president of strategic communications at the Insured Retirement Institute. "Hopefully this will serve as a spark for congress to move the legislation that has bipartisan support that would expand employer access to retirement plans and also expand access to products that would provide guaranteed lifetime income."

*The action was billed as a push to better prepare workers for retirement.*

come—annuities."

Administration officials said that Mr. Trump will sign the executive order in North Carolina as it is aimed at serving "real America." The president will be joined at the signing by Labor Secretary Alexander Acosta and Small Business Administration head Linda E. McMahon.

Officials said the rollout of the initiative is pending expansion of the availability of the plans, which may take 180 days to as long as a year to ensure all the paperwork is in order.

"We did expect to be here with a sale process being

## Applebee's Franchisee Misses Filing Goal

By BECKY YERAK

A bankrupt Applebee's franchisee will fail to file both a reorganization plan and bid procedures by the end of August, disappointing creditors, but the "seedlings of a deal" continue to be laid with its private-equity owner, a creditor's lawyer said Thursday.

Earlier this month, **RMH Franchise Holdings Inc.**, the restaurant chain's second-biggest franchisee, said it expected to have filed by the end of this month both a proposed plan of reorganization—which could include a possible recapitalization by its current private-equity owner—as well as bid procedures for outside parties interested in buying its assets.

But August will come and go without either document being filed. However, a reorganization plan is expected to be filed with U.S. Bankruptcy Court in Wilmington, Del., before a Sept. 6 hearing, James Patton, a lawyer from **Young Conaway Stargatt & Taylor LLP** representing RMH, said after a court proceeding Thursday.

Creditors and lenders aren't happy about RMH not meeting its expectations to share a possible path forward by the end of August, but they are willing to give it more time.

"We did expect to be here with a sale process being



Creditors and lenders aren't happy that an Applebee's franchisee didn't meet expectations.

kicked off, and we're disappointed that a sales process that was represented to the court at the last hearing would be in play is not, but, having said that, we've spent a lot of time talking and we will keep talking," Laura Davis Jones, a **Pachulski Stang Ziehl & Jones LLP** lawyer representing **Dine Brands Global Inc.** Dine Brands is Applebee's publicly traded parent and a creditor in the chapter 11 case.

**Bank of America Corp.**, which leads a group of se-

cured lenders, has become impatient with the franchisee, saying earlier this month that RMH shouldn't be allowed to continue using its cash collateral unless it puts itself up for sale immediately.

The franchisee's current owner is Washington, D.C.-based private-equity firm **Acon Investments LLC**.

Judge Brendan Shannon asked Bank of America's lawyer, Frank DeBorde of Morris Manning & Martin LLP, how his client felt about the franchisee's reorganization plan

and sales procedures not having yet been filed with the court.

"We're dissatisfied that a sale motion has not been filed," Mr. DeBorde said, while noting that the bank was still willing to give RMH at least until Sept. 6 to do so. "The seedlings of a deal have been laid with Acon, and whether it bears fruit, I don't know."

"It's possible we may insist at the next hearing that the court should condition the use of cash collateral on a sale," he said.

## MARKETS

# Treasurys Increase On Mild Inflation

By AMRITH RAMKUMAR

U.S. government-bond prices climbed Thursday after the latest inflation data showed continued gradual gains in consumer prices and investors sought safer assets following the latest sign of trade frictions.

The yield on CREDIT MARKETS 10-year U.S. Treasury note fell to 2.860% from 2.882% Wednesday. Yields fall as bond prices rise. Yields climbed earlier in the week, lifted by a new supply of Treasury debt but have generally been contained this summer by worries about global growth and muted inflation.

While growth in the U.S. remains strong, giving the Federal Reserve leeway to continue gradually raising short-term interest rates, figures outside the U.S. have been less robust.

Additionally, trade tensions between the world's largest economies have led some investors to favor the safety of government bonds.

## 2.860%

Yield on benchmark 10-year Treasury note on Thursday

Increases in inflation continue to be measured, easing some worries that a surge in prices will quickly erode the value of bonds.

Thursday's report showed the price index for personal-consumption expenditures, the Fed's preferred inflation measure, grew by 0.1% in July from a month earlier. Core prices, which exclude volatile food and energy components, grew by 0.2%.

Overall prices grew by 2.3% in July from a year earlier, while core prices rose 2.0%, in line with expectations and still hitting the central bank's 2% annual target.

Investors widely expect the Fed to raise rates again next month and are waiting to see if the central bank boosts them again in December, which will likely depend on future economic data and trade developments.

Bond prices extended gains late in the session as stocks fell after Bloomberg News reported that President Trump was backing plans to move ahead with tariffs on \$200 billion in Chinese imports as early as next week.

### Treasury Auctions

The Treasury Department will auction \$145 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Tuesday:** \$55 billion in four-week bills, a reopening of an issue first sold on April 5, 2018, maturing Oct. 4, 2018. Cusip number: 912796Q8B.

Also, \$48 billion in 13-week bills, a reopening of an issue first sold on Dec. 7, 2017, maturing Dec. 6, 2018. Cusip number: 912796PE3.

Also, \$42 billion in 26-week bills, dated Sept. 6, 2018, maturing March 7, 2019. Cusip number: 912796QZ5.

Noncompetitive tenders for both the 13-week and 26-week bills must be received by 11 a.m. EDT Tuesday and competitive tenders, by 11:30 a.m. For the four-week bills, the deadlines are noon and 1 p.m., respectively.

# U.S. Stocks Slide on Tariff Plans

By RIVA GOLD  
AND AKANE OTANI

U.S. stocks fell Thursday, giving up ground a day after technology stocks helped drive the S&P 500, Nasdaq Composite and Russell 2000 to records.

Major indexes spent most of the day edging lower, then extended losses after a Bloomberg THURSDAY'S report suggested President Trump

was backing plans to move ahead with tariffs on \$200 billion in Chinese imports as early as next week.

The report took some shine off stocks, which had gotten a boost earlier in the week after Mr. Trump said the White House had reached a trade deal with Mexico. Uncertainty around global trade policies has pressured stocks throughout the year, keeping many investors cautious even as the U.S. economy has looked strong.

The Dow Jones Industrial Average fell 137.65 points, or 0.5%, to 25986.92 on Thursday, snapping a four-session streak of gains. The S&P 500 lost 12.91 points, or 0.4%, to 2901.13 and the Nasdaq Composite declined 21.32 points, or 0.3%, to 8088.36.

Falling commodities prices dragged shares of materials companies lower, weighing on the S&P 500. Mining firm Freeport-McMoRan shed 52 cents, or 3.5%, to \$14.15, following copper prices lower, while steel manufacturer Nucor lost 1.30, or 2%, to 62.79.

Exporters that investors have bet are vulnerable to fallout from tighter trade policies also lost ground, with Caterpillar falling 2.80, or 2%, to 139.06 and Boeing off 3.29, or 0.9%, to 346.90.

Declines in consumer-discretionary shares also pulled the S&P 500 lower, with discount retailer Dollar Tree sliding 14.68, or 16%, to 79.78 after



Shares of Dollar Tree slid \$14.68, or 16%, to \$79.78 after the discount retailer's full-year guidance missed investors' expectations.

its full-year guidance came in short of investors' expectations.

Even with Thursday's pull-back, U.S. stocks remain near records, supported by broadly strong corporate profits and economic data.

Yet some investors said they have viewed the recent rally in U.S. stocks with a degree of skepticism, noting that they came on low trading volumes and were mostly concentrated in the technology sector of the S&P 500, which is up nearly 7% for the month.

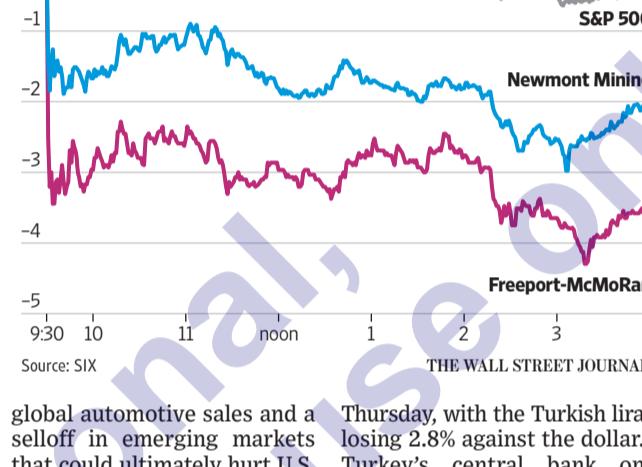
"It's difficult to equate the record highs and booming performance we've seen in the U.S. with a lot of the data we've seen that has been a bit lackluster," said Roger Jones, head of equities at London & Capital.

"We've seen early indicators of future market stress starting to at least flash amber," he said, pointing to disappointing housing data, a slowdown in

### Mining Woes

Shares of materials companies slid Thursday as metals prices came under pressure.

#### Performance, in one-minute intervals



global automotive sales and a sell-off in emerging markets that could ultimately hurt U.S. multinationals.

Emerging-market currencies remained under pressure

Thursday, with the Turkish lira losing 2.8% against the dollar. Turkey's central bank on Wednesday took steps to undo some of the emergency support it provided to its banks in

recent weeks while ratings firm Moody's downgraded 18 Turkish banks on fears they will face growing difficulties in refinancing foreign-currency loans.

Some of the pressure on emerging-market currencies has stemmed from the dollar, which has strengthened as the Federal Reserve has continued raising interest rates and the U.S. economy has extended its expansion.

The dollar extended gains Thursday after data showed a key measure of inflation accelerated last month at the fastest annual pace since 2012.

Elsewhere, the Stoxx Europe 600 fell 0.3%, pulled lower by shares of banks and real-estate companies.

China led declines in Asian stock markets, with the Shanghai Composite down 1.1% and the Hang Seng down 0.9%. Early Friday, the Shanghai benchmark was down 0.4% and the Hang Seng was down 1.4%.

# China Draws Funds From Indexers

By SHEN HONG  
AND JOANNE CHIU

International investors have already snapped up 219.7 billion yuan (\$32.2 billion) of shares listed in Shanghai and Shenzhen via the Stock Connect trading link with Hong Kong this year, higher than the 199.7 billion yuan they spent in all of 2017.

Overseas investors say China's growth remains solid—even at a slower pace—and its capital markets are too big to ignore, despite the threat of a trade war with the U.S.

"Foreign investors remain underexposed to China just based on the sheer size of the market," said Stephane Loiseau, Hong Kong-based head of cash equities and global execution services for Asia Pacific at Société Générale. "It's

such a significant market that can't be ignored anymore."

China makes up 19% of world economic output when purchasing power is held equal, according to the International Monetary Fund. Yet the Institute of International Finance estimates that as of mid-2017, foreign investors owned just 4.6% of all Chinese bonds and stocks.

Inbound investment focuses on industry champions such as liquor maker Kweichow Moutai Co. and cement producer Anhui Conch Cement Co. It has arrived despite a 16% fall this year in the main Shanghai market, where pessimism has grown alongside rising tensions with the U.S.

Foreign investors are

mostly institutions with longer investment time frames than those of the nearly 90 million retail investors who dominate China's stock markets—and whose mostly short-term bets often cause wild price swings.

"If you take a longer-term view on China, the country's economic fundamentals still look pretty robust," said Rebecca Jiang, Hong Kong-based China equities portfolio manager at J.P. Morgan Asset Management.

Overall, however, outsiders are still bit players. They own just 3.5% of China's two mainland exchanges—which together are the world's second largest, with a total market capitalization of \$7.4 trillion—meaning they wield little influence on matters such as corporate governance.

Over time, this is likely to change. On Friday, the weighting of China's yuan-denominated shares in MSCI Emerging Markets Index will double to 0.8% of the overall benchmark, a move MSCI estimates will bring around \$22 billion of inflows.

Full inclusion in the global indexes will probably take half a decade and could bring some \$350 billion more into China, UBS Global Wealth Management reckons. At that point, Chinese companies' share of the benchmark will fully reflect the value of their freely traded shares.

A similar trend has emerged in the \$11.9 trillion domestic bond market. Foreigners' holdings surged 61% to 1.35 trillion yuan in July from a year earlier.

# U.S. Oil Rises To a Nearly 6-Week High

By CHRISTOPHER ALESSI  
AND BENJAMIN PARKIN

Oil prices climbed to the highest levels in weeks on Thursday, boosted by a larger-than-expected decline in U.S. petroleum stockpiles.

West Texas Intermediate futures rose 1.1% to \$70.25 a barrel on the New York Mercantile Exchange, closing just short of a six-week high. Brent crude, the g l o b a l

benchmark, gained 0.8% to \$77.77 a barrel on London's Intercontinental Exchange. Brent traded at a seven-week high.

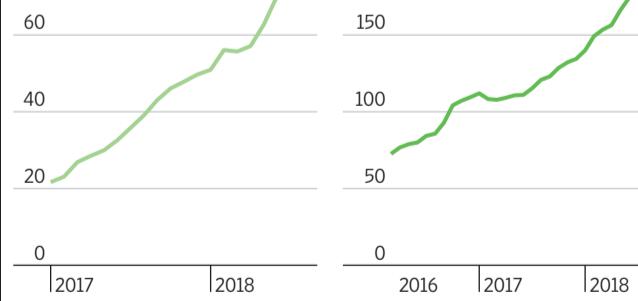
The U.S. Energy Information Administration said Wednesday that U.S. crude inventories had come down by 2.6 million barrels last week, ahead of the one-million-barrel decline predicted by analysts and traders.

The data "provided investors another reason to buy oil," said Carlo Alberto de Casa, chief analyst at ActivTrades.

U.S. prices, in particular, succeeded in beating recent highs, rising in the morning above \$70 a barrel before giving back some gains. "WTI is testing a key psychological level," said Schneider Electric during the session. At the same time, market observers widely expect prices to be buoyed by planned U.S. sanctions on Iran's oil industry, set to take effect at the start of November.

Index provider MSCI on Friday will double the weighting of Chinese shares in its widely followed emerging-markets index.

#### Cumulative flows into Chinese stocks via Hong Kong trade link



\*Agricultural Bank of China †Shanghai Pudong Development Bank

Sources: Wind (flows); Thomson Reuters (share-price performance)

#### Top components in MSCI's China A Inclusion index

Performance since June 1

Ping An Insurance	2.0%
AgBank*	0.3%
China Merchants Bank	-2.0%
SPD Bank†	-3.2%
ICBC	-4.6%
Industrial Bank	-5.3%
Kweichow Moutai	-9.2%
Wuliangye Yibin	-19.7%
Hikvision	-20.0%
Midea	-20.9%

Source: SIX

THE WALL STREET JOURNAL.

plus a term premium to reflect risk. Assessing the term premium is more art than science, but the New York Federal Reserve's widely used method suggests that since January, the premium has fallen, and the underlying bond yield has carried on up until about three months ago, and has been fairly steady since then.

Rather than the gloomy message of a weak economy sent by the bond yield, this model suggests everything is coming along fine; it just hasn't improved further in the past three months. Much like in

equities, bond investors aren't buying into the idea of a blowout boom, but they aren't anticipating recession either.

The markets could be wrong in lots of ways, but there are three particularly big assumptions investors are making. One is that inflation will stay moderate. Another is that the Fed will be somewhat more dovish than it says and the last is that Italy will remain a problem. A change to any of those could finally shake bond yields into rising.

The bond market is priced for inflation over the five years starting in five years'

time to be just over 2%, well in line with the Fed's mandate and about where it has been since its spike in January. If the tight jobs market and signs of production bottlenecks in the U.S. or a recovery in Europe and China prompt more concern about inflation, then bond yields could rise quickly. Stocks might suffer a repeat of their January fall, also triggered by inflation worries.

Signs of inflation also would shake the assumption priced into futures markets that the Fed won't match the median forecast of its policy makers

for three increases next year, after two more this year.

"There's an increasing belief that once the Fed gets to neutral it will pause and hang out there for a while," says David Rolley, co-team leader of global fixed income at Loomis, Sayles & Co. in Boston.

Italy matters more than one might think, because worries about its populist government's arguments with Europe have been weighing on German bond yields. Calculations by Goldman Sachs suggest low German yields have been most important in holding down the U.S. term premium since

May, so if Italian concerns abate then higher German yields might feed through to the U.S., too.

Of course, all this could be upset by signs that bigger taxes on China trade will really hurt or that troubles in Turkey and Argentina will hit Wall Street. For now, speculators are happy to ignore those threats, with hedge funds having their biggest bets on rising yields since data was reorganized in 2010. Bonds may have been calm in recent months, but the uncertain fundamentals and extreme sentiment mean they could break out rapidly in either direction.

# Stocks, Bonds Tell Same Story

Continued from page B1 down. The S&P 500 industrial sector, for example, is up 4.1% in the past three months, while in most of the world it has dropped.

Treasurys can be read as a message of calm about the U.S., too. Treasury yields reflect anticipated Fed interest rates until the bond matures,

## MARKETS

## Krona's Fall Catches Investors Napping

BY JOE WALLACE

Negative interest rates and fractures in one of the world's most stable political systems have made 2018 an unhappy year for Sweden's currency.

Down 10% against the dollar, the krona has fallen more than any other developed-market currency. Among the 10 most heavily traded currencies in the world, it has undershot even China's yuan—itself under pressure from the trade conflict with the U.S.—and the U.K.'s Brexit-bruised pound.

"The krona has probably been one of the most painful trades for investors over the past 18 months," said Kamal Sharma, senior FX strategist at Bank of America Merrill Lynch. "It seemed to be everything that you wanted from a currency."

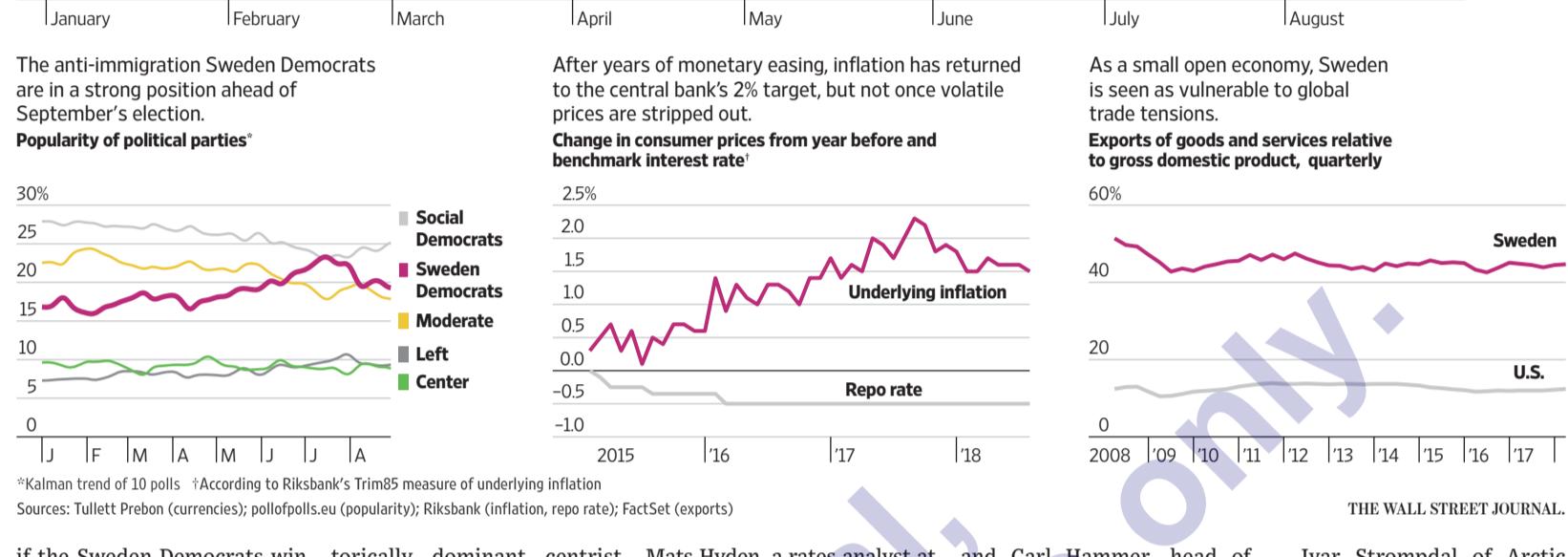
Many investors have been caught off guard by the central bank's decision not to get ahead of the European Central Bank by raising interest rates this year.

The Riksbank first pushed its benchmark repo rate below zero back in February 2015, as falling prices raised fears that European economies could slip into a deflationary cycle. Though inflation is running above the 2% target, the central bank has signaled that rates won't begin to rise until the end of the year—and some observers think this timeline will slip into 2019.

One reason for the Riksbank's caution is that inflation remains modest once volatile prices are stripped out of the figures. The bank also is concerned by global trade tensions. With exports worth 45% of GDP, Sweden is seen as particularly vulnerable to President Trump's conflicts with China and the European Union.

Another major weight on the krona is national elections on Sept. 9 that could endanger decades of centrist dominance

Negative interest rates, a disruptive election and trade concerns have made Sweden's krona the worst-performing developed-market currency against the dollar this year.



\*Kalman trend of 10 polls. †According to Riksbank's Trim85 measure of underlying inflation

Sources: Tullet Prebon (currencies); pollopolls.eu (popularity); Riksbank (inflation, repo rate); FactSet (exports)

if the Sweden Democrats win around 20% of the vote, as opinion polls project. The far-right party runs on an anti-immigrant platform and has called for Sweden, like the U.K., to hold a referendum on leaving the EU.

Even if the Sweden Democrats do win the most votes, they are unlikely to form a government because two his-

torically dominant centrist parties have vowed not to form a coalition with them. Few are betting on a plunge in the krona akin to the drop in the pound after the U.K. voted to leave the EU in 2016.

But a prolonged period of coalition talks seems likely and could lead to a repeat ballot, all of which could spell more pain for the currency.

Mats Hyden, a rates analyst at Nordea Markets, said "the big thing from a market perspective is that it will be more difficult to form a government because it is unlikely that any of the traditional alliances will win a majority."

Prices in the options market suggest the krona is expected to grow more volatile on either side of the election,

and Carl Hammer, head of macro and FICC research at SEB Group, thinks the currency could lose a further 1% if the Sweden Democrats top the polls.

The krona's weakness has been good news for domestic investors in the stock market, which is up 6% this year compared with a 1% fall for the Stoxx Europe 600.

Ivar Strompdal of Arctic Fund Management, a Norwegian asset manager responsible for just under \$2 billion, is unperturbed by the krona, noting that some of Sweden's biggest companies, such as truck and heavy-equipment maker Volvo Group, have major overseas revenue and therefore benefit from a falling currency.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

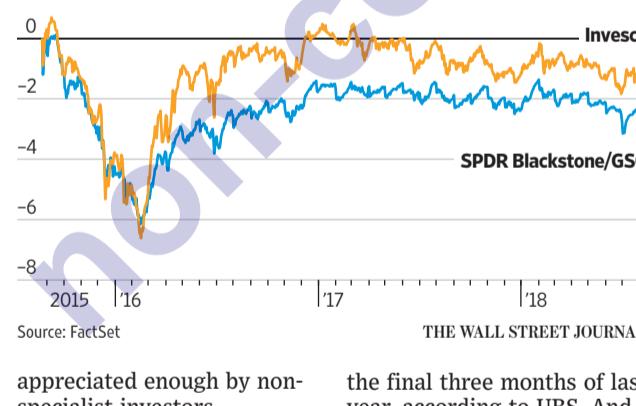
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## Hidden Risks Shadow Loan ETFs

## Lender Bender

Change in price performance of U.S. senior loan ETFs



appreciated enough by non-specialist investors.

First, rising interest rates are great for investors in floating-rate loans—until they aren't, to paraphrase a UBS analyst. There comes a point when higher interest payments start eating up too much of a company's cash flow.

U.S. rate increases already have pushed up total interest costs for loans by a percentage point to about 5.7% since

the final three months of last year, according to UBS. And higher funding costs haven't been matched by earnings growth for more lowly rated borrowers.

Second, there are more lowly rated borrowers than ever: Today almost two-thirds of leveraged-loan issuers are rated B2 or lower by Moody's, or single-B in other agencies' scales. That compares with less than half in 2006.

U.S. rate increases already have pushed up total interest costs for loans by a percentage point to about 5.7% since

Third, a growing share of borrowers reports leverage multiples based on adjusted earnings numbers; they add back dollars for one-time costs or for savings the owners plan to achieve.

Together these problems suggest losses will be greater when borrowers default than in previous cycles. But investors won't wait for widespread losses before reducing their exposure. When junk-rated energy companies hit trouble in late 2015, all high-yield credit sold off. At that time, Invesco's loan ETF dropped more than 7% between September 2015 and February 2016.

Now, the profits of some U.S. sectors are likely to be hurt by the escalating trade war, which could hurt the whole high-yield market again. The end of ultraloose monetary policy and rising yields on safer assets will also make risky credit less attractive to investors.

Whatever the trigger, it won't take much to spark trouble for leveraged loans.

—Paul J. Davies

## OVERHEARD

Still playing: high drama at the troubled parent of the MoviePass ticket-discount service.

The latest plot twist came Thursday when the company said in a securities filing that **Carl Schramm** had resigned from the **Helios & Matheson Analytics** board of directors, effective immediately.

Turnover on corporate boards is a common event. The circumstances surrounding Mr. Schramm's departure were anything but.

Mr. Schramm's resignation letter, which the company included in the filing, said that "management apparently has made a number of important corporate decisions and executed significant transactions either without Board knowledge or approval" over the past eight weeks.

**Helios & Matheson**, for its part, responded that the company "firmly believes all Board and committee meetings have been duly noticed and held, and no material information has been withheld from any Board member."

## 'Battlefield' Maker Blinks In Standoff

Even in the world of combat-based videogames, it sometimes pays to live to fight another day.

**Electronic Arts Inc.** made such a decision on Thursday, announcing plans to delay the release of "**Battlefield V**" by a month. The purpose is to make "some final adjustments" to the game, the company said. But the delay also means the latest edition in EA's blockbuster shooter franchise is no longer sandwiched between two other popular shooter sequels.

"**Battlefield V**" will now launch on Nov. 20, giving it about a month of breathing room from the launch of **Activision Blizzard Inc.**'s "Call of Duty: Black Ops 4" and "Red Dead Redemption 2" from **Take-Two Interactive Software Inc.**

Delaying "**Battlefield V**" isn't cost-free for EA. The new release date means about a month less of sales of the title for the company's current fiscal year, which ends in March. EA took down its forecast for net bookings by 6% to \$5.2 billion for the year.

EA's share price still fell nearly 10% Thursday, adding to declines logged since the company's fiscal first-quarter report in July showed disappointing growth for live services.

Still, shifting the "**Battlefield V**" release is the right move. The game would have struggled for attention between the "Call of Duty" and "Red Dead" titles. And today's big games are expected to generate a long tail of revenue through continued player engagement, so getting the details right early matters a lot. Getting them wrong on this game could leave EA seriously wounded.

—Dan Gallagher

## Campbell Soup Goes on a Diet but Risks Losing Strength

## Condensed

Organic net sales for Campbell's 'simple meals and beverages' unit, change from a year earlier



Note: Fiscal year ended July 29

Source: the company

cused on North America. Campbell also will step up cost-cutting initiatives. It is now seeking to take out \$945 million of expenses by fiscal 2022, up from its earlier goal

of \$795 million.

What is unfortunate is that the proceeds will have to go toward paying down debt. Granted, with net debt to adjusted earnings before interest, taxes depreciation and amortization of roughly five times after the recent acquisition of Snyder's-Lance, deleveraging is crucial. But it also is urgent to shore up sales at core brands.

After the divestitures, Campbell will be left with a faster-growing snacks business and the slower-growing "simple meals and beverages" business. This includes its soups plus other brands in need of renovation, such as V8 beverages, Prego sauces

and Pace salsas. Even the more exciting brands that came with Snyder's-Lance, such as Kettle and Cape Cod chips, won't just keep growing on their own.

The soup business is in particularly bad shape, with organic net sales falling 14% in the most recent quarter compared with a year earlier. The company badly needs to update its soups to contemporary tastes and to step up support for the brand with new marketing and packaging.

Interim Chief Executive Keith McLoughlin acknowledged that Campbell has relied too much on soup for earnings and hasn't invested

enough into its namesake brand. "We made too many withdrawals, we have to make more deposits" into the soup business, he said on a conference call.

But it remains unclear where the money for those "deposits" will come from. Mr. McLoughlin said the company plans to focus its spending on fewer brands, in some cases increasing advertising spending for certain products by 50%. Reducing the debt load also will cut interest costs.

If that isn't enough to move the needle, it won't be long before pressure rises again for Campbell to sell the whole company.—Aaron Back

Even without selling itself to **Kraft Heinz**, the risk is that Campbell management will end up repeating that thrifty company's mistakes over the past few years, over-emphasizing cost cuts and failing to invest in marketing and innovation.

Campbell said Thursday that it will divest itself of its poorly performing fresh-foods business. This is no surprise. The bolder move was to also put up for sale all international operations, leaving a much simplified company fo-



A Cheeky  
Tiki Hut  
One couple's  
Polynesian  
paradise **M3**

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# MANSION

THE WALL STREET JOURNAL.

Mary  
McCartney  
Memories of  
summers in  
Scotland **M4**



Friday, August 31, 2018 | **M1**



## The House With A Surprise Inside



Dan Brunn spent about \$500,000 redoing his Los Angeles home, but he left the exterior pretty much intact. Instead, he gave the living room, above, and other rooms a sleek, minimalist vibe.

MICHAL CZERWONKA FOR THE WALL STREET JOURNAL (2)

By ALINA DIZIK

**THE BASIC WHITE SIDING** and burnt-orange, louvered shutters on this Los Angeles house plainly say "American 1950s residential traditional," says homeowner Dan Brunn, an architect.

But step inside to find a two-story living room with bleached wood floors and white walls punctuated with bold, contemporary artwork. The sleek, minimalist interiors satisfy Mr. Brunn's modern aesthetic, while the nondescript exterior lets his home fit into the small, older Brookside neighborhood of Los Angeles. "I thought, 'Why mess with something if it's OK?'" recalls Mr. Brunn, 40, who spent about \$500,000 in a yearlong renovation.

Low-key facades blend in with the neighborhood and help preserve homeowners' privacy. But open the door and you'll find style inside.

The real-estate recovery in recent years has triggered the rise of undercover luxury homes—properties with modest exteriors and opulent interiors. Owners in gentrifying urban neighborhoods, historic districts and traditional suburbs are taking a less-is-more approach to their exteriors, opting for subtlety, normalcy and privacy.

"It's the end of the statement house," says Tineke Triggs, an interior designer in San Francisco who says most of her clients now want designs that don't flaunt their exteriors.

In Austin, Texas, Kelly and Carlos Gonzalez, didn't want their brand new 3,000-square-foot home to stand out among the homes in the historic Bouldin

Please turn to page M10

## A Nantucket 'Nest' Just for the Grandkids

An interior designer turns a tumble-down cottage into a summer getaway as an homage to her childhood summers at the beach.



By CANDACE TAYLOR

**GROWING UP** in New York City, Susan Zises Green traveled every summer with her extended family to the Rockaways. There, her parents rented one of the tiny bungalows that dotted the Queens peninsula at the time. Her grandparents, aunts and uncles did the same, and she'd spend "the most divine summers" exploring the beach with her cousins.

Decades later, when she saw a tumble-down beachfront cottage on Nantucket, "it was the Rockaways all over again," she said. "I walked in and I could feel my grandparents."

Ms. Green already owned a home on the Massachusetts island, but she bought the "funky little house" anyway, resolving to create a getaway for spending time with her grandchildren. Today, after several years and an extensive renovation, Nonnie's Nest is an homage to her childhood summers. With few exceptions, the only overnight guests she allows are her

Please turn to page M6

A 'funky little house' on the Nantucket shore was bought and converted into a three-bedroom family cottage for about \$2.8 million.



## PRIVATE PROPERTIES

# Dick Cavett's 'Tick Hall' Reduced 22%

Television personality Dick Cavett is cutting the price of "Tick Hall," his historic Montauk estate, by 22% to \$48.5 million, down from the \$62 million he was seeking when he first listed it last spring.

"It was on for about a year at a price that was maybe a little aggressive, and it didn't get any traction," said Hamptons-based listing agent Gary DePersia of the Corcoran Group. "They needed to lower the price to be more in line about where this should trade." Martha Rogers Cavett, Mr. Cavett's wife and an author, also blamed the booming stock market, saying the rally discouraged people from investing in real estate.

One of the so-called "Seven Sisters"—a series of Hamptons homes designed by architectural firm McKim, Mead & White and now part of the Montauk Association Historic District—the property sits on roughly 20 acres on a bluff overlooking the ocean. Mr. Cavett bought the shingle-style house in 1968 and he and his then-wife, the



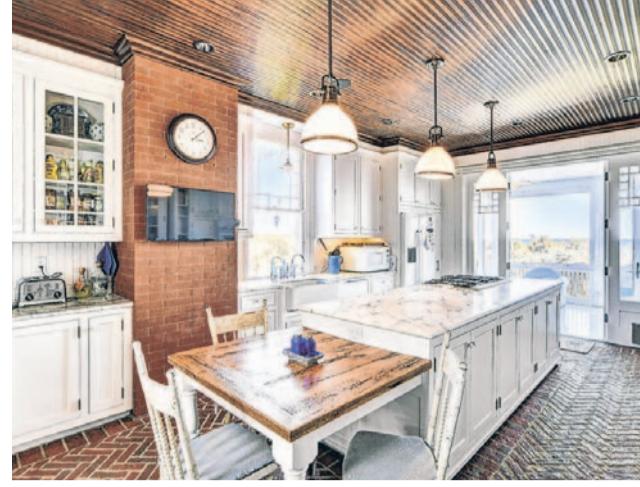
late Carrie Nye, rebuilt it in 1997 after it was damaged by a fire. The reconstruction was the subject of a television documentary entitled "From the Ashes: The Life and Times of Tick Hall."

The approximately 7,000-

square-foot house dates back to the 1880s and has six bedrooms, a reading perch with views of the ocean and a bell tower above a wraparound porch. There is also a swimming pool, a Japanese pergola, a half-acre pond and

walkways through the woods. A private staircase leads down to a beach known locally as Cavett's Cove; the beach is private, but the public has a right of way.

Mr. DePersia, who is replacing a colleague as the



million. The Cavetts have moved to Ridgefield, Conn., where they are living at a mansion known as Sunset Hall, Ms. Rogers Cavett said.

"We're now Connecticuters," she laughed. "That's really the word."

Mr. Cavett, 81, is known for hosting talk shows on several networks from the 1960s until the 1990s, and hosted guests such as Muhammad Ali. "Any number of people who were on his show went out to Tick Hall," Ms. Rogers Cavett said.

—Katherine Clarke

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## A Beauty Queen's \$38 Million Castle

A Southampton, N.Y., home on Meadow Lane, which is home to prominent business executives like David Koch and Leon Black, is coming on the market for \$38 million.

The property is owned by Adrien Arpel, a beauty entrepreneur who sold her products in department stores and on the Home Shopping Network. She owned the property for 37 years, she said, declining to say how much was paid for the home.

She and her husband Ronald Newman rebuilt the home in 2002 and have renovated it twice since. The most recent renovation was completed last year. Mr. Newman died in 2015.

The oceanfront home sits

on over 8 acres; roughly half are oceanfront, and the others are located across the way on Shinnecock Bay. The house measures about 7,250 square feet with six bedrooms. It has an oceanfront living room with access to the beach. The property also has manicured English gardens, a tennis court and a pool.

Ms. Arpel said that since her husband died, she has been dreaming of buying a small place in the South of France, where she has been spending more time. Although she is listing the Southampton home, she is keeping her homes in Palm Beach, Fla., and Manhattan.

Tim Davis of the Corcoran Group has the listing.

—Katherine Clarke

## For Rent: \$55,000 a Month

Trevor Traina—a tech entrepreneur and a San Francisco socialite—is offering to rent his high-design home for \$55,000 a month while he is away serving as U.S. ambassador to Austria.

When it lists, the house will be the priciest rental on the market in the notoriously expensive city, according to listings website Zillow.

The home is on the Gold Coast, a neighborhood known for its big bay views and for wealthy residents like Oracle's Larry Ellison and Zynga's Mark Pincus. It will include all of the family's furniture as well as their art collection, which includes pieces by Damien Hirst, Robert Rauschenberg, Diane Arbus and Andy Warhol, according to listing agent Neill Bassi of Sotheby's International Realty. Mr. Traina's mother is Dede Wilsey, an art patron to institutions like the M. H. de Young Memorial Museum.

Mr. Traina and his wife Alexis bought the Georgian



house for \$8.52 million in 2006, according to property records, then tapped local socialite Ann Getty to help redesign it. It includes a conservatory, a "Hirst Bar" named for the Hirst painting on the wall and a circular library with wall coverings crafted from peacock feathers. Several taxidermied peacocks are in the dining room. The property spans 10,890 square feet with seven bedrooms.

Homes in this area rarely come on the rental market, Mr. Bassi said. Mr. Traina is looking to lease the property for a one- or two-year term, Mr. Bassi said. Mr. Traina, 50, knows he will be out of the U.S. for several years, but it could be longer, Mr. Bassi added. Mr. Traina declined to comment.

—Katherine Clarke

Warren Buffett slashes the price of his beach house. M8

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## MANSION

## BALANCE SHEET

# From a Two-Car Garage To a 20-Seat Tiki Hut

Josh Papizza made a deal with his wife: He could build a \$30,000 dream bar if he kept his oddball collection out of their new Midcentury Modern-focused home

By NANCY KEATES

**W**hen Josh and Rachel Papizza moved from a one-bedroom apartment to a two-bedroom house in Ventura, Calif., two years ago, they were excited to finally have a two-car garage. Not for their cars, but so Mr. Papizza could create a home for his hundreds of tiki mugs, Polynesian carvings and puffer-fish lamps—and so Mrs. Papizza, 41, could decorate her new home without any evidence of that distinctive décor.

"Once we made that deal, I fulfilled my vision," says Mr. Papizza, 40, a bartender at a Ventura, Calif., bar called VenTiki Lounge & Lanai. The garage is now a full-blown tiki bar that seats 20 people, finished last year for about \$30,000.

Home tiki bars are getting more lavish. Thatched and bamboo clad, and often found in basements, garages and backyards, these throwbacks from the late 1940s and 1950s became popular when returning GIs re-created what they had seen in the Pacific.

"It was a place where you could loosen your tie," says Martin Cate, founder of San Francisco tiki bar Smuggler's Cove. Their popularity has continued to varying degrees. The current resurgence stems in part from a similar urge to escape modern-day anxieties, he surmises.

For his garage bar, Mr. Papizza enlisted help from friends, whom he refers to in tiki terms as *ohana*, a word from Hawaiian for "family." One friend drew the design plans, another did woodwork and a third put in the plumbing, all in exchange for "plenty of rum and the chance to be part of a really cool project," says Mr. Papizza.

To keep costs in check, the plumbing is rigged through a hose that runs through some holes in the wall, with the water draining into buckets that need emptying at the end of the night.

Instead of real bamboo, which can get moldy and attracts bamboo beetles, Mr. Papizza made faux bamboo out of PVC pipes, a trick he learned on the Tiki Central website, which has forums on building home tiki bars.

He also drew inspiration from blogs such as Tiki with Ray, which posts photos of home tiki-bar projects, and studied the vendor booths at the Tiki Oasis convention in San Diego.

Real-estate agents say Polynesia-theme home bars are still a rarity, but they have been seeing more in recent years. About 1,982 homes currently for sale in the U.S. have the words "tiki bar" in their listing description, according to real-estate website Zillow.

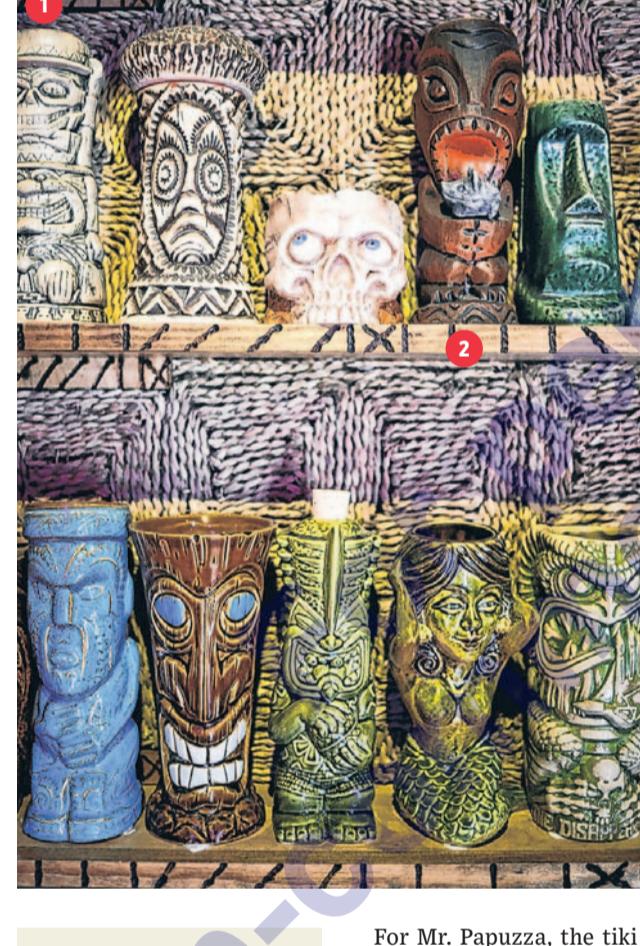
"It's been a crazy year," says Kevin Dunn, whose Tiki Kev, based in Chalfont, Pa., sells pre-made tiki bar kits and builds home tiki bars. In the past four months, he says, he has installed 11 custom bars, including one in Myrtle Beach, S.C., for \$16,000 with a thatched roof and two swings.

When her father started selling weaving palms in 1986, there were few other home tiki-bar makers, says Margorie Guerrero, owner of the San Diego-based company Tropical Shade Imports. Now she has dozens of competitors and makes about two tiki huts a day, for as much as \$11,500 apiece.

ETHAN PINES FOR THE WALL STREET JOURNAL (5)



Some 110 people attended the opening of the Papuzzas' bar, Tapu, or 'Forbidden,' at their Ventura, Calif., home. About 1,982 home listings in the U.S. today mention 'tiki bar' in their descriptions, according to real-estate listings website Zillow.



## MUG SHOTS

## 1. HITCHHIKING GHOSTS

The hugely popular mug is from Disneyland Hotel's Trader Sam's Enchanted Tiki Bar in Anaheim. It is the first official tiki mug of the Haunted Mansion.

## 2. TIKI DIABLO

Mug by Danny 'Tiki Diablo' Gallardo for Porco Lounge & Tiki Room in Cleveland.



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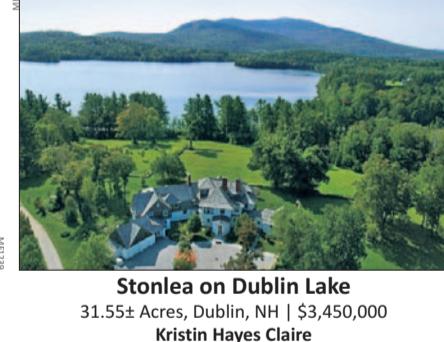
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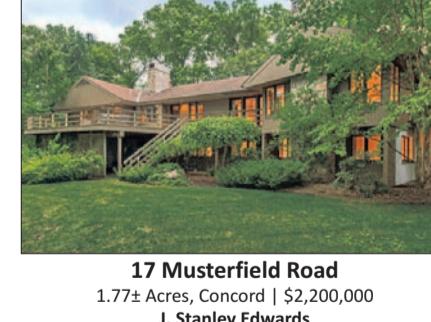
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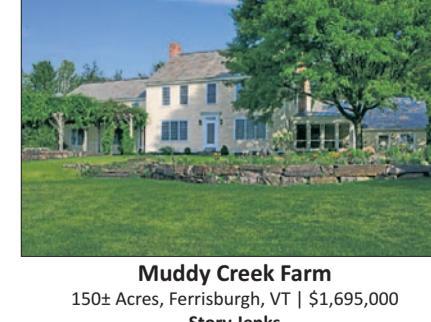
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## MANSION



HOUSE CALL / MARY MCCARTNEY



Mary McCartney with parents, Linda and Paul McCartney, and half sister, Heather, on right, in Saint-Tropez, France, in 1971. Top, Alejandro, subject of a new book by Ms. McCartney, top left, in a 2014 self-portrait.

# Summer With Family In Secluded Scotland

The photographer and cookbook author's fab childhood inspired by parents

**O**ne of my earliest memories is my parents sitting me on a pony in Scotland. They carefully wrapped my hands around the horse's mane and slowly walked me around. I must have been about a year old.

The pony's name was Coconut. He was very kind and patient. I remember the coarse texture of his mane and how I held onto it tightly. Riding him that young gave me an early sense of pride and self-confidence.

As a family, we spent most summers together at a remote farmhouse on Scotland's Kintyre peninsula. During the school year, we lived in central London.

Those summer stays were about seclusion and family. By spending long periods far away and close together, my parents, siblings and I were each other's entertainment.

Growing up, I loved the Scottish landscape. The land was open and wide, and the sky was expansive. Hills were covered in heather and bracken, and the fields were divided by old stone walls that had fallen apart in places. You could see for miles.

Our one-story, green-and-red stone farmhouse was a comfortable and simple home. We spent much of our time outdoors, with our horses, sheep and dogs.

Growing up with artistic parents was inspiring. My mother, Linda, was a professional photographer, and my father was Paul McCartney. In London, they took me to art exhibits. I was encouraged to observe, feel and express myself. My mother always had beautiful photography



## Maybe I'm Amazed: The Jacket Photo

Perhaps my mother's most famous photograph of me was taken in Scotland in 1969. When I was a little baby, my father, Paul, would put me inside his soft zip-up jacket when they went for a horse ride.

One day, after they returned to the farmhouse and my father dismounted, my mother took the image of my dad and me. It wasn't preplanned or posed. My mother just caught the moment in the golden light of late afternoon.

My parents used the image on the back of my father's "McCartney" album when it came out in early 1970. I looked pretty cozy in there.

books around and we had contemporary artwork.

In Scotland and London, my mother and her cameras were inseparable. They were a part of her and always at the ready to take photos of images that moved her.

Mum was kind and gentle, comforting and elegant. She had a great sense of humor. She often left me alone with a camera to figure out my own artistic taste and sensibility.

There were two parts of me growing up. Either I was out and about in London and everyone was watching. Or, in stark contrast, I was in Scotland, surrounded by nature. Those extremes made me who I am.

At school in London, I was quite chatty and sociable. I was curious about people and wanted to know their personal stories. On holiday,

in seclusion in Scotland, I could become more introspective. I'd ride off into the hills for adventures on my new pony, Sugar Foot.

Riding was the perfect way to explore the landscape. I had an opportunity to become more observant, taking in nature from my pony's perspective. I felt safe.

Photography first became a passion in my teens. My mother was forthcoming with invaluable advice. We both processed our artistic viewpoint through our own personal experiences.

I also learned a great deal just by watching her. I feel like I inherited her eye. Mum was interested in nonperfect, authentic moments. We both strived to gain a subject's trust and not rush a promising situation.

She also helped me develop a

critical eye. During our summers in Scotland, I'd save up my rolls of film and have them developed at the lab when I got back to London. Then we'd go through the photographs and edit out our favorites together. I liked hearing her opinions.

After college, I had a job as a photo researcher at a music-book publisher. Then Mum invited me into her archive to look through all of her books of contact sheets.

This was the moment I became passionate about taking up photography professionally. I was 23 years old. And when I told my mother the news, she gave me one of her prized cameras—a Leica R7.

That Leica was the kind of camera that motivates you to take photographs. When I held it, I felt comfortable and inspired to go out on adventures and search for moments to capture in a single frame. The camera's sleek design made it easy to handle, and I loved the sound and feel of the shutter release. There was something about the click that was substantial and reassuring.

Today, my husband, Simon Aboud, and I live with our four children in central London, near Regent Park. It's a Victorian apartment with lots of light. My favorite room is our bedroom. On a good day outside the bedroom windows I can watch the clouds float by and the trees sway in the breeze.

A couple of times a month, I drive down to stables in the countryside south of London to ride my white horse, Alejandro. He's strong and kind and stunningly beautiful. We trust and calm each other as we explore the natural landscape.

Sadly, my mother passed away in 1998. I still have the Leica R7 she gave me. When I use it now, I feel as if she's there with me, giving me advice and confidence. Just holding the camera takes me back to the day she gave it to me.

—As told to Marc Myers

Mary McCartney, 48, is a fine-art photographer and author of several vegetarian cookbooks. Her latest book of photography is "The White Horse" (Rizzoli).

## Mary McCartney's BAKED PLUMS WITH FRESH BASIL AND AMARETTI CRISP

Serves 6  
Prep time: 7 minutes  
Cooking time: 20 minutes

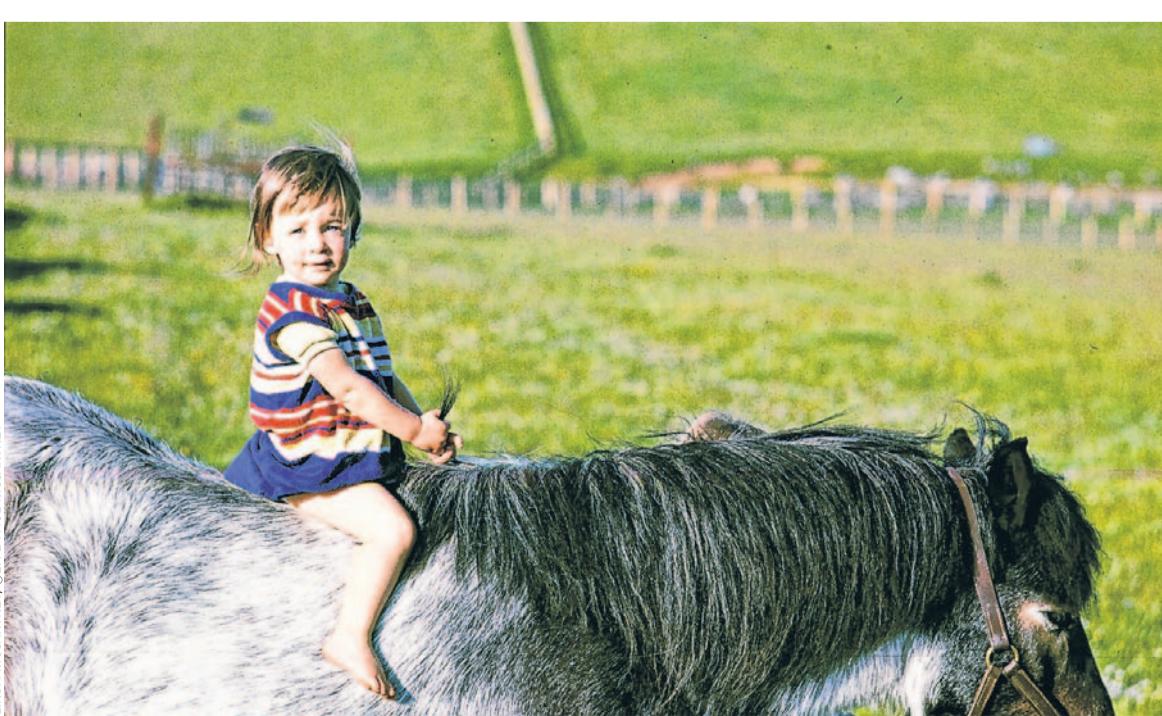
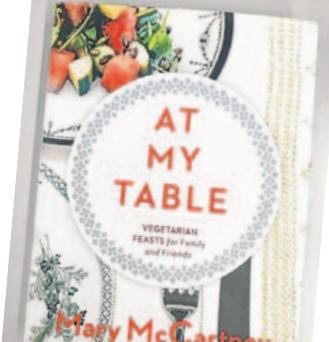
**INGREDIENTS**  
12 ripe plums (approx. 18 ounces)  
8 tablespoons maple syrup  
8 fresh basil leaves, thinly sliced  
12 amaretti cookies, crushed

**METHOD**  
Preheat the oven to 325°F. Cut the plums in half and remove the pits. Lay the plum halves, cut-side up, evenly on a medium baking sheet. Drizzle with the maple syrup, then bake for 20 minutes until soft and juicy.

Remove from the oven and scatter the basil leaves over the baked plums, then sprinkle with the crushed amaretti cookies. Transfer the plums to a service dish.

I think this pudding is delicious served with a spoon of crème fraîche, vanilla ice cream, or soya cream.

Reprinted with permission from *At My Table* published in 2015 by Sterling Epicure, an imprint of Sterling Publishing Co. Text and photography © 2015 by Mary McCartney



Ms. McCartney at her family home in Scotland in 1971. Photographed by her mother, Linda McCartney.

## MANSION

FOREIGN CORRESPONDENT

# Seduced By Sintra

Sea, mountains and pastel palaces brighten a Portuguese resort area



Pena Palace, an extravagant 19th-century complex fashioned out of the ruins of a medieval monastery, is a symbol of the area.

By J. S. MARCUS

**E**uropean home buyers are reinvigorating a resort area northwest of Lisbon, Portugal, that was once a haven for a small circle of old-money families. Sintra's lure is the juxtaposition of a subtropical coastline alongside a romantic alpine interior—as well as its mix of modernist and traditional villas alongside fanciful palaces.

The municipality of Sintra includes several distinct areas that spread across the Sintra Mountain range and extend down to small beachside towns on the Atlantic Ocean. The historic center—about a 15-minute drive from the shore—has a number of palaces and landscaped parks that are part of a Unesco World Heritage site.

One big natural attraction is Cabo da Roca, a dramatic promontory jutting out into the Atlantic—officially continental Europe's westernmost point.

Prime properties in the area—older homes with colorful facades and lush gardens—traditionally have followed the lead of local landmarks, such as the pink-and-yellow Pena Palace or the park around the Moorish-Gothic Monserrate Palace, where an English-style lawn gives way to the full range of exotic flora that thrive in Sintra's microclimate.

Contemporary Portuguese architecture, however, is known for its minimalist swagger, and Sintra's sleek new concrete villas, typically situated closer to the coast, can fetch prices higher than older, more ornate homes.

In Nafarros, a Sintra neighborhood between the historic center and the ocean, António Figueiredo, a Portuguese sports consultant, is selling his 8,700-square-foot, five-bedroom contemporary villa on a lot just under 3 acres. Equipped with indoor and outdoor pools, the property has an asking price of \$3.5 million.

Lisbon has one of southern Europe's hottest real-estate markets, thanks in part to a spike in foreign interest. Sale prices in the Portuguese capital have risen 53% in the past five years, with a jump of nearly 19% in the past year alone, says Ricardo Guimarães, managing director of Confidencial Imobiliário, a Lisbon firm that analyzes Portuguese real-estate transactions. Mr. Guimarães says Sintra prices also are rising, if not as quickly, showing five-year gains of 22% and a jump last year of 12%. He sees particular strength in the high-end market.

Sintra-born winemaker Diogo Baeta noticed a change in his hometown about two years ago, he says, as foreign tourists coming up from Lisbon started wanting more out of Sintra than just a day trip, leading some to buy.

Like other Sintra wineries, Adega Viúva Gomes, run by Mr. Baeta's family, specializes in the wine-world outlier associated with the area: vintages made from grapes grown in sand. Sintra is also known throughout Portugal for its delicate pastries.

New luxury homes around Colares, Sintra's wine region, tend to face the sea, while classic Sintra estates are often nestled in the mountains. Sintra architect Thiago Braddell, who specializes in traditional-style villas and high-end refurbishments, has his own preference.

"I try to convince people that mountain views are more interesting," he says, describing Sintra's shifting alpine light. "Sometimes the Sintra Mountains look as big as the Himalayas, and sometimes you feel you can run away with them under your arm."

Sintra has been a cool summer getaway for centuries of Portuguese monarchs. It became associated with Europe's Romantic movement in the 19th century, attracting visitors such as Lord Byron. It acquired its best-known landmark, the Pena Palace, because



Swedish entrepreneur Thomas Berglund bought a vacation estate in the historic heart of Sintra, above left. An en suite bathroom in a guest bedroom, above right, and the eat-in kitchen, which has a La Cornue stove, below. The property is on the market for \$6.44 million.



of Portugal's Vienna-born, mid-19th-century king, Ferdinand II, who asked a German architect to redo a centuries-old mountaintop monastery in the manner of a Rhine castle.

By the start of the 20th century, a Sintra estate was a must-have for Portuguese aristocrats and plutocrats.

Later, the area became a stop-over for international jet-setters, in part because of Franco-American energy tycoon Pierre Schlumberger and his Portuguese-born wife, São, who bought a large Colares estate in the 1960s. The estate is now on the market for an undisclosed price.

By the 1990s, the area was in decline, with some prominent homes falling into ruin.

These days, Sintra still has a lingering noble aura. Duarte Pio de Bragança, head of Portugal's former royal house, has his own pastel Sintra villa. But the area is reviving largely due to foreign homeowners such as Swedish entrepreneur Thomas Berglund. In 1999, Mr. Berglund bought a run-down Sintra estate that once belonged to the family of a Portuguese count. Located in Sintra's historic heart, it is now on the market for \$6.44 million.

The property includes a renovated 7,900-square-foot mansion, with six bedrooms and eight bathrooms. The landscaped, 2-acre lot hosts exotic plants, such as fragrant Angel's Trumpet bushes from the tropics of South America, along with sev-



Mr. Berglund's sister, Monica, a retired teacher, and son, Christopher, a real-estate consultant, live there.

eral types of palm trees.

Mr. Berglund, now 66, is based in southern Sweden and uses the estate as a vacation home. He shares it with his sister, Monica Berglund, a 69-year-old retired teacher, and his son, Christopher Berglund, a 35-year-old real-estate consultant. Ms. Berglund and her nephew live on the estate year-round.

"We restored the whole property," says Christopher Berglund, adding that the main house, which likely dates back centuries but probably took its present form in the 19th century, needed everything from a new kitchen and new windows to a new roof.

The family also built a heated outdoor pool and converted the garage into a small guesthouse. He says renovation and furnishing costs totaled about \$5.5 million.

Like many residents, Mr. Berglund talks about "the mystical feeling of Sintra," which he attributes to the looming castles, low-hanging clouds and winding mountain roads. "Sintra plays on people's emotions," he says. He says that after selling, he and his family plan to stay in the same corner of Portugal.

## LISTINGS | 21ST-CENTURY VILLAS ON THE MARKET IN SINTRA

**\$3.5 million**

**Nafarros**

5 bedrooms, 6 baths

The 8,700-square-foot, 2006 contemporary-style home is near Sintra's historic center. It has indoor and outdoor pools.

**Agent:** Nuno Tristão, Engel & Völkers

**\$2 million**

**Quinta da Beloura**

5 bedrooms, 6 baths

The 7,200-square-foot traditional-style 2002 villa is in a gated community with a golf course.

**Agent:** Margarida Cardoso, Porta da Frente/Christie's International Real Estate



## MANSION

# A Nantucket 'Nest' That's Just for the Grandkids

*Continued from page M1*  
six grandchildren, ages 2 to 15.

"I wanted my grandchildren to have memories like I had with my grandparents," she said.

Ms. Green, a New York City-based interior designer, said that for nearly 40 years she has spent summers on Nantucket, a former whaling outpost off the coast of Cape Cod. She said she discovered the location in an article in Town & Country magazine. After one visit, she "fell in love with it" and has been loyal to the island ever since. She brought her son and daughter there when they were small, and now they, in turn, bring their children. "This is the place our family loves," she said.

For some 25 years, she has owned an 1830s property in Nantucket's quaint downtown. There is a small house for her (she is divorced) and a larger one behind it, where her two children and their families stay when they are in town.

So she wasn't in the market to buy a home when she saw the roughly 1,100-square-foot cottage on the beach in Madaket, on Nantucket's western end. Built about a

century ago, the cedar-shingled house had no heat or insulation. But she couldn't resist the memories it conjured up, despite the disapproval of her son, who went to see the property with her.

"He looked at it, rolled his eyes and said, 'Mom, I'll wait for you in the car,'" Ms. Green recalled. "He could not relate to this house. But I was all in—I related to it."

She bought the house for \$1.675 million, knowing it had a condemned septic system but not planning many other changes. The project "didn't seem that challenging," she said.

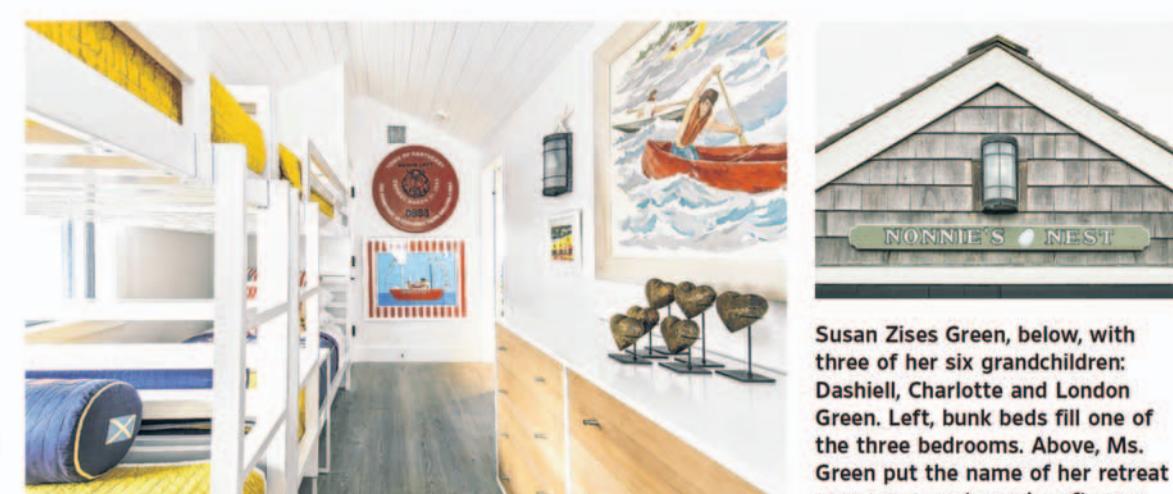
She was in for a surprise. It turned out Nantucket's regulations required her to "bring everything else up to code." She found herself rebuilding the house, installing a new roof, walls, floors and ceilings.

"Now my little renovation was a huge project," she said. All renovations on Nantucket are overseen by the island's strict Historic District Commission, which is responsible for preserving the island's historic architecture. The project took about two years and \$1.1 million.

Despite some major changes, she said she did her best to "keep the spirit of the place." She kept the home's exterior appearance, but put a fence around the property to keep her youngest grandchildren from wandering off. Instead of the grass or shell walkways often seen on Nantucket, she chose wooden boardwalks, to remind her of the boardwalk in the Rockaways.

The home's interior had dark wood resembling "a boathouse," she recalled. She replaced it with bright white shiplap and bead board for a cheery feel, but saved several remnants of the walls as decoration. The previous owner was an artist who had painted nautical scenes throughout the home.

"Everything that she painted, I kept," Ms. Green said. A cupboard door painted with sailboats was moved from under the kitchen sink to the master bedroom wall. A whaling scene in the bathroom now hangs in a hallway. Ms. Green even salvaged a piece of wood



Susan Zises Green, below, with three of her six grandchildren: Dashiell, Charlotte and London Green. Left, bunk beds fill one of the three bedrooms. Above, Ms. Green put the name of her retreat over a garage-turned-craft-room.

BOB O'CONNOR FOR THE WALL STREET JOURNAL (3); MATEO SIMONOVIC (ICE CREAM)

## Family Island Favorites

Ms. Green's picks for Nantucket dining with her grandchildren:

**Breakfast:** Fog Island Cafe

**Doughnuts:** The Downyflake

**Ice-cream sodas:** The Soda Fountain at Nantucket Pharmacy

**Feet-in-the-sand dining:** Sandbar at Jetties Beach

**Sunset-watching:** Millie's

**Ice Cream:** The Juice Bar ▾



where the previous owner had written all her friends' phone numbers. "It's hung like art," she said.

She put bunk beds in one of the three bedrooms. Two sofas in the living room double as beds. When all six children are there, she said, "it's pandemonium, but they all fit."

A palette of white, blue and gray helps to "let the outside come in," she said. Knowing spills would likely occur, she chose sturdy, spill-resistant fabric for the furniture. A big mirror on the living room wall reflects views of Madaket Harbor

throughout the house, and conceals a large television—a must with "a bunch of kids in the house."

Outside, she converted a garage into a craft room, with two long tables topped with zinc for easy cleanup. (The space also comes in handy for dinner parties.) She put a sign over the building's entry that says "Nonnie's Nest," using the name her grandchildren call her.

With the renovation completed, she regularly makes the 6.5-mile trip from town to Madaket with her grandchildren, sometimes to

spend the night and sometimes just for the day. A sandy path leads from Nonnie's Nest to the beach, and she likes to sit in a chair and watch them splash in the water. They keep a sailboat, kayaks and kickboards at the newly revamped house, as well as nets to catch tadpoles and shovels for clamming.

Her own children sometimes balk, but overnights at Nonnie's Nest are mostly reserved for Ms. Green and her grandchildren. "It's our little getaway," she said. "The place really warms my heart."

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## PRIVATE PROPERTIES

# Warren Buffett Cuts the Price of His Beach Home

Billionaire investor Warren Buffett is slashing the price of his California beach house to \$7.9 million, after putting it on the market for \$11 million in February 2017,

**'Never count on making a good sale. Have the purchase price be so attractive that even a mediocre sale gives good results.'**

Warren Buffett in a 1963 note to partners, from 'Buffett: The Making of an American Capitalist' by Roger Lowenstein

according to a spokeswoman for the listing agent.

If the property sells for its new asking price, Mr. Buffett will still make an impressive return, having paid just \$150,000 for the home in

the early 1970s. The 88-year-old Berkshire Hathaway chairman, the third-richest man in the world according to Forbes magazine, spent holidays at the beach house. He said in an interview last year that he bought the house because his late first wife, Susan, loved it. Since she died in 2004, he hasn't spent much time there, which prompted him to list the property.

He said the Laguna Beach area had changed dramatically since then, becoming more developed. The house was renovated several times through the years but not recently, said the spokeswoman for the listing agent. Mr. Buffett also purchased an adjacent house, which he called "the annex," to make space for house guests, and connected the two homes with a staircase. The



annex was sold in 2005.

Mr. Buffett recalled hiding out in the home's master bedroom to write Berkshire Hathaway's annual reports during Christmas holidays, and visiting Disneyland with his children.

The roughly 3,500-square-foot, three-level Laguna Beach home is in Emerald Bay, a high-end gated

community with views of the beach. It has six bedrooms and seven bathrooms. Two of the bedrooms have separate entrances for guests. The house fits Mr. Buffett's famously understated tastes, with gray carpeting and white laminate countertops.

The median home price for Orange County is \$829,000, according to the California Association of Realtors data from July. While that is

up 5.6% from July 2017, the number of total sales fell 1.4% during that same period.

Neither Mr. Buffett nor his real-estate agent, Bill Dolby of Villa Real Estate, was available to comment. The agent is a friend of Mr. Buffett's daughter, Susie. —Katherine Clarke

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## FROM MY PERSPECTIVE

### How Labor Day Got Its Name

What are your plans for the long weekend? In case it snuck up on you, Monday is Labor Day, a day that carries much historical significance in our country's history.

Labor Day has a checkered past. It was originally organized to celebrate the strength of labor unions and their unique contributions to our national economy. But it came with a significant amount of struggle. At the height of the Industrial Revolution, many Americans were working 12 or more hours a day, seven days a week — and still barely making a living. Working conditions were often unsafe, and child-labor abuses were widespread. In protest, workers began organizing rallies, strikes and boycotts. The first significant event was September 5, 1882, when about 10,000 people took an unpaid day off and marched in the streets of New York City. The zenith came in 1894, when the employees of a railcar company in Chicago went on strike, protesting pay cuts and increased work hours. That strike eventually led to the city's infamous Haymarket Riot, which resulted in several deaths.

In the wake of all that unrest and several similar riots, Congress took action to make Labor Day a federal holiday, at the urging of President Grover Cleveland. It was a governmental olive branch to the nation's labor force, to the contributions that workers made to the strength, prosperity and well-being of the nation. A "workingmen's holiday," many called it — though certainly more than men were putting in all that blood, sweat and tears.

Over the years, the meaning of Labor Day has morphed a bit. It means a three-day weekend chock full of picnics, parades and family fun. For many youngsters, it means one last break before a new school year begins. And for football fans, it usually signals the season's start, with the NFL and many college teams playing their first games that weekend.

But it should always be the time to consider American workers and the role they play, every day, in our country's success.

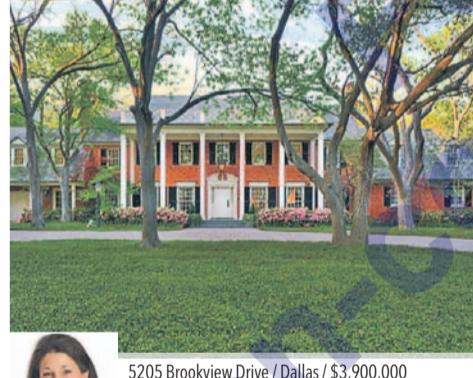
And if you're able to take a break from laboring this Monday, enjoy every minute. You've earned it.



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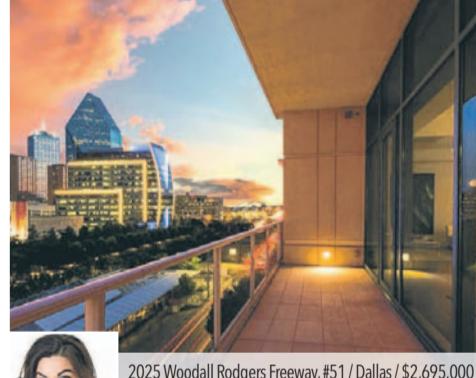
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## MANSION

# Plain Exteriors, Stylish Interiors

*Continued from page M1*

Creek neighborhood. To that end, the front façade of the farmhouse features white, composite clapboards, modest-size windows and a traditional roofline.

On the back of the house, however, walls of windows, a geometric deck and a third-floor master bedroom make a modern statement. Interior finishes include Carrera marble, custom-wood floors and reclaimed wood beams, she adds.

"I wasn't trying to woo visitors, I just wanted to blend in with the neighborhood," says Ms. Gonzalez, 44, a stay-at-home mom who is also an interior designer. Her husband, also 44, is a medical-device sales executive. The couple spent about \$1 million on construction, with Ms. Gonzalez acting as the general contractor.

New construction proves especially difficult to create a look that fits in, says architect Carina Coel, who worked with the Gonzalez family. She also suggests facades with a low profile and standard-size doors and windows. She stays away from using pricey materials that can be spotted from the curb, such as exotic woods, stone, heavy steel frames or glass. "I want to use materials that are kind of classic," she says. In the past few years, she has had several clients interested in a more pared-down look after "a lot of pushback" from neighborhood groups averse to more modern, showy construction, she adds.

David Gilbert purchased a 1930s early Modernist prefabricated home for \$74,000 in the working-class Prestonia neighborhood of Louisville, Ky., in 2010 with plans to rehab the investment property and sell it for a profit. By 2016, he'd changed his mind.

"I started to like the house," Mr. Gilbert, 62, a former music executive who now owns a bar and other real estate in town.

So he added an in-ground pool, new lighting and a screened-in porch. He also moved in his art and furniture collection, which includes a piece by minimalist artist Donald Judd and vintage Le Corbusier chairs. This year he finished the basement to include a large bathroom with a soaking tub and a workout area. For the exterior, though, he simply repainted the siding and added landscaping for more privacy. "The façade was left simple and plain," says Mr. Gilbert, 62, who estimates the renovations cost about \$250,000.

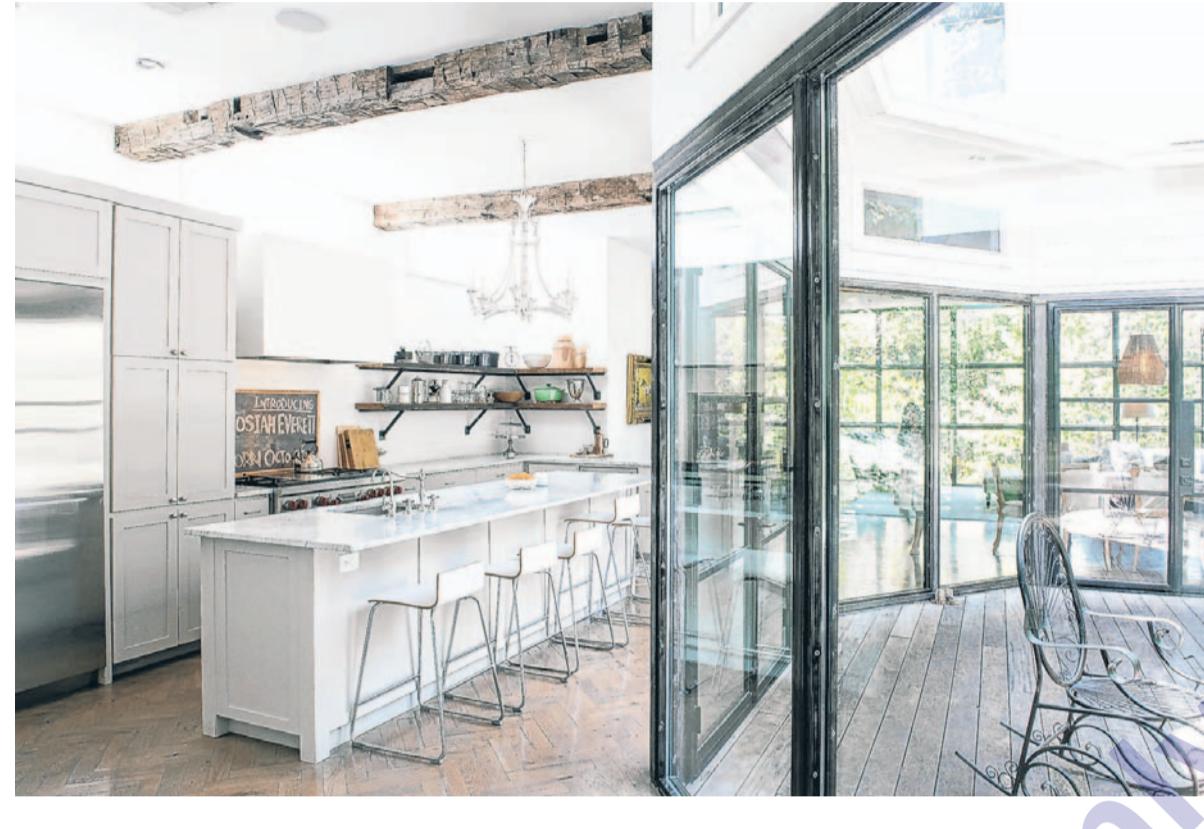
"The house doesn't flaunt [the amenities] in any way," adds Louisville architect Jeff Rawlins, who worked with Mr. Gilbert on the renovations. In the back of the home, Mr. Rawlins designed high walls to prevent onlookers from seeing the pool area in the renovated backyard from the alley. "It's sort of like a little oasis. He has everything he needs," says Mr. Rawlins. Adding trees helped the house blend in from the curb, he says.

The low-key look may hurt homeowners when it comes time to sell. From the street, spotting undercover gems isn't easy for potential buyers.

Trey Phillips, real-estate agent at Moreland Properties in Austin, urges house hunters to look beyond the facade's design and instead examine the exterior materials used. "The quality of windows and doors will tell you a lot," says Mr. Phillips. When listing a home, Mr. Phillips highlights construction elements that may not be apparent to buyers, such as roof quality, the construction of walls and things like solid-wood versus hollow-core doors.

Still, nondescript facades risk boring potential buyers. In a survey of 6,911 real-estate agents conducted earlier this year, 94% of respondents suggested improving the home's curb appeal before putting it up for sale, according to a the National Association of Realtors. Landscape maintenance, an overall landscape upgrade and lawn care were projects most likely to appeal to buyers and add resale value to the home.

As noted by Kimberly Rino, an agent with Core Real Estate Group in Los Angeles: "When you pull up it looks like you're going to visit your grandma," she says. "That can be a tough sell."



The Austin home of Kelly and Carlos Gonzalez, above left, uses traditional features on the facade. Inside, the open-plan kitchen and living area have a modern aesthetic. The couple, shown with their children, spent about \$1 million on construction, with Ms. Gonzalez as the general contractor.

## STICK WITH THE BASICS

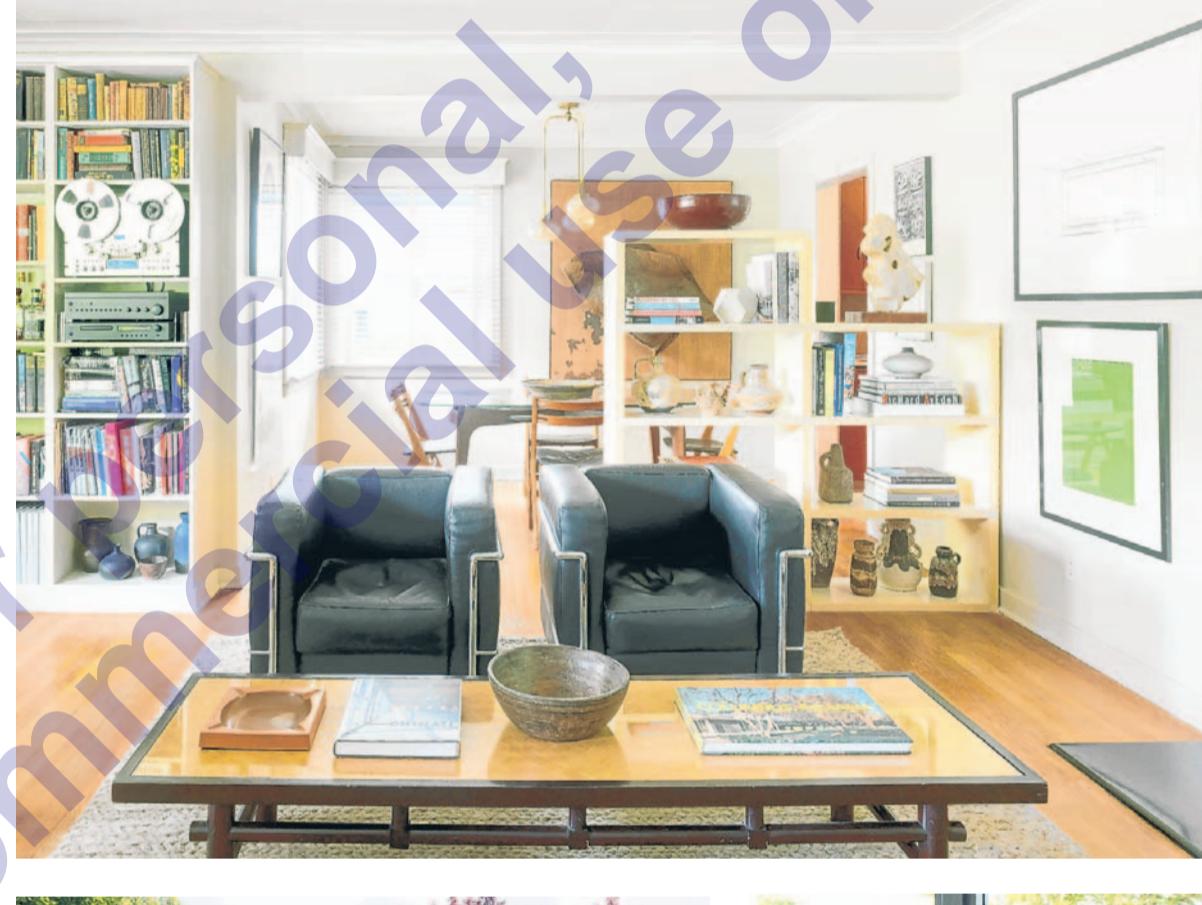
Curb appeal plays a significant role when listing a home for sale. But elaborate patios, fire features and swimming pools aren't necessarily the best investments. Instead, basic yard care and improvements yield the highest returns.

**267%**  
Percentage of \$375 in standard lawn-care expenses (regular applications of fertilizer and weed control) recovered when a home sells

**100%**  
Percentage of a \$3,000 investment in landscape maintenance (mulch, mowing, pruned shrubs and basic plantings) recouped in a sale

**83%**  
Percentage of a \$6,000 landscape upgrade (flagstone walkway, stone planters, flowering shrubs mulch and a 15-foot tree) recovered when the home is sold

Source: National Association of Realtors survey of 6,911 Realtors, April-May



David Gilbert, above, at his Louisville, Ky., home, left, which was he bought for \$74,000. He spent roughly \$250,000 on renovations, including adding a workout area in the basement and a swimming pool.

## LOW-KEY LANDSCAPING

Landscape plays a large role in softening and concealing a home's features.

Allison Messner, co-founder of Yardzen, a Mill Valley, Calif., online landscaping-design company, has some recommendations for homeowners who want subtly in their yard. A living wall, top right, is a space divider with embedded plants and offers privacy. She also suggests native grasses instead of showy blooms, bottom right. Decomposed granite can be used to create paths and living areas instead of decking or masonry.

Some luxury homeowners forgo traditional landscaping in the front yard altogether and instead spend their money to create outdoor living spaces in the back, Ms. Messner says.

They are eager to "turn their outdoor space into something they can experience," she adds.

—Alina Dizik



FROM TOP: EYEEM/GETTY IMAGES; JUSTIN CLEMENS FOR THE WALL STREET JOURNAL



Architect Dan Brunn, above, whose modern aesthetic inside belies the nondescript exterior of his home in the Brookside neighborhood of Los Angeles