



## U.S. NEWS

## New Push to Disclose Grads' Income, Debt

WASHINGTON—The Trump administration is moving to require colleges and universities to publish more detailed data on the finances of their graduates, part of a broader effort to make higher education more market driven and focused on consumer choice.

*By Michelle Hackman,  
Josh Mitchell  
and Douglas Belkin*

The new rules, set to be unveiled by the Education Department in coming weeks, will build out an Obama-era initiative called the College Scorecard, but will supplant an Obama-era plan known as the “gainful employment” rule. That provision focused government oversight on for-profit colleges, sanctioning programs that produced students with high debt loads and little income after graduating.

Instead, Education Secretary Betsy DeVos is pushing disclosure requirements that apply to all of higher education—including for-profit and nonprofit schools, public and private schools, and undergraduate and graduate programs.

## Major Difference

Average debt-payments-to-income ratio three years after graduation for Virginia public and private schools by major

Psychology	9.9%
Criminal justice	8.3
Business	7.6
Economics	5.6
Computer science	4.5

Source: State Council of Higher Education for Virginia

THE WALL STREET JOURNAL

The requirements are designed to offer an unprecedented look at the debt and earnings of students after they graduate. Many colleges already post campuswide debt and income averages for graduates. The new rules will drill deeper, providing debt and earnings by major, from English to engineering.

The goal is to allow prospective students to compare not just schools, but programs within schools, before going into tens of thousands of dollars in debt for a degree that may not pay off. Student debt



EDUARDO MUNOZ ALVAREZ/GETTY IMAGES

New rules aim to allow prospective students to compare not just schools, but programs within schools.

in the U.S. has nearly quadrupled since 2005 to \$1.4 trillion, most of it extended by the government. A huge chunk is going unpaid, despite low unemployment.

The moves bring into focus Mrs. DeVos's belief that more information about the value of a college degree, rather than government decisions to pun-

ish what it deems the worst-performing schools, is the best way to create a better-functioning market in higher education.

The plan is drawing stiff opposition from colleges—which have spent decades fighting transparency efforts—citing the costs of data collection and student-privacy con-

cerns. Colleges also argue that the financial return on a degree is just one measure of success.

“It really risks misleading students and risks creating a potentially false analogy between the long-term value of certificate programs versus bachelors and even masters programs,” said Tim Powers,

## U.S. WATCH

## MUELLER INVESTIGATION

## Aide to Former Trump Adviser Must Testify

An aide to former Trump adviser Roger Stone must turn over documents and testify before the grand jury hearing evidence in special counsel Robert Mueller's investigation of Russian interference in the 2016 U.S. election, a federal judge ruled Thursday.

The Stone adviser, Andrew Miller, had challenged a subpoena that required him to answer questions before Mr. Mueller's grand jury. He said Mr. Mueller was unlawfully appointed and “wields too much power with too little accountability,” according to the ruling by Judge Beryl A. Howell, chief judge of the U.S. District Court for the District of Columbia.

Judge Howell, however, wrote that Mr. Mueller's “power falls well within the boundaries the Constitution permits.”

Mr. Miller's attorney, Paul Kammerer, said he was exploring avenues of appeal.

—Sadie Gurman  
and Rebecca Ballhaus

## ECONOMY

## Jobless Claims Rise But Remain Low

The number of U.S. workers filing new applications for unemployment benefits ticked slightly higher last week but continued to hover near the lowest levels since the late 1960s.

Initial jobless claims, an indication of layoffs across the U.S., rose to a seasonally adjusted 218,000 in the week ended July 28 from 217,000 in the prior week, the Labor Department said.

Jobless claims can be volatile from week to week. The four-week moving average of claims, which smooths out weekly jitters, fell to 214,500 in the week ended July 28 from 218,000 the prior week. The data reflect what economists say is the strongest U.S. labor market in nearly two decades.

Applications for unemployment benefits fell earlier in July to their lowest level since 1969, when the workforce was much smaller than now, and remain low by historical standards.

—Paul Kiernan  
and Sharon Nunn

## TRADE

## Tariffs Reduced on Canadian Newsprint

The Trump administration reduced tariffs it imposed this year on newsprint from Canada, offering at least a partial reprieve to the U.S. newspaper industry.

In January, the Commerce Department set temporary tariffs of as much as 32% on paper from Canada, responding to a complaint from a single U.S. paper-mill operator in Washington state about alleged dumping and Canadian government subsidies.

Now, the department has revised its duties to just over 20% for one Canadian producer, **Catalyst Paper** Corp., just under 10% for two other producers, and as little as roughly 1% for others. The U.S. International Trade Commission is scheduled to vote on the duties at the end of August, and tariffs could be further reduced.

The News Media Alliance trade group welcomed the move but said it wasn't enough.

**North Pacific Paper** Co., which has pushed for the tariffs, said it is “pleased that our allegations of dumping and subsidies have been confirmed.”

—Lukas I. Alpert

## PHILADELPHIA

## City, U.S. Settle Over Treatment of Deaf

The U.S. Department of Justice entered into a three-year settlement agreement with the Philadelphia Police Department over complaints that police hadn't provided effective communication to deaf detainees and victims of crime.

Under the settlement announced Thursday, the police department will pay eight individuals a total of \$97,500 and adopt Americans with Disabilities Act compliant policies including providing hearing aids, accessible phone equipment and sign-language interpreters when necessary.

The Justice Department started an investigation into the concerns about ADA compliance for hearing-impaired or deaf people after receiving a complaint from a deaf detainee saying proper communication devices hadn't been provided.

Investigators reached out to deaf individuals who had interacted with the police department and found complaints from crime victims and other detainees.

—Associated Press

## Lawmakers May Curb Tariff Powers

BY SIOBHAN HUGHES  
AND WILLIAM MAULDIN

WASHINGTON—GOP Sen. Rob Portman of Ohio is proposing legislation that would make it harder for the White House to impose the sort of duties that have hit metals imports, aiming to move beyond stalled congressional efforts to respond to the Trump administration's national security tariffs.

The measure, which faces longer odds in the House than in the Senate, could be most meaningful to foreign auto makers, who have been in President Trump's crosshairs despite a recent moderation in tensions between the U.S. and European car companies. Mr. Trump has threatened to impose tariffs on imported autos, citing national security concerns.

Mr. Portman teamed with Republican Sen. Joni Ernst of Iowa and Democratic Sen. Doug Jones of Alabama to unveil a bill Wednesday that would give the Defense Department the power to decide whether such tariffs are justified by national security concerns.

The Commerce Department would then decide how to respond, including whether to impose the tariffs and where to set them. That would shake up the current arrangement under Section 232 of the 1962 Trade Expansion Act, which Mr. Trump in March used to impose tariffs on imported steel and aluminum, working through the Commerce Department.

The legislation would apply to future deals only, potentially



Douglas Christian/ZUMA PRESS

Sen. Portman and other senators want the Defense Department to decide if tariffs are justified by national-security reasons.

heading off tariffs on automobile imports, which Mr. Trump threatened before agreeing not to impose tariffs on European Union cars during new trade negotiations with the bloc.

It would also expand beyond oil imports Congress's ability to decide whether to block national security tariffs, by giving lawmakers the power to pass a disapproval resolution that would nullify tariffs—but would require a veto-proof two-thirds majority to take effect.

Mr. Trump is likely to fight any effort to curb his powers to impose tariffs. The White House didn't respond to a request to comment.

Mr. Portman's idea stands as a more moderate alternative to an approach pushed by Sens. Bob Corker (R., Tenn.), Pat Toomey (R., Pa.) and Jeff Flake (R., Ariz.), who have proposed that the White House seek congressional approval before im-

posing national security tariffs. It also has the advantage of being advanced from within the Senate Finance Committee, which sets trade policy.

“It's appropriate for us to do

what Trump is talking about, which is hold countries accountable and increase our enforcement, but at the same time we need to be careful that we're doing it on a basis that doesn't allow other countries to retaliate against us,” said Mr. Portman, whose state has a big foreign-car-maker presence. Regarding the use of national security tariffs, he said “our answer is not to get rid of it, but to take it back to its original intent.”

Mr. Portman is a closely watched figure in trade debates. He is a former U.S. trade representative and House lawmaker, and one of his first votes in Congress was in favor of the 1994 North American Free Trade Agreement. As his career progressed, he built a reputation as a free-trader who also pushed for tougher enforcement of existing trade laws.

College marketing consult-

ing firm **Capture Higher Ed** is based in Louisville, Ky. A July 16 U.S. News article about colleges' recruiting efforts incorrectly said it was located in Lexington, Ky.

On June 25, 10 billion yuan equaled about \$1.54 billion. A chart showing Chinese startup **Meituan Dianping**'s revenue and net profit with a June 26 Technology article about the company incorrectly said \$1.54 million.

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.

## THE WALL STREET JOURNAL

(USPS 664-880) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY. 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, NY, and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chichester, MA 01020.

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## U.S. NEWS

# Executive Wins GOP Primary in Tennessee

BY REID J. EPSTEIN  
AND KRISTINA PETERSON

Construction executive Bill Lee won the Republican primary for Tennessee governor, the Associated Press projected, in a race featuring four major candidates.

Mr. Lee, a political newcomer, spent \$5 million of his own funds to defeat Rep. Diane Black, who was endorsed by Vice President Mike Pence; Beth Harwell, the Tennessee state House speaker; and Randy Boyd, a fellow businessman.

Mr. Lee, 57 years old, is chairman and former chief executive of a company founded by his grandfather. He had never before sought public office and portrayed himself in TV ads as an outsider closely allied with President Trump.

Ms. Black had hoped an endorsement from Mr. Trump would propel her to a primary victory. Her TV ads featured photos of herself with the president and clips of Mr. Trump praising her for her work on the tax law he signed last December. But no presidential endorsement came for Ms. Black, and GOP voters didn't reward her for having the support of Mr. Pence.

In the general election, Mr. Lee will face Democrat Karl Dean, who easily won his party's primary on Thursday night. He served two four-year terms as mayor of Nashville.

In another competitive Tennessee race, Tim Burchett, the outgoing mayor of Knox County, won the GOP primary to succeed retiring Republican Rep. John Duncan Jr., according to the Associated Press. Mr. Burchett defeated a primary field of six other candidates in the conservative district around Knoxville, positioning him to almost certainly win the general election. His victory sidelined rival Ashley Nickloes, an aircraft commander in the Air Force and Tennessee Air National Guard member. Many female House Republicans and outside groups had rallied around Mrs. Nickloes in the hopes of electing more GOP women.

In November, Mr. Burchett will face Democratic nominee Renee Hoyos, who worked for the past 14 years as the executive director of the Tennessee Clean Water Network.

## Engineer Arrested At GE in FBI Probe

BY THOMAS GRYTA

A General Electric Co. engineer with ties to Chinese companies was arrested and accused of stealing files related to proprietary power-turbine technology, which the FBI says he elaborately concealed to avoid detection.

Xiaogang Zheng, a U.S. citizen, was hired by GE in 2008 to work in its power division in Schenectady, N.Y., according to an affidavit by a Federal Bureau of Investigation agent filed Wednesday in federal court in Albany, N.Y.

Agents searched Mr. Zheng's house Wednesday and seized his passport, electronic devices and a handbook that explains "the type of resources the government of China will give to individuals or entities who can provide certain technologies," according to the affidavit.

To conceal the documents, the FBI said, Mr. Zheng on July 5 embedded encrypted files into the code of a seemingly innocuous image of a sunset to send them to a personal email address. He said he used similar techniques to take GE materials on five to 10 previous occasions, according to the affidavit.

Mr. Zheng's attorney Kevin Luibrand disputed the allegations, saying his client had not given the GE files to anyone else. Mr. Zheng appeared in court Thursday and was ordered to post \$100,000 bail, which he agreed to do by using equity in his house.

# Schools Buy Shooter Insurance

Demand is growing for 'active-assailant' coverage as districts confront a new reality

BY TAWNELL D. HOBBS

School administrators consider the likelihood of a shooting real enough that some districts are buying active-shooter insurance.

The coverage, also called "active-assailant" insurance, gained traction in the past year, following several mass shootings. Schools use it in hopes of avoiding litigation and offsetting costs for counseling services, crisis management and added security after an attack.

"It at least gives us some peace of mind that, in the event of horrible tragedy, we can begin to put things in place," said Lance Erlwein, treasurer of Belpre City Schools, a district of 1,000 students in southeastern Ohio, which purchased a plan last year that includes a \$25,000 death benefit per victim and trauma counseling. "Fifteen years ago who would have ever thought you would need something like this. It's awful that schools have become the target."

After a mass shooting at a school, it isn't unusual for victims and grieving family members to file lawsuits against a school district alleging negligence, including for matters such as failing to provide adequate security or missing warning signs of a would-be shooter.

After the February mass shooting at Marjory Stoneman Douglas High School in Parkland, Fla., 15 survivors filed a lawsuit in U.S. District Court of the Southern District of Florida in July against several parties, including the school district's superintendent, law-enforcement officials and Broward County. They seek monetary damages to be determined by a jury and attorney fees for alleged failures to protect students at the



Students in February evacuated Marjory Stoneman Douglas High School in Parkland, Fla. A gunman killed 17 people at the school.

school.

More than 150 children and adults have been killed in school shootings since 1990, according to a Wall Street Journal review. Scores more were either injured or traumatized by the incidents.

Insurance underwriter McGowan Program Administrators, an Ohio-based leader in shooter insurance, has written over 300 active-shooter/workplace violence policies for school districts, charter schools, private schools and universities across the country since 2016, when it started offering the coverage. A company official said the company issued over 60 policies in July, and that it has paid out some policies.

Shooter insurance is considered gap coverage, handling expenses not typically covered under general liability, such as funeral costs and death benefits. Annual premiums can range from about \$1,800 for \$1

million in coverage for small school systems to about \$175,000 for \$20 million in coverage for larger ones. Death benefits often are offered up to \$250,000 per victim.

To set premiums, insurers consider factors including local crime data, student enrollment,

ing social media to spot potential threats and if schools offer active-shooter awareness training to students and staff.

"There's burgeoning demand for this product," said Robert Hartwig, director at the Risk and Uncertainty Management Center at the University of South Carolina, which focuses on risks facing organizations. "If you're a risk manager for a school district, you have to look at it with the same eye that you might look at coverage for a tornado. We live in a very litigious United States."

George Mocsary, an associate professor at the Southern Illinois University School of Law, said the insurance is priced too high for something that has a "extraordinarily low" chance of happening. The odds of a student in K-12 public school getting killed or injured in a multivictim shooting are about one in 4.8 million a year, compared with one in

700,000 a year of getting hit by lightning, Mr. Mocsary said.

Schools typically carry general liability insurance to cover claims stemming from negligence that results in personal and physical injury, death or property damage.

The School District of Indian River County in Vero Beach, Fla., pays an annual premium of \$20,909 for a \$3 million policy, which includes a \$250,000 per person death or injury benefit after a shooting or other violent act. The insurance covers the district's schools with 15,000 students and employees. Charter schools aren't covered.

Broward County Public Schools, which includes Stoneman Douglas High School, said in an email that the district didn't have active-shooter coverage before February's mass shooting. The policy is something that has been and continues to be considered, it said.

# Ohio Race Seen as Bellwether for November

BY REID J. EPSTEIN

NEWARK, Ohio—President Trump is heading to Ohio on Saturday to shore up support for a Republican House candidate who has struggled to raise money and is failing to motivate GOP voters.

Tuesday's special election between Republican Troy Balderson and Democrat Danny O'Connor offers a preview of dozens of midterm races across the country: a reliably Republican district that harbors a supercharged Democratic base and a core of suburban voters who polls show are frustrated with the president's leadership.

Both sides view the contest, the last special election before November, as a final check on party enthusiasm, with each party claiming the result here will send a signal of what is to come in November. The non-partisan Cook Political Report rates the race a tossup.

A General Electric Co. engineer with ties to Chinese companies was arrested and accused of stealing files related to proprietary power-turbine technology, which the FBI says he elaborately concealed to avoid detection.

Xiaogang Zheng, a U.S. citizen, was hired by GE in 2008 to work in its power division in Schenectady, N.Y., according to an affidavit by a Federal Bureau of Investigation agent filed Wednesday in federal court in Albany, N.Y.

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Mr. Zheng's attorney Kevin Luibrand disputed the allegations, saying his client had not given the GE files to anyone else. Mr. Zheng appeared in court Thursday and was ordered to post \$100,000 bail, which he agreed to do by using equity in his house.

On Monday, Vice President Mike Pence, during his second visit to the district to help Mr. Balderson, told supporters they have a chance to launch a "red wave" and favorably compared the 56-year-old state senator to Mr. Trump, who won the district by 11 percentage points in 2016.

"Troy helped bring the kind of leadership to the statehouse here in Ohio that President Trump has brought to the White House," Mr. Pence said.

In the Trump era, House candidates' performance may matter far less than how voters view the president. The leading indicator in each of the competitive House special elections since Mr. Trump took the White House has been the president's approval rating in the district, according to Charlie Cook, publisher of the Cook Political Report.

A Monmouth University poll released Wednesday found 46% of the district's likely voters approve of Mr. Trump, while 49% disapprove. The poll gave Mr. Balderson a one-point lead, with 11% of likely voters undecided.

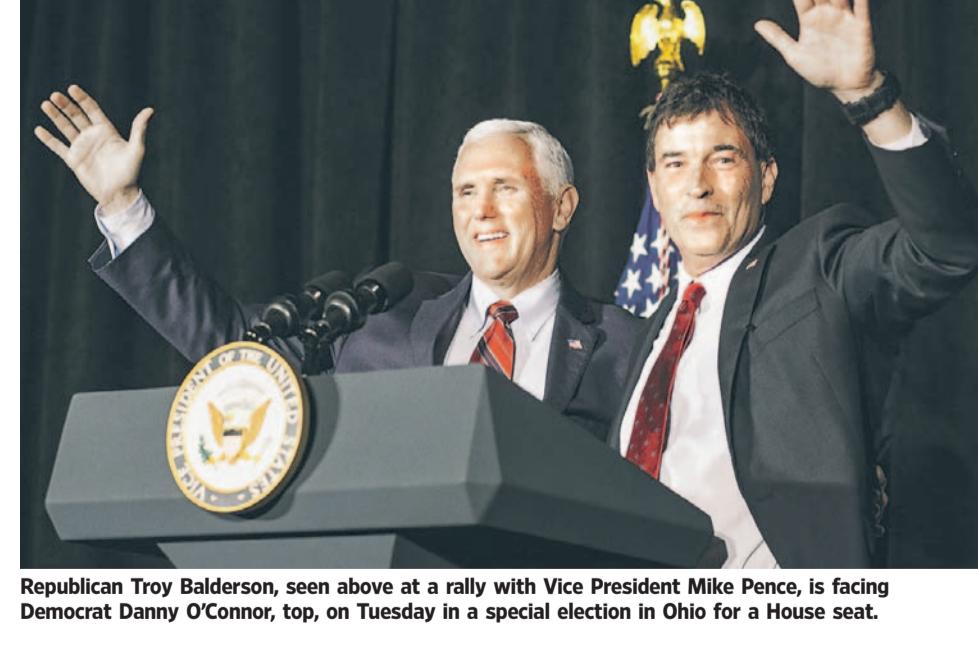
National Republican Congressional Committee Chairman Steve Stivers, who represents a neighboring central Ohio district, phoned Mr. Balderson last month to urge him to spend less time on his Ohio state Senate duties and more time fundraising, according to people familiar with the conversation.

Mr. O'Connor raised \$607,000 during the latest Federal Election Commission reporting period, which ended July 18. Mr. Balderson raised \$139,000.

Mr. Balderson said he isn't aware of Washington worries about his fundraising.

"There's never been a phone call that said, 'You're not raising enough money,'" he said in an interview this week.

Mr. O'Connor's campaign has spent \$1.9 million on TV ads, compared with \$500,000 by Mr. Balderson. The Congressional Leadership Fund, the House GOP's super PAC, has spent \$2.6 million backing Mr. Balderson, while the NRCC



Republican Troy Balderson, seen above at a rally with Vice President Mike Pence, is facing Democrat Danny O'Connor, top, on Tuesday in a special election in Ohio for a House seat.

added \$1.3 million. The Democratic Congressional Campaign Committee has spent \$750,000 to back Mr. O'Connor.

Mr. Balderson has been an unsteady campaigner. He told the Columbus Dispatch he couldn't name an issue on which he disagreed with Mr. Trump, prompting the paper's conservative editorial page—which hadn't backed a Demo-

crat for president for 100 years before the 2016 election—to endorse Mr. O'Connor.

Mr. Trump's visit is intended to energize local Republicans. In the 2016 general election, Republicans in the district's three biggest counties accounted for 65% of the early vote, said Mike Dawson, a former aide to the late Ohio GOP Gov. George Voinovich

who now operates the website ohioelectionresults.com. But for next week's contest, Democrats have cast 71% of the early votes, Mr. Dawson found.

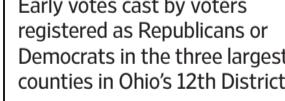
Mr. O'Connor, the 31-year-old Franklin County recorder, doesn't mention Mr. Trump to voters and focuses on health care and economic issues, pledging to protect Medicare and Social Security.

## Blue Fervor

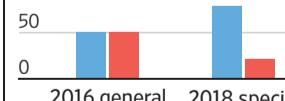
Early votes cast by voters registered as Republicans or Democrats in the three largest counties in Ohio's 12th District

■ Democrats ■ Republicans

**Franklin County**



**Delaware County**



**Licking County**



Note: 2018 data through July 31

Source: Mike Dawson's ohioelectionresults.com

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## U.S. NEWS

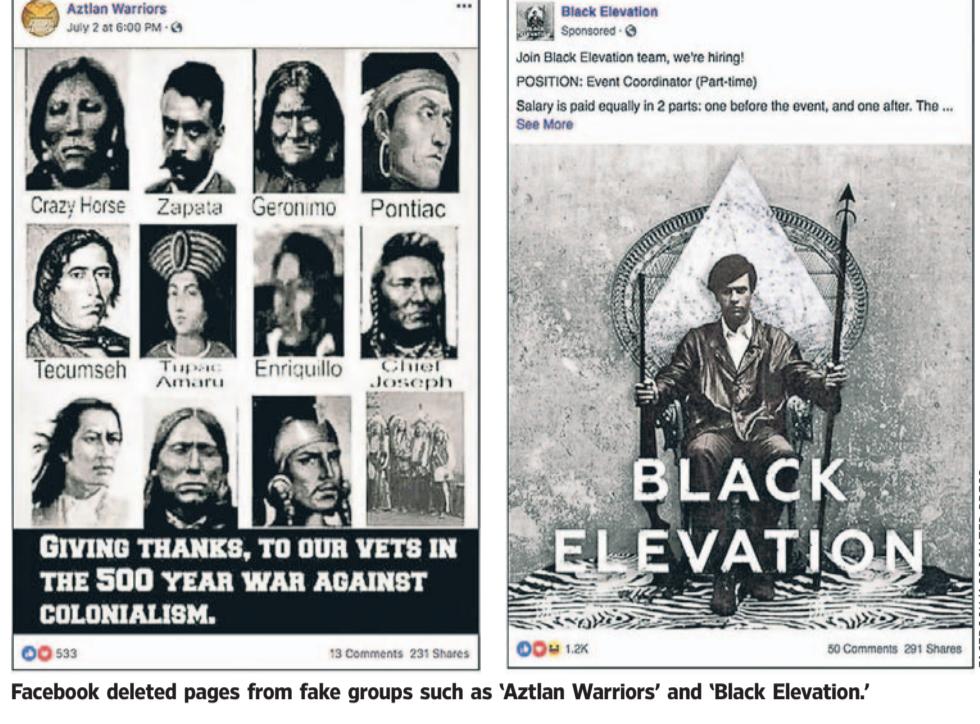
# Fake Accounts Sought Ties to Real Groups

BY DEEPA SEETHARAMAN  
AND ROBERT McMILLAN

Organizers behind the newly revealed batch of fake Facebook accounts often sought to work alongside legitimate groups organizing rallies and protests in the U.S., marking a new strategy in efforts to sow discord through social media ahead of the midterm elections, a review of archived event listings shows.

The fake Facebook pages and accounts helped promote more than three dozen events in the past 15 months, most of them protesting the policies of President Trump or promoting left-leaning causes, according to a Wall Street Journal review of 40 now-deleted listings promoted by three groups in particular: "Resisters," "Black Elevation" and "Aztlan Warriors." The archived events provide a deeper understanding of the activity beyond what Facebook Inc. disclosed on Tuesday.

Collaborating with grassroots organizations on existing events goes beyond the tactics employed by the Internet Research Agency, according to Graham Brookie, director of the Atlantic Council's Digital



Facebook deleted pages from fake groups such as 'Aztlan Warriors' and 'Black Elevation.'

Forensic Research Lab, which analyzes misinformation online and works with Facebook. The Kremlin-backed IRA group created hundreds of fake accounts and pages on social media during and after the 2016 U.S. election, Facebook and law-

makers said last year.

The new accounts identified by Facebook, like the IRA, published posts and planned events related to hot-button causes such as race, immigration and women's rights. Both the IRA and the new accounts

showed a desire to push online activity into the real world. Infiltrating grass-roots organizations could undercut trust in legitimate political activists, according to researchers studying online misinformation.

Facebook said it had re-

moved 32 fake pages and accounts from its main platform and its Instagram photo-sharing app. It said the now-deleted pages "created about 30 events" starting in May 2017. A spokesman said that didn't encompass all of their event activity, such as cases where the fake page was invited to host a pre-existing event.

Events promoted by the fake accounts included a November 2017 march against cops in New York, a June 2017 birthday celebration in San Diego for Rodolfo "Corky" Gonzales, the late Mexican-American political activist, and a June 2018 protest at the U.S. Immigration and Customs Enforcement headquarters in Washington.

Fake accounts can push unwitting groups toward the fringes, Mr. Brookie said.

"It just piggybacks onto very real sentiment," he said. By appearing to be peers, fake pages can push others to increasingly polarized positions and make the extreme seem normal, he said.

Victor Perez found himself drawn to the Aztlan Warriors, a page that used divisive memes to promote Na-

tive American and Hispanic culture, after stumbling across it sometime in the past year. He was one of more than 84,000 Facebook users who liked the page, which featured themes of anticolonialism and resistance.

"It was the truth about our people," said Mr. Perez, a 19-year-old construction worker in Salt Lake City. He disagreed with Facebook's assessment that the account was fake.

Many up-and-coming grassroots organizations rely on social media to connect with activists and publicize events. It is difficult to tell which groups online are legitimate, said Sam Woolley, director of digital intelligence at the think tank Institute for the Future. "What's real grass-roots activity versus fake grass-roots activity?" he asked.

Facebook didn't say who was behind the newly deleted groups. Several lawmakers pointed the finger at Russia. Efforts to reach the groups weren't successful.

Russia has denied it attempted to interfere in the 2016 election. A spokesman for the Russian Embassy in Washington didn't respond to requests to comment.

## Officials Pledge to Fight Interference In 2018 Midterms

BY REBECCA BALLHAUS  
AND DUSTIN VOLZ

**WASHINGTON**—Senior intelligence officials described Russian efforts to interfere in the 2018 midterm elections as deep, real and ongoing, showcasing their efforts to combat a threat President Trump has repeatedly dismissed and played down.

"We continue to see a pervasive messaging campaign by Russia to try to weaken and divide the United States," Director of National Intelligence Dan Coats told reporters at a briefing Thursday.

Speaking at a time when the administration is facing criticism for not doing enough to address the threat of Russian election interference, Mr. Coats said Mr. Trump had directed intelligence agencies to make election hacking a "top priority."

"We're throwing everything at it," Mr. Coats said. He added the U.S. is "doing everything we can to have a legitimate election that the American people can have trust in."

U.S. intelligence agencies have concluded that Russia undertook a broad effort to in-

terfere in the 2016 election, directed at the highest levels of its government. Tactics included hacking state election systems; infiltrating and leaking information from party committees and political strategists; and disseminating through social media and other outlets negative stories about Democratic nominee Hillary Clinton and positive ones about Mr. Trump.

Russia has denied interfering in the 2016 election, and the president has repeatedly expressed skepticism about the intelligence agencies' conclusion. He has called the special counsel investigation into election interference a "witch hunt," and has denied that members of his campaign colluded with Moscow.

On Wednesday, Mr. Trump called for Attorney General Jeff Sessions to shut down the investigation, calling it "rigged" and a "disgrace."

Mr. Trump didn't attend the news conference and, later Thursday, didn't mention his administration's plans to combat Russian interference during an 80-minute campaign rally in Pennsylvania. Instead, he again criticized



Senior Trump administration officials briefed reporters Thursday about Russian efforts to interfere in November's elections.

the probe. "We are being hindered by the Russian hoax. It's a hoax, OK?" Mr. Trump said to cheers from the crowd.

At the news briefing Thursday, Federal Bureau of Investigation Director Christopher Wray said intelligence agencies haven't yet seen the "same kinds of efforts to specifically target election infrastructure" that Moscow en-

gaged in during 2016, for example interfering with voter registration databases. Russia's efforts so far have focused on "malign influence operations," which he called "information warfare."

Thursday's briefing from senior intelligence officials comes as the Trump administration has been criticized by lawmakers in both parties over

its efforts to combat election interference.

That criticism intensified following Mr. Trump's summit in Helsinki last month with Russian President Vladimir Putin, where Mr. Trump appeared to side with the Russian leader over U.S. intelligence agencies on the subject of election interference.

He has since revised his comments on several

occasions.

Mr. Wray said the FBI, which has taken a lead role in addressing foreign influence operations, has opened investigations in field offices around the country.

Mr. Wray also said the U.S. is improving its intelligence sharing efforts. The threat of foreign influence was "both broad and deep," he said.

## Trump Donor Hired Cohen as Consultant

A major donor to President Trump agreed to pay \$10 million to the president's then-personal attorney if he successfully helped obtain funding for a nuclear-power project, including a \$5 billion loan from the U.S. government, according to people familiar with the matter.

By Michael Rothfeld,  
Rebecca Ballhaus  
and Joe Palazzolo

The donor, Franklin L. Haney, gave the contract to Trump attorney Michael Cohen in early April to assist his efforts to complete a pair of unfinished nuclear reactors in Alabama, known as the Bellefonte Nuclear Power Plant, these people said.

Had he been paid the success fee, Mr. Cohen's deal with Mr. Haney could have been among the most lucrative of the known consulting agreements he secured after Mr. Trump's election by emphasizing his personal relationship with the president, according to people familiar with his pitches.

The president has since severed ties with Mr. Cohen, who is under federal investigation in New York in connection with his work for Mr. Trump and private business dealings.

Authorities are investigating whether Mr. Cohen engaged in unregistered lobbying in connection with his consulting work for corporate clients

after Mr. Trump went to the White House, according to people familiar with the probe.

Investigators are also examining potential campaign-finance violations and bank fraud surrounding, among other deals, Mr. Cohen's October 2016 payment to Stephanie Clifford, the former adult-film star called Stormy Daniels, to keep her from discussing an alleged sexual encounter with Mr. Trump, according to people familiar with the probe. Mr. Trump denies any encounter took place.

"Neither Mr. Haney nor Nuttall Development LLC ever entered into a contract with Michael Cohen or his affiliate for lobbying services related to the Bellefonte project," said Larry Blust, a lawyer for Mr. Haney, referring to the name of the company Mr. Haney is

with the agreement.

A loan application by Mr. Haney's company is still pending at the Energy Department. Mr. Cohen hasn't communicated with Energy Secretary Rick Perry about Mr. Haney's project, according to the Energy Department. Mr. Cohen made several calls to officials at the Energy Department in the spring to inquire about the loan guarantee process, including what could be done to speed it up, according to a person familiar with the matter.

The Wall Street Journal couldn't determine how much Mr. Haney may have paid Mr. Cohen, if anything, in monthly retainer fees.

The agreement was made shortly before Mr. Cohen's home, office and hotel room were raided by federal agents on April 9, according to the people familiar with the contract. It is no longer in effect, one of them said.

James Thurber, a professor of government at American University, said success fees are "outside the ethical norms" among Washington lobbyists. Century-old court rulings deemed fees contingent on lobbyists obtaining public funds or killing legislation unenforceable and counter to public policy, saying they encouraged corruption, he said. Several lobbyists contacted by the Journal said \$10 million was an unheard-of sum to pay a consultant for government-related work.



Franklin Haney agreed to pay Michael Cohen \$10 million if he successfully helped obtain funding for his nuclear-power project.

using for the project. He declined further comment about the project or Mr. Cohen.

Mr. Cohen has never registered as a federal lobbyist, public records show.

A representative for Mr. Cohen declined to comment. The White House didn't respond to a request to comment.

Under the contract, Mr. Haney agreed to pay Mr. Cohen a monthly retainer in addition to the \$10 million success fee if he could help obtain the funding, including approval of the full amount of the project's application under a U.S. Department of Energy loan program, the people familiar with the deal said.

Mr. Cohen's fee would be reduced proportionally if he helped obtain less funding than the contract stipulated, according to a person familiar

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## WORLD NEWS

# Letter Spells Out Close Trump-Kim Ties

North Korean leader's latest note reflects cordial relations even as diplomacy sputters

By MICHAEL C. BENDER

A new letter to President Trump from North Korea's Kim Jong Un has reinforced the cordial relationship between the two leaders and kept the door open for another summit meeting, which Mr. Trump suggested might happen soon.

"Thank you to Chairman Kim Jong Un for keeping your word & starting the process of sending home the remains of our great and beloved missing fallen!" Mr. Trump wrote on Twitter, referring to what are believed to be the remains of U.S. soldiers killed in the Korean War. "Also, thank you for your nice letter—I look forward to seeing you soon!"

But the warm feelings haven't led to major progress in working-level diplomacy over eliminating North Korea's nuclear and missile programs, according to accounts by the two sides.

And while Mr. Kim has been effusive in praising Mr. Trump, the North Korean leader spent his time visiting a potato farm instead of meeting with Secretary of State Mike Pompeo during his July visit to Pyongyang. The North Korean Foreign Ministry dismissed those talks as "regretful."

At the heart of the problem,



President Trump on Thursday thanked North Korean leader Kim Jong Un for sending back remains of U.S. soldiers killed in the Korean War.

JONATHAN ERNST/REUTERS

some former officials believe, is the possibility the two sides came away from the June 12 Singapore summit between Messrs. Trump and Kim with fundamentally different expectations about the sequence of diplomatic moves to unwind more than 60 years of hostility.

"There remains a fundamental divide," said Robert Einhorn, a former U.S. negotiator with Pyongyang on its missile programs who is now at the Brookings Institution.

The declaration signed by the two leaders in Singapore laid out a broad blueprint to establish new relations and build a lasting "peace regime" alongside a commitment to "work toward" complete denuclearization. But it didn't spell out the steps beyond that.

"The North wants to proceed toward denuclearization incrementally, without committing unambiguously to complete elimination and only if there is progress toward improved bilateral relations, including removal of sanctions and a peace treaty," Mr. Einhorn said. "The Trump administration wants rapid and complete denuclearization, with normalization of

relations and a peace regime lower priorities."

On possible North Korean moves, "if people are expecting them to entirely disarm in two months, that's unreasonable," said Gregg Brazinsky, a North Korea expert at George Washington University in Washington, who favors the dialogue process. Also given what he called Mr. Trump's

"mercurial nature," Mr. Brazinsky said it was "very, very difficult for North Korea to trust the rapprochement process completely."

Skeptics say North Korea may be doing what it did in 2008, when it tore down a cooling tower at its plutonium-producing Yongbyon site to international acclaim, but later built an experimental light water reactor at the same location—that is, making some gestures to buy time and weaken international support for sanctions while not fundamentally altering the character of its program.

Since the Singapore summit, North Korea has constructed two new buildings at a missile facility and appears to be actively continuing production there, according to satellite imagery captured by San Francisco-based imagery provider Planet Labs Inc. and analyzed by the Middlebury Institute of International Studies at Monterey, Calif.

Gary Samore, who was the senior National Security Council official on weapons of mass destruction programs in the Obama administration and is now at Harvard University's Belfer Center, said that the North may have two aims.

"The first is to construct a process that allows them to defer giving up their nuclear weapons for the foreseeable future," Mr. Samore said. "The second is to extract as many economic benefits as they can from South Korea and Japan."

## Russians Defy Curbs On Korea

Continued from Page One

rious violations."

U.N. officials are probing potential violations of the sanctions, which contain narrow exceptions, people familiar with the matter said.

Russia's Interior and Foreign ministries didn't respond to requests for comment. In the past, the Foreign Ministry has said it accepted the U.N. sanctions.

Efforts to reach North Korea's embassy in Moscow were unsuccessful. A man who answered the phone at North Korea's mission to the U.N. in Geneva said he had no knowledge of the matter.

China and Russia have drawn U.S. ire in recent months, accused by Washington of allowing North Korean illicit activity and sanctions evasion. Chinese and Russian firms continue to help the nation import oil products in excess of U.N.-mandated caps, including through previously sanctioned tankers, according to U.S. and U.N. officials and a declassified intelligence briefing prepared for the U.N.'s committee on North Korea sanctions and reviewed by The Wall Street Journal.

North Korean laborers have helped feed the construction boom in St. Petersburg, local businessmen said.

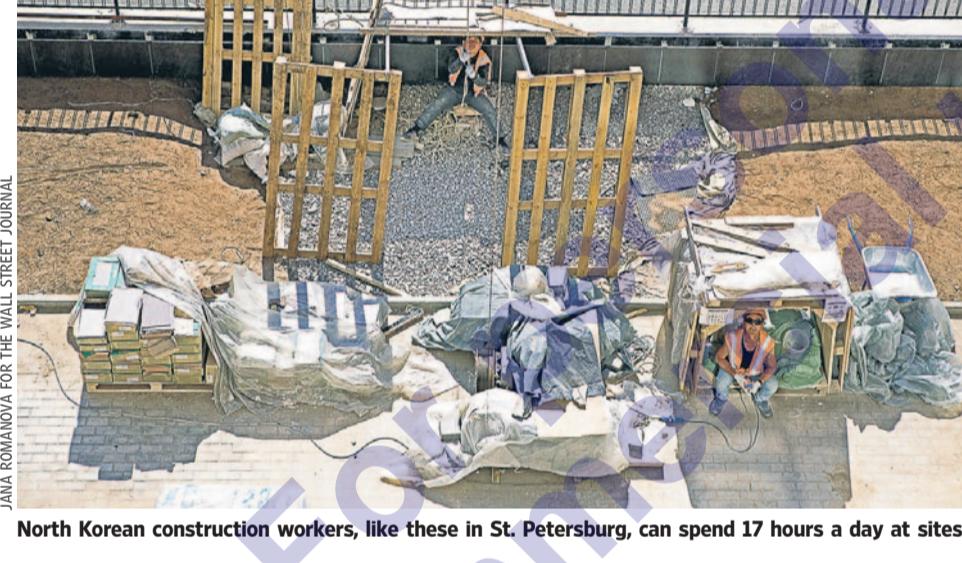
"They work till they drop," said a contractor who hires North Koreans. Workers arrive at construction sites at 7 a.m. and work until 10 p.m. or even midnight, taking just two half-hour breaks for meals of rice and dried fish, he said.

Local developers say they pay companies that hire out North Korean workers—firms they say often represent North Korean institutions such as the military or state conglomerates—about 100,000 rubles (\$1,600) a month per worker. In government filings and job advertisements, such companies list monthly worker salaries of 16,000 to 20,000 rubles.

That 80% difference is in line with U.S. assessments that North Korea's government takes the bulk of earnings.

U.N. sanctions mean these laborers should be gone by September, a year after the curbs took effect, because the workers are required to leave once their permits expire, usually within a year. Even workers with multiyear permits must be out by the end of 2019.

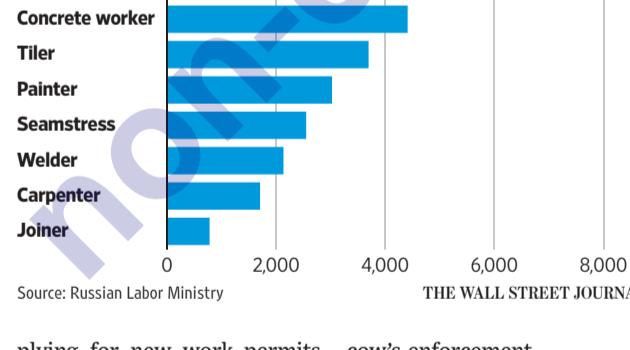
Yet many firms contracting out laborers—Russian companies owned and run by North Koreans, according to corporate documents and researchers—are investing in new offices, ap-



North Korean construction workers, like these in St. Petersburg, can spend 17 hours a day at sites.

### In Demand

Top occupations for North Korean workers in Russia, based on 2017 permits



plying for new work permits and negotiating new projects.

"The Kim regime continues to dispatch citizens abroad," said C4ADS, a nonprofit that advises the U.S. government on security risks, in a report released on Thursday. "In doing so, it continues to flout international sanctions to generate foreign currency."

About 100,000 or more North Korean laborers have

**North Korean laborers have helped feed St. Petersburg's construction boom.**

been working overseas in recent years, the U.S. State Department said. Pyongyang's labor exports earned as much as \$2 billion a year for the Kim regime, some analysts said.

According to Russian government data, around 24,000 North Koreans were officially working in the country at the end of 2017.

Secretary of State Mike Pompeo and the U.S. envoy to the U.N., Nikki Haley, said recently that while Russia has helped pass North Korean sanctions, they questioned Mos-

cow's enforcement.

Kuwait, Poland and other countries have said they have stopped renewing North Korean worker visas. U.S. officials credit the clampdown, along with other sanctions, with helping compel Mr. Kim to start denuclearization talks.

C4ADS has mapped out networks of firms and individuals using North Korean workers, mainly in Russia and China. Cross-referencing corporate registry documents, official labor statistics, tax filings and trade records, C4ADS said many firms contracting North Korean laborers from St. Petersburg to Siberia appear to violate sanctions.

One such company identified by C4ADS and examined by the Journal is Sakorenma Ltd., which has employed North Korean workers since at least 2015 and whose ownership structure appears to put it in breach of U.N. sanctions.

According to Russian documents, one of its owners is North Korea's General Corporation for External Construction, or Genco. The U.S. imposed sanctions on the firm in 2016 for employing North Korean labor overseas, alleging some Genco revenue is funneled into Pyongyang's Munitions Industry Department, which supports Mr. Kim's weapons programs.

Authorities on Sakhalin Island this year awarded Sakorenma two contracts valued at a total of \$180,000, according to public records. Sakorenma and Genco didn't respond to requests for comment.

Genco appears to operate elsewhere in Russia through firms with similar names, C4ADS said. Some of those firms are seeking new permits for North Korean laborers, according to records reviewed by the Journal.

In St. Petersburg, the Journal reviewed copies of new work permits issued by local authorities to North Korean workers as recently as June. Those hires aren't reflected in Labor Ministry data, which indicate there were no applications for North Korean work permits in the city or surrounding region this year.

Three of the firms that received local permits—Mokran Ltd., Bu Khyn Ltd. and Kanson Ltd.—list addresses in a warehouse inside a dilapidated industrial estate south of the city center.

Neighboring businesses said the firms have been upgrading the facility. Several sought Korean-speaking translators in job postings in February and July. When contacted about the positions, representatives said they were filled.

Some real-estate companies say they are aware of sanctions and are gradually winding down use of North Korean labor. But they said they were given no guidance by the government. Some plan to keep using the workers until the next decade, hoping Mr. Kim's promise to end weapons programs will lead to relaxed sanctions.

"They are like soldiers. They've got the discipline," said an executive at a large real-estate firm in St. Petersburg. "We want to keep working with them."

—Natalia Kovtun in St. Petersburg and Andrew Jeong and Yunhwan Chae in Seoul contributed to this article.

BEIJING—China fired back after the Trump administration threatened to double proposed tariffs on \$200 billion in Chinese goods, saying it won't yield to White House pressure.

"China has been fully prepared and will have to retaliate to defend national dignity and the people's interests," the Commerce Ministry said in a statement Thursday.

Officials didn't specify how it would retaliate if the U.S. levies a 25% tariff on Chinese goods. Because China imports far less from the U.S. than the U.S. imports from China, it can't keep up tit-for-tat tariffs.

But it can delay licenses and hold up mergers and acquisition approvals for U.S. businesses and increase inspections of U.S. products at ports.

The Commerce Ministry said the purpose of the U.S. tariffs is to restrict China's "peaceful development"—not, as the U.S. says, to retaliate for China's unfair trade practices with the goal of narrowing the wide trade gap between the two countries.

The ministry also took note of what it said were conflicting White House messages: threats of higher tariffs but also signals it wants to resume settlement talks.

That strategy, it said, "doesn't work for China at all."

Trump administration officials say the U.S.'s robust economy gives it the high ground in the trade battle against China, which is showing signs of an economic slowdown. China also depends on trade more than the U.S.

In its statement, however, the Chinese Commerce Ministry said China can achieve "high-quality" economic growth despite the toll exacted by tariffs: "China always holds on to the belief that bad things can be turned into good things."

The issue of China's response to U.S. threats of higher tariffs also came up during the daily news briefing by the Chinese Foreign Ministry.

Commerce Minister Zhong Shan at a meeting called on ministry officials to stabilize foreign trade "by all means," according to a separate statement posted on the ministry's website later Thursday.

"First, I suggest the U.S. take the right attitude and not to try to blackmail China as it doesn't work," spokesman Geng Shuang said in response to a question. "Second, we suggest the U.S. return to rationality and not act impulsively, as it will eventually hurt itself."

Mr. Geng said China is also open to resuming trade talks but only based on mutual respect and equality. "The U.S. unilaterally exerting pressure on China will get the opposite of what it wants," he said.

Preliminary talks by Treasury Secretary Steven Mnuchin and Chinese Vice Premier Liu He haven't produced even a plan for additional trade negotiations.

—Liyan Qi and Grace Zhu

◆ Heard on the Street: U.S. edge on China won't last..... B12



A man pushing a trolley past bags of soybeans in a Beijing wholesale market. China has imposed tariffs on imports of U.S. soybeans.

WU HONG/EPA/SHUTTERSTOCK

## WORLD NEWS

# Facing Inflation, U.K. Raises Rates Again

By JASON DOUGLAS  
AND PAUL HANNON

LONDON—The Bank of England raised its benchmark interest rate to its highest level in almost a decade, highlighting how quickening inflation remains a bigger worry for central banks than a brewing global trade war.

The move marks the latest small step by a major central bank to dial back the monetary stimulus that has been supporting the global economy since the financial crisis tipped the world into recession in 2009. BOE officials on Thursday voted unanimously to raise the central bank's policy rate to 0.75% from 0.5%, the second rate increase in less than a year.

The change in policy also underscores that—for now—the widening trade dispute between the U.S. and its biggest trading partners isn't causing the kind of economic disruption that could throw the global economy out of kilter.

The U.S. Federal Reserve held short-term interest rates steady Wednesday but signaled it is on track to raise them again next month. Officials didn't even mention trade policy in their regular policy statement.

Central banks in India and the Czech Republic nudged up their main interest rates this week, while the European Central Bank is poised to phase out its bond-buying program later this year.

Driving these decisions are signs that inflationary pressures that have mostly lain dormant for years are strengthening as the global economy enjoys a robust, if uneven, spell of growth, led by a booming U.S. Figures released Thursday by the Organization for Economic Cooperation and Development showed global inflation hit a four-year high in June.

While the threat of a full-blown trade war is clouding the outlook for the global economy, there are few signs that the skirmishes are significantly weighing on growth.



Bank of England Gov. Mark Carney said trade fights haven't had a major effect on economic data.

"We can understand how it could get worse," BOE Gov. Mark Carney said at a news conference Thursday, referring to the impact of escalating tit-for-tat protectionism.

But he added central-bank officials aren't yet picking up any major deterioration in the economic data. Mr. Carney said policy makers are particularly watchful for any signs that trade tensions are sapping business confidence and hitting investment, echoing remarks last month by his counterpart at the ECB, Mario Draghi.

"Clearly, a trade war where you have rounds of retaliation and rounds of responses would create an entirely different climate," Mr. Draghi said.

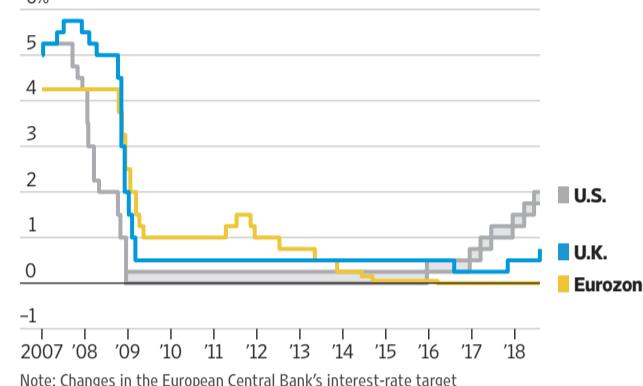
The U.S. on Wednesday threatened to double proposed tariffs on Chinese imports, the latest escalation in a dispute between Washington and Beijing over trade policy. President Trump, unhappy at trade practices he perceives as unfair on the U.S., has also taken aim at imports from allies including Canada, Mexico and the European Union. Those affected by the U.S. tariffs have retaliated with levies of their own on American imports.

Mr. Carney said the BOE

## Moving Up

The Bank of England raised its benchmark interest rate for the second time in a decade, the latest step by a major central bank to gently tighten policy.

### Central-bank policy rates



Note: Changes in the European Central Bank's interest-rate target are shown on the effective dates, not the dates of announcement.  
Sources: Federal Reserve Bank of St. Louis; Bank of England; European Central Bank

reckons the new tariffs will lead to slightly weaker global growth in 2018 than it predicted in May but it kept its forecast for 2019 unchanged. Officials expect global growth this year of 2.75% and 2.5% in 2019.

Central banks including the Fed and the BOE have stressed they plan to raise borrowing costs slowly and gently with

the aim of ensuring higher interest rates don't derail the global expansion.

The BOE predicted steady if unspectacular growth for the U.K. in the coming years and signaled it anticipates that it can keep a lid on inflation with only one or two more quarter-point rate increases through mid-2021.

Another uncertainty dogging

## Czech National Bank Tightens For Fifth Time

The Czech National Bank raised its key interest rate Thursday for the fifth time in a year, confirming its status as the most aggressive of Europe's central banks in following the Federal Reserve's efforts to "normalize" its monetary policy.

The central bank increased its two-week repo rate to 1.25% from 1.0% and its Lombard rate to 2.25% from 2.0%, citing a weakening of the koruna's exchange rate that risks pushing inflation higher as prices of imported goods and services climb.

"The main uncertainty is the duration of the global factors which recently caused the koruna to depreciate," the central bank said in a statement. "Growth in protectionist measures in global trade and an escalation of the U.S.'s trade disputes with the euro area and other trading partner countries are an additional source of external uncertainty."

Among other European central banks, only those of Romania and the U.K. have moved their key rates higher in the past 12 months.

However, there are signs of movement elsewhere, with the European Central Bank confirming in July that it intends to end bond purchases under a stimulus program known as quantitative easing in December.

Other central banks in Europe are wary of moving too far

ahead of the ECB because that would risk an appreciation of their currencies against the euro, and a weakening of exports and economic growth.

The Czech central bank last raised its key rate in June and continues to respond to strong economic growth, rapidly rising wages and an inflation rate that is above its 2% target. In the three months through March, the Czech economy was 4.2% larger than in the 2017 period, while the annual rate of inflation was 2.4% in May.

The Federal Reserve first increased its key interest rate at the end of 2015 and has followed that with six further moves, most recently in June. Most European central banks have been wary of following the Fed's lead, since the continent's economic recovery started later than that of the U.S.

The Czech central bank has been one of the few exceptions. It was the first in Europe to begin to move its monetary policy back toward settings that were considered normal before the financial crisis. In April 2017, it dropped a peg on the koruna's value against the euro that it had installed in November 2013. It raised its key interest rate for the first time in almost a decade in August 2017.

Economists said the central bank's focus on the exchange rate means it is likely to raise its key interest rate again before the end of the year.

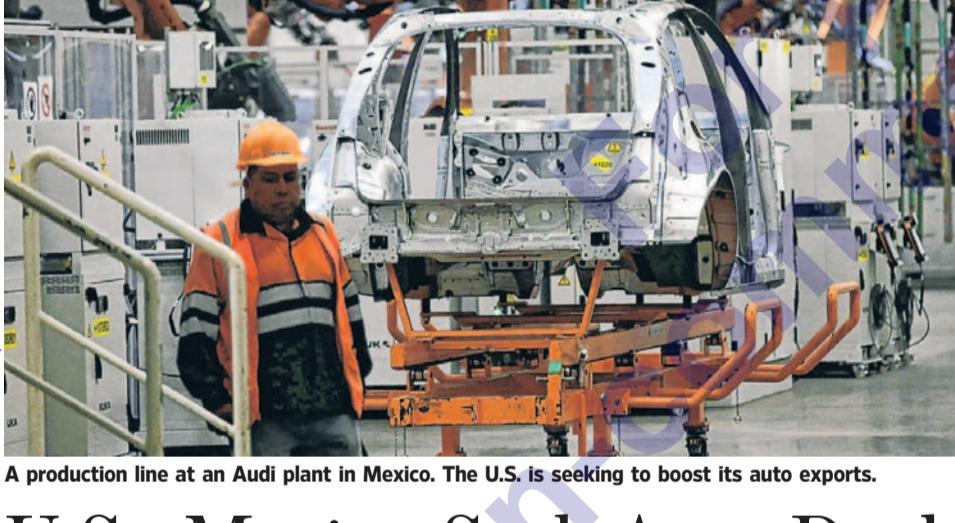
"In our view, one additional hike in the rest of this year is likely," said Jiri Polansky, an economist at Erste Bank.

—Paul Hannon

faster growth in prices.

Thursday's increase takes the benchmark rate to its highest level since 2009. The pound fell despite the rate rise, reflecting Brexit-related concerns among investors.

BOE officials have warned that a messy divorce, in which the U.K. crashes out of the EU without a deal, could cause severe damage to the economy.



A production line at an Audi plant in Mexico. The U.S. is seeking to boost its auto exports.

# U.S., Mexico Seek Auto Deal, With Canada on the Sidelines

By WILLIAM MAULDIN  
AND ROBBIE WHELAN

Senior U.S. and Mexican officials sought to hammer out new rules for the auto trade at the center of negotiations to overhaul the North American Free Trade Agreement on Thursday, while Canadian officials sat out the latest talks amid persistent tension between Ottawa and Washington.

The talks with Mexico are part of the Trump administration's effort to not only boost exports and narrow the trade deficit, but to also chalk up victories that might justify the president's confrontational approach to trade. The administration wants to enlist at least the tacit support of traditional allies—including Nafta members Mexico and Canada—in an increasingly tense standoff with China over trade issues.

Should Mexico and the U.S. reach an accord on autos, an important sector covered by Nafta, it could lead to a broader deal to revamp the pact for all three members, officials say. President Trump is seeking to remake the 24-year-old agreement in ways that favor American manufacturing workers but has hit resistance from the other countries, business groups and lawmakers that back free trade.

The election last month of Andrés Manuel López Obrador as Mexico's next president has

created an incentive of sorts. The talks have dragged on and blown through several deadlines, and officials are now seeking to get some sort of agreement by late August, which would allow a deal to be signed formally before Mr. López Obrador takes office in December.

U.S. Trade Representative Robert Lighthizer wants to tighten the rules for auto trade to ensure cars traded duty free in North America have less content from outside the continent. He is also working with Mexico on rules that would require a

Auto sector pact could lead to broader deal to revamp Nafta accord for all three members.

certain proportion of a car—up to two-fifths—to be produced by workers earning up to \$16 an hour, according to people familiar with the proposal, which hasn't been released publicly.

Speaking to reporters outside Mr. Lighthizer's office Thursday, Mexican officials said they are working on numerous other areas in addition to autos.

Moisés Kalach, a director of the private-sector board that advises Mexico's government on Nafta, said Wednesday that a

deal in principle is possible by mid-to-late August—which would allow for a new agreement to be signed before Mr. López Obrador takes office—as long as the U.S. is willing to show flexibility on key issues.

Getting a deal done on Nafta has become crucial to European auto makers such as BMW and Volkswagen, which have major manufacturing operations in Mexico and the U.S. These car makers increasingly see North America as a "safe haven" region in the event that Mr. Trump's threatened tariffs hurt their business in Europe, Mr. Kalach said.

Mr. Kalach also played down tensions between the U.S. and Canada. Canadian Foreign Minister Chrystia Freeland last week traveled to Mexico City to renew contact with the Mexican negotiating team, which now includes a representative of Mr. López Obrador, the president-elect.

"We'll be back to the table reasonably shortly, like within the next two weeks," said Canada's ambassador to the U.S., David MacNaughton, in an interview.

"If it is the case that the Mexicans and the Americans are really close, and that they manage to get those issues resolved in the next few days, then I think we'll be back to the table sooner rather than later."

—Paul Vieira in Ottawa contributed to this article.


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## WORLD NEWS

# Pope Seeks End to Death Penalty

Pontiff approves revised language to church doctrine on capital punishment

By FRANCIS X. ROCCA

ROME—Pope Francis formally strengthened Catholic Church teaching against capital punishment, categorically prohibiting it as an attack on human dignity and calling for its abolition.

The Vatican announced Thursday that the pope had approved revised language for the Catechism of the Catholic Church, an official compendium of doctrine, to state that the death penalty is "an attack on the inviolability and dignity of the person" and that the church is working "with determination for its abolition worldwide."

Up to now, the church hasn't entirely ruled out the death penalty if it "is the only possible way of effectively defending human lives against the unjust aggressor," but noted such cases should be extremely rare.

The change is the culmination of growing opposition to the death penalty by the past several popes, but also reflects the priorities of Pope Francis, who has emphasized issues of social and economic justice over sexual and medical ethics, and who late last year suggested that the church had always been wrong about the death penalty.

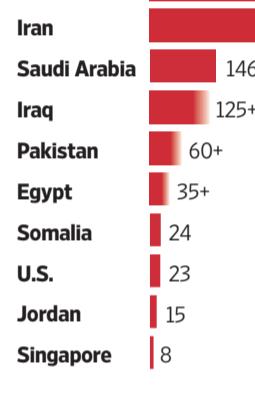
Some conservative Catholics are likely to object that capital punishment remains at least theoretically permissible under traditional teaching.

Ignatius Press, the English-language publisher of retired Pope Benedict XVI, last year published a study by two academics defending capital punishment on the basis of Catholic theology, philosophy and scripture.

In 2011, the late Justice Antonin Scalia, a Catholic, told a law-school audience: "If I



Pope Francis at the Vatican this week. The pope approved doctrine calling capital punishment an attack on the 'dignity of the person.'



## Capital Punishment

Top countries that carried out judicial death sentences and executions in 2017

Source: Amnesty International  
THE WALL STREET JOURNAL

thought that Catholic doctrine held the death penalty to be immoral, I would resign" from the U.S. Supreme Court.

Catholic countries in Europe have abolished the death pen-

alty, but the pope's decision could fuel criticism of political leaders elsewhere, including the Philippines, where President Rodrigo Duterte supports restoration of capital punish-

ment.

In justifying the change, the new language cites an "increasing awareness that the dignity of the person is not lost even after the commission of very serious crimes" as well as the development of "more effective systems of detention" which can today protect society from dangerous criminals yet "do not definitively deprive the guilty of the possibility of redemption."

The change follows a speech by Pope Francis in October, in which he called the death penalty "contrary to the Gospel," and said that the church's previous sanction and use of "this extreme and inhumane remedy that ignored the primacy of mercy over justice" was "dictated by a mentality more le-

galistic than Christian."

This is not the first change to the catechism in the direction of less tolerance for capital punishment. The original edition, published in 1992, while preferring "bloodless means" for the protection of human life, accepted as "well-founded the right and duty of legitimate public authority to punish malefactors by means of penalties commensurate with the gravity of the crime, not excluding, in cases of extreme gravity, the death penalty."

Five years later, Pope John Paul II changed that language to match his reflections in a wide-ranging encyclical on the value of human life. The 1997 revisions have stood until the latest change by Pope Francis.

# Japanese University Accused of Male Bias

By MEGUMI FUJIKAWA

TOKYO—Tokyo Medical University is looking to investigate an allegation that the school automatically lowered the entrance-exam results of female applicants for years to ensure that most of the entrants were men.

The allegations, earlier reported by the Yomiuri newspaper, underscore the challenge Prime Minister Shinzo Abe faces in the government's push to empower women and encourage more women leaders in society.

The Yomiuri said school leaders believed women doctors were less valuable than men because they might take time off for marriage or maternity leave, so they skewed the entering class in favor of men.

In the academic year that began in April, the entering class had 97 male students and 23 female students, according to the school's website. In Japan, medical schools generally run six years and combine undergraduate and graduate-level training.

The university began lowering the admission-test scores of women in 2011, after the number of successful female applicants doubled to around 40% in 2010, the Yomiuri said.

A spokesman for the university said it was uncertain whether a separate internal investigation was probing the matter. "If it does, we will announce the results early this month. If not, we plan to ask for this to be looked into," he said.

An education-ministry official said schools are permitted to set gender ratios but are instructed to disclose any such policy in advance.

According to the Organization for Economic Cooperation and Development, the share of female doctors was about 21% in Japan in 2016, the lowest among the surveyed countries.

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## WORLD NEWS

# President Wins Vote In Zimbabwe

BY GABRIELE STEINHAUSER  
AND BERNARD MPOFU

HARARE, Zimbabwe—President Emmerson Mnangagwa, who deposed Robert Mugabe in November after serving him for decades, was declared the winner of Zimbabwe's presidential election, extending the ruling party's nearly four-decade hold on power.

Zimbabwe's electoral commission early Friday said Mr. Mnangagwa, 75 years old, received 50.8% of the total vote, narrowly avoiding a runoff against his main rival, 40-year-old Nelson Chamisa, who won 44.3% of the vote. He will be able to build on a two-thirds majority in Parliament, giving him broad sway over future laws and government decisions.

But his ability to fulfill his campaign promises—namely ending Zimbabwe's status as an international pariah and healing its tattered economy—will be severely hampered by the violence and allegations of vote rigging that followed Monday's election.

On Wednesday, six people died when soldiers wielding automatic weapons clashed with opposition protesters in the capital, Harare.

Mr. Chamisa has repeatedly said he won the popular vote and the election has also been criticized by international observers, including from the U.S. and the European Union.

During a break in the hours-long vote announcement, when the results for nine out of 10 of Zimbabwe's provinces had already handed Mr. Mnangagwa a clear lead, the spokesman and national chairman of Mr. Chamisa's Movement for Democratic Change tried to take the podium in the electoral commission's press room.

"These results have not been signed by the polling agents," the chairman said, before being removed by police.

The result capped days of tensions between Messrs. Chamisa and Mnangagwa and their supporters.

"We removed Mugabe, but not Mugabe-ism," Mr. Chamisa said at a news conference



Police stood guard in Harare on Thursday, a day after deadly clashes between the military and protesters in Zimbabwe's capital.

Thursday afternoon, called shortly after police raided his party's offices, arresting several of his MDC colleagues and seizing computers.

The tensions have cast a pall over the first election in Zimbabwe since the military in November deposed Mr. Mugabe after 37 years in power and installed Mr. Mnangagwa in his place.

Minutes after the results were announced, supporters of Mr. Mnangagwa started chant-

ing a song that has become the unofficial anthem of the intervention that hoisted him into the presidency. The dark streets of the capital's city center remained deserted, except for a few cars racing down avenues honking their horns.

In a message from his Twitter account, Mr. Mnangagwa thanked voters for their trust and appealed for calm and unity. "Though we may have been divided at the polls, we are united in our dreams," he said.

There was no immediate response from Mr. Chamisa.

Most shops in the city center had remained closed on Thursday and police in riot gear and trucks carrying water cannons were stationed outside government and political offices. After nightfall, soldiers patrolled streets, where eight months ago thousands had celebrated Mr. Mugabe's overthrow.

International election observers have condemned what they said was excessive force

used to disperse protesters.

The observers have questioned the fairness of Monday's election, flagging the use of state resources—such as food aid—and intimidation to pressure voters. But on Thursday, Mr. Chamisa rejected the observers' request that he pursue legal means to address his party's grievances. "When you go into the court here, you just walk into the lion's den," he said. "But we're not about to be a meal for lions."

# Israel Says It Killed Suspected ISIS-Linked Militants

Israel's military said it killed seven suspected Islamic State-affiliated militants in territory it controls near the border with Syria, reflecting

Wednesday struck the militants as they crossed into Israeli-controlled territory with weapons, military officials said Thursday. The military described it as a "triangle area" near the borders of Israel, Syria and Jordan in the occupied Golan Heights.

The strike comes amid continued fighting in Syria's southwest and is one of several recent incidents that Israel's military has responded to with force. Israel warned it won't al-

low any encroachment of the fighting into its territory after shooting down a Syrian fighter jet last week it said crossed a little more than a mile into its airspace over the Golan Heights.

Syrian regime forces, backed by Russian airstrikes, have been battling Islamic State militants for weeks to capture a small area along the border with the Golan Heights. Syrian state media reported this week that government forces had nearly defeated the

militants, which would give the regime complete control over the country's southwest for the first time since 2012.

Lt. Col. Jonathan Conricus, an Israeli military spokesman, said Israeli forces conducted a search on Thursday and found seven bodies as well as five AK-47s, explosive belts and what appeared to be grenades. "It did not seem as if they were seeking refuge...they were moving in a combat formation with combat equipment," he said.

Col. Conricus said Israel suspects the militants are part of the Khaled bin Waleed army, an Islamic State affiliate. Israel's air force targeted the militants when they were a few hundred meters into Israeli territory and approaching Israel's security fence in the Golan Heights, he said.

The Israeli military has observed Islamic State fighters scattered near the border as the Syrian regime "appears very close" to wrapping up its

campaign, Col. Conricus said.

Israel's military said Israel holds Syria's government responsible for keeping militants from crossing into Israel. It said its military response to Wednesday's crossing and other incidents are part of an effort to enforce a 1974 cease-fire agreement with Syria that established a demilitarized zone between the two countries.

—Dov Lieber in Tel Aviv and Thomas Grove in Moscow contributed to this article.

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## FROM PAGE ONE



A member of the military police patrols a beach in Rio de Janeiro in June. Violence is a top concern for Brazilians—and a key reason many are leaving the country.

## Brazil's Elite Flee Paradise

Continued from Page One

monthly household income of more than \$2,500—want to emigrate, while 56% of college-educated Brazilians want to leave, according to a study published in June by Brazilian polling agency Datafolha. Overall, 43% of Brazilians would emigrate if they could.

"The hope that Brazilians once had in their country has gone out the window, and many people are now reaching the conclusion that things are unlikely to change in the next few years," said Mr. Menezes Filho.

Brazil's government has struggled to keep track of how many of its citizens live abroad. With the October presidential elections approaching, 41% more Brazilians have registered to vote from abroad than in 2014, according to government figures.

Meanwhile, the number of Brazilians filing emigration notifications with the federal tax office reached 21,700 last year, nearly three times the number in 2011, when authori-

ties began recording the data. Many are moving to exclusive enclaves on the Portuguese Riviera and to U.S. cities such as Orlando and Miami.

Violence is a top concern, especially in Rio, where the near-bankrupt state government is struggling to provide the police with basic equipment. Even in luxury gated communities, surrounded by bodyguards, or in bulletproof sports cars, the rich say they no longer feel safe.

Stray bullets from shootouts between drug gangs and security forces have caused scores of casualties, including a baby who was hit while in his mother's arms in March inside one of the city's well-known private schools. In the affluent Urca neighborhood, where locals go to watch the sunset, six dead bodies recently washed up on the rocks.

Marcelo Caio Corrêa de Melo, a 37-year-old e-commerce manager in the city, said security is the main reason he is emigrating to Portugal at the end of this month with his wife and two children.

"At the beginning of this year, I was in the office and suddenly we heard a huge explosion outside, and everyone jumped up," he said. "It was a grenade let off by criminals running from the police." A

### Packing Up

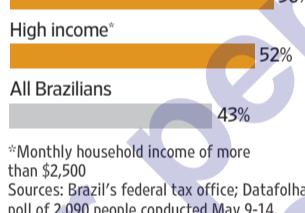
More Brazilians are making arrangements to leave the country...

People filing emigration notifications with the federal tax office



...and the educated and affluent are particularly eager to emigrate.

### Share of Brazilians who say they want to leave the country



\*Monthly household income of more than \$2,500  
Sources: Brazil's federal tax office; Datafolha poll of 2,090 people conducted May 9-14, margin of error: +/-2.0 percentage points

The economy is set to grow 1.5% this year, while unemployment is over 12%. About 62% of 16- to 24-year-olds would emigrate if they could, according to Datafolha.

The young have to pay Brazil's high taxes but benefit little from government spending, a huge chunk of which goes to pensions, said Tony Volpon, chief economist at UBS in Brazil. For those with a good education, leaving "looks like a good decision," he said.

### The U.S. is home to the largest share of Brazilian expats—more than a third.

The U.S. is still home to the largest share of Brazilian expats—more than a third of the three million Brazilians estimated to be living abroad, according to Brazil's foreign ministry.

"Things just work there. Infrastructure is better, and everything is not so expensive," said Vinícius Barbosa da Silva, 20, a student from the south of Brazil who said he plans to move to the U.S. in a few years.

But Portugal, the colonial

motherland, is fast becoming Brazilians' so-called Plan B. There are now 85,000 Brazilians living in Portugal, the largest community of foreign nationals, including many retirees lured by tax incentives, Portugal's immigration and border service said.

Brazilians of Japanese descent often return to the land of their forefathers. The U.K. is another popular choice, as is Switzerland—the adopted home of Brazil's richest man, Jorge Paulo Lemann, who relocated there in 1999 after gunmen tried to kidnap his children on the way to school in São Paulo.

As Brazilians have rushed to leave, the number of immigrants in the Brazilian workforce fell for the first time in a decade in 2016. Joseph Williams, a U.S. businessman who moved to Brazil eight years ago, said Brazilians ask him, "Why are you here?"

"It's a market with problems but also opportunities," said Mr. Williams, who runs a real-estate advisory and investment firm in São Paulo.

Still, for Mr. Melo, the e-commerce manager, life in Portugal has more appeal. He is looking forward to simple things, like being able to answer his cellphone in the street—something he said he no longer does in Rio for fear of it being stolen.

pump, get worse gas mileage and breathe dirtier air," Mr. Brown said. "California will fight this stupidity in every conceivable way possible."

Because car makers start developing new models years in advance, the lack of clarity around regulations creates a challenge when trying to decide where to allocate investments.

Many car companies already are developing more-efficient vehicles for overseas markets, such as China and Europe, where emissions regulations are getting stricter. They are unlikely to halt those efforts soon, said Dave Sullivan, an auto analyst for AutoPacific Inc.

"Auto makers are also looking further down the road because who is to say in six years the fuel economy standards won't change again" with a new U.S. president, he said.

California anticipated the Trump administration moves and has been bracing for a fight for months. Earlier this year, Mr. Brown signed an executive order calling for five million zero-emission vehicles on California roads by 2030.

Mr. Brown often warns of climate change in apocalyptic terms and has made curbing emissions from industry, with an increasing focus on the transportation sector, central to the state's policies. Under a law he signed in 2016 the state set the target of reducing its greenhouse-gas emissions to 40% below the state's 1990 levels by 2030, one of the most ambitious standards in the world.

California has about a quarter of the nation's 4.1 million traditional hybrid gas-electric vehicles on its roads, 190,000 of the nation's 389,000 pure-electric vehicles and 175,000 of its 382,000 plug-in hybrid vehicles, according to Edmunds.

—Adrienne Roberts and Mike Colias contributed to this article.

## WORLD WATCH

IRAN

### Tehran Starts Naval Exercise in Strait

Iran began a major naval exercise near the Strait of Hormuz, in an apparent response to rhetoric from President Trump in recent days that he would ratchet up pressure against Tehran, U.S. defense officials said.

The U.S. believes the exercises "fully started" on Thursday, one defense official said, and could continue until Aug. 6. A second official said there are more than 100 boats and ships participating in the exercise, but most are considered smaller craft.

An air component, consisting primarily of unmanned aerial vehicles, or UAVs, is also are participating in the exercise, a military official said. Iranian officials didn't respond to a request to comment.

Mr. Trump, in a July 22 Twitter post written in capital letters, warned of dire repercussions if Iran threatened the U.S.

—Gordon Lubold and Nancy A. Youssef

EUROPE

### Spanish Rescue Boat Saves 87 Migrants

A Spanish rescue boat saved 87 migrants in international waters in the Mediterranean Sea, and says it is in touch with several countries about where to bring them.

Laura Lanuza, a spokeswoman for the aid group Proactiva Open Arms, says the boat rescued the migrants early Thursday about 54 miles off the Libyan coast. She says the migrants were mostly from Sudan and included eight minors.

It was the first rescue by an aid group in several weeks, as European countries jockey over where to take those rescued at sea. The new Italian government has refused to let such humanitarian ships dock at their ports.

The aid group said it talked with several countries, including Spain, to coordinate getting the rescued migrants to a safe port.

—Associated Press

CONGO

### Ex-VP Runs Again; Had Faced Charges

Former Congolese Vice President Jean-Pierre Bemba submitted his candidacy for the December presidential election, a day after returning to the country following more than a decade away.

Mr. Bemba registered in the presence of members of his opposition Movement for the Liberation of Congo party, saying he was responding to the aspirations of Congolese. Mr. Bemba in June was acquitted of war crimes by appeals judges at the International Criminal Court.

His arrival shakes up the political landscape in one of Africa's most turbulent nations. The opposition worries that President Joseph Kabila, whose mandate ended in late 2016, will find a way to hold on to power. Mr. Kabila has been in office since 2001.

Elections have been delayed since late 2016, to the growing impatience of the international community.

—Associated Press

YEMEN

### Saudi-Led Airstrikes Kill 28 in Key Port

The Saudi-led coalition fighting Yemen's Shiite rebels conducted airstrikes in the rebel-held port city of Hodeida on Thursday killing at least 28 people and wounding at least 70. Yemeni medical officials said, the latest escalation in fighting along the country's west coast.

The airstrikes took place close to the city's main public hospital, al-Thawra, situated near a popular fish market, the officials said. The wounded, mostly civilians, were hospitalized.

The rebel-run Al Masirah TV reported that airstrikes killed 52 people and left more than 100 wounded. The Saudi coalition couldn't be reached to comment.

The Saudi-led coalition backing Yemen's internationally recognized government has sought to expand control over rebel-held areas along Yemen's west coast, particularly in the vital Red Sea port city of Hodeida, the main entry point for food in a country teetering on the brink of famine. The coalition has been at war with the Iran-aligned rebels, known as Houthis, since March 2015.

—Associated Press

## Trump in Battle Over Car Rules

Continued from Page One

largest car market, has long been a leader on issues involving air quality and climate change. Its push for stringent regulations has made it an influential testing ground for policies cheered by environmentalists but derided by some industry leaders.

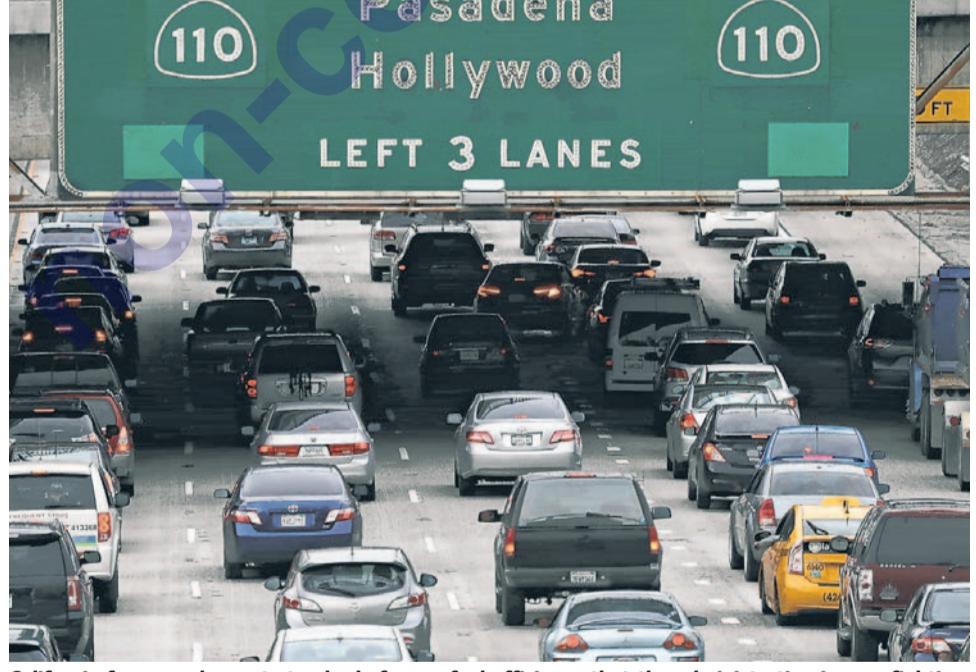
Given California's historic problem with smog, Congress has granted the state waivers through the years to impose stricter pollution-control measures than those of the federal government. But California also has vast influence in setting standards for the national auto market. Up to 12 other states follow its lead and adopt its rules, and the current Obama-era regulations largely follow those mandates.

The Trump administration's move is an effort to seize back regulatory authority from a state that critics say takes its clean air initiative to extremes. The proposal seeks to override state standard setters in favor of "one national standard...set exclusively by the Federal government."

"Our job is to do what's right for all Americans," Heidi King, deputy administrator of the National Highway Traffic Safety Administration, said in an interview.

The auto industry is leery of any proposal that stops progress toward better fuel economy for fear of a public backlash, even though it views the current rules as too stringent.

Auto executives are urging the administration to negotiate



California for years has set standards for car fuel efficiency that the administration is now fighting.

a deal with California before finalizing its rules, projected to happen this winter.

Given the number of states that follow California's lead, mostly in the Northeast and Northwest, car makers say they fear the Trump administration's aggressive rollback of fuel-economy standards will force states to avoid a patchwork of regulations and the costly variations in vehicle design that could create.

The industry's two largest lobbying groups sent a letter Thursday to both Mr. Trump and California's governor asking for a deal.

"We think somewhere between the administration's preferred path and between the Obama numbers there's a place that works," said Mitch Bainwol, head of the Auto Alliance, which represents a dozen auto makers. "Our belief is the path is not one of litigation but one of compromise."

The administration proposal, which is subject to a 60-day public comment period, would still raise fuel-efficiency mandates through 2020 but then hold them there, significantly lowering the longer-term requirements through 2026 to an average of 37 miles a gallon.

### The car industry fears a regulatory patchwork that could raise its costs.

Trump administration officials have said they want to avoid plunging auto makers into years of uncertainty, but not at the expense of vehicle safety improvements they say are essential. They put negotiations on hold in recent weeks as they finalized their proposal, and have

said they are eager to hear from California during the public comment period.

California has already sued the administration over its auto policies, and its leaders said Thursday they see the administration's moves as an open attack on national rules the state helped set. They disputed the administration's findings and pledged to ramp up their legal efforts, setting the stage for what could be a seminal battle over who controls car industry standards.

Many lawyers and car industry lobbyists expect the Trump administration would face a yearslong legal battle and a Supreme Court decision to overrule California's power.

On Thursday, California Gov. Jerry Brown, a Democrat, called the Trump administration moves "an assault on the health of Americans everywhere."

"Under his reckless scheme, motorists will pay more at the

\*\*

## IN DEPTH

# Should It Be 'Parma' or 'Parmy'?

*Continued from Page One*

slang is a defining characteristic. They modify words with cute-sounding suffixes more than other native English speakers, which linguists say reflects traditional Australian values such as equality and informality.

So what's with the kerfuffle over breaded chicken slathered with tomato sauce and melted cheese? Australians fear their slang could be disappearing in an increasingly connected world. Last year, a popular meat-pie company ran a "Save Our Slang" advertising campaign, printing local slang words on the packaging of its products.

"There's no doubt that the range of Australian slang has restricted in the last few years," said John Hajek, a linguist and professor at the University of Melbourne. "That's got to do with the spread of a universal education, particularly a univer-

sity education, globalization and the loss of some traditions."

Australians might have mushies (mushrooms) on the side with dinner, reach for their sunnies (sunglasses) on a bright day or call for firies (firefighters) in an emergency. Bob Hawke, the former Australian prime minister who famously set a world record for fast beer drinking, is sometimes referred to as Hawkie.

When Oxford Dictionaries selected "selfie"—a picture taken of oneself—as the word of the year in 2013, it traced the origins to 2002, when it appeared on an Australian internet forum.

Figuring out what to call a chicken parmesan at a pub, however, is a much more complicated affair. The issue is the "most likely to start a civil war in this country," said Lee Hinkley, a 35-year-old IT manager in Melbourne, who writes reviews on his website called ParmaDaze. When ordering the dish last year in Sydney, where "parm" is frequently used, "I would have said 'parma,'" Mr. Hinkley said. "I don't think I could bring myself to say 'parm'."

The majority of modified



Lee Hinkley, an IT manager in Melbourne, enjoys eating a 'parma.'

15 Australian dollars. Josh Benetatos, a bartender, said he prefers "parma" but that his co-worker that night was more familiar with "parm."

"We saw that it was tonight's special and it was written as 'parma,' and we were worried that might be a bit controversial," said Mr. Benetatos, 21, adding that customers are typically split 50-50 on the pronunciation. Despite the disagreements, "we have yet to have any actual punches thrown over it in this venue."

Lucy Everden, who stopped in the pub with co-workers for food and drink, had a terse response when one of her colleagues suggested "parma" was the correct abbreviation. "Wrong," she said. "I can honestly say I've never heard anyone call it a 'parma,'" said Ms. Everden, 31. Using the "y" sound is "how we abbreviate things. It's Aussie."

The recipe itself is possibly based off eggplant parmigiana, a southern Italian dish, said Fabio Parasecoli, a food-studies professor at New York University. Chicken parmesan was likely developed in the U.S. by Italian immigrants, who usually

couldn't afford meat in Italy but found protein to be abundant and inexpensive in their new country.

In Australia, recipes for chicken parmesan that resemble the current pub favorite seem to have become popular in local cookbooks only in the 1980s, said Tania Cammarano, who recently completed a doctorate on the history of Italian food in Australia. That is about the time people became concerned about saturated fat in red meat and were looking for leaner alternatives, she said. She is pro-parma.

Ms. Taylor, who is studying beauty therapy, said neither she nor her boyfriend ordered a chicken parmesan that recent day. There was a problem in the kitchen and no fries were available, so they both decided to order something else.

"I don't want to start another argument in the middle of a restaurant or pub over this," she said, adding that aside from the chicken controversy the relationship seems to be going great. "We're going out for dinner tomorrow night, so maybe we'll give it another shot."



Chelsie Larson works bagging line at Chippewa Valley Bean; right, company president Cindy Brown



## Bean Sales Show U.S. Tariff Pain

*Continued from Page One*

beans, a sector the U.S. dominates.

Ms. Brown said the company last month shipped nearly 40% less than is typical for this time of year. She said 80 shipping containers' worth of kidney beans, valued at a total of \$2 million, are stuck in its warehouses as orders from Europe dry up.

The Trump administration has taken steps to soothe the nerves of American farmers, promising \$12 billion in emergency aid to support producers of commodities such as soybeans, wheat, sorghum and pork. It isn't known what, if any, benefit processors such as Chippewa Valley and other businesses along the supply chain will see from the aid.

Besides promising aid, Mr. Trump last week agreed with European Commission President Jean-Claude Juncker to begin talks aimed at resolving trans-Atlantic trade disputes. European and Trump administration officials disagree on whether the talks will include agricultural products beyond soybeans and beef.

Despite the disruption tariffs have wreaked in agriculture, some farmers still support the administration's trade goals, saying they are willing to suffer in the near term if new trade policies ultimately benefit the nation's economy or the agricultural sector as a whole. Farmers could play a key role in coming elections in certain farm states, such as Wisconsin, despite their decline in numbers over many years. Ms. Brown didn't support Mr. Trump in the 2016 election and said the president's trade tactics haven't changed her view.

### Pioneer days

Ms. Brown's ancestors arrived in northwest Wisconsin by covered wagon 160 years ago, building a house and planting crops on 80 acres north of the Chippewa River. In 1969 her father, Russell Done, planted his first crop of dark red kidney beans. Though he also raised beef and dairy cattle and grew corn, the kidney beans proved well-suited to the area's sandy soils. He found ready buyers, and four years later launched Chippewa Valley Bean Co. to clean and market his beans and others grown by neighbors.

U.S. farmers have boosted production of dry edible beans, which include pinto, navy and kidney beans, over the past decade. Exports of the dark red variety of kidney beans that Chippewa Valley handles have skyrocketed as the U.S. displaced China as the world's largest supplier, especially to Europe. Marketed as a healthy and low-cost protein source, the beans increasingly appear in products such as deli salads and frozen meals.

Chippewa Valley handles one in four dark red kidney beans traded internationally, according to Randy Fairman, an agricultural consultant who specializes in dry beans.

"If the tariffs hold, the near-term impact will be devastating to small businesses both in the U.S. and the EU," Mr. Fairman said. "There is no place in the supply chain where a 25% tariff could be absorbed."

Since the EU levied the tariff on U.S. kidney beans in late

June, in response to steel and aluminum tariffs imposed by Mr. Trump in the spring, some Polish buyers have canceled orders for Chippewa Valley's products. Italian customers have tried to negotiate lower prices.

An English buyer threatened to abandon a shipment that had arrived in a British port. Ms. Brown persuaded the buyer to take the \$23,000 shipment and pay the nearly \$6,000 tax, but the buyer then canceled \$92,000 worth of orders.

Cordell Huebsch, who raises corn, soybeans and kidney beans near Perham, Minn., says the beans saved his family's farm from ruin during the 1980s farm crisis, when prices for major commodities plunged. Today, about half of his farm's acreage is devoted

### European customers are canceling orders and looking elsewhere for bean supplies.

to kidney beans, and they typically account for as much as 70% of its revenue.

Low crop prices and the im-

position of tariffs on other commodities mean there are few crops he could switch to and turn a profit if the price he gets for kidney beans drops as a result of EU tariffs, Mr. Huebsch noted.

"I need Chippewa Valley to be around," he said.

Chippewa Valley was in the

midst of a growth spurt before

this year's trade disputes be-

gan. It made plans to erect

new bins, an automated bag-

ging system, an additional processing line, a warehouse and an office building.

Much of that is on hold now. The business has can-

cled \$3.5 million in purchases

for 2018 and has scrapped

plans to spend up to \$15 mil-

lion on expansion projects

next year.

For Stark's Metal Works, a

metal fabrication company

about 10 miles away, that has

meant canceled orders for six

of eight loading ramps it

planned to build for Chippewa

Valley.

Each ramp had been priced

at \$2,400. Then steel and alu-

minum tariffs imposed by the

U.S. drove up the firm's metal

costs more than 50%, said

owner Greg Stark, and he

raised the price of the ramps

by \$300. Chippewa Valley

scaled back its purchases.

"It's very hard to go to a customer and say my hands are tied, but I can't lose money," Mr. Stark said.

### Plans on hold

Before the U.S. metal tar-

iffs, Mr. Stark signed a con-

tract to double the size of his

business's building. Now, fearing

more orders will dry up,

he is holding off on plans to

purchase a new laser cutter.

Ms. Brown says Chippewa

Valley's accounts receivable

have dwindled to less than

half what they were before Eu-

ropean tariffs took effect. If

there are few export orders to

fill when U.S. farmers harvest

their kidney-bean crops this

fall, she expects she will have

to lay off some of the firm's 33

employees.

"We hope that the need will

be such this stuff will begin to

ship," said her father, Mr. Do-

ane, who at age 87 still comes

to work at Chippewa Valley's

office every day. Wearing a

green corduroy baseball cap,

he sits near a glass display

case lined with 100 cans of

food containing the company's

beans, labeled "chili" or "three

bean salad" or "haricots rouges."

For now, Chippewa Valley

has stopped processing kidney

beans to avoid running out of

room in its warehouses. The

mills where it cleans beans are

quiet, and few trucks rumble

across the company's yard. If

the harvest is plentiful, kidney

beans will have to be piled on

a machine-shed floor for lack

of storage space.

Ms. Brown said she is flying

to Brazil in August to try to

gin up new buyers. Until then,

Chippewa Valley will continue

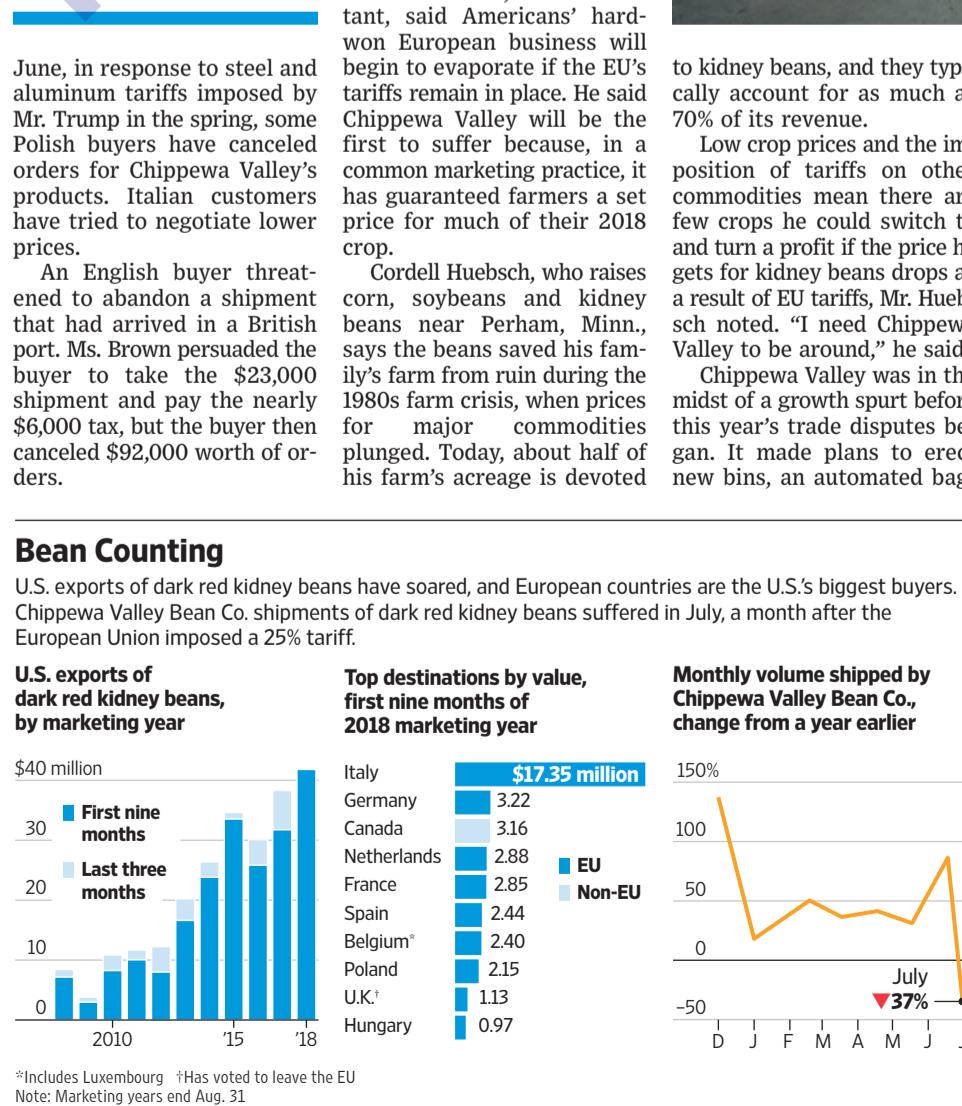
to sock away beans in the

hopes tariffs are lifted. "But

how long can you do that and

still keep your doors open?"

she said.



# GREATER NEW YORK

## Plan to Rezone Inwood Nears Approval

The city council will vote on a mayoral proposal to revamp the Manhattan community

By KATIE HONAN

Mayor Bill de Blasio's controversial plan to rezone a northern Manhattan neighborhood to spur the development of thousands of affordable apartments cleared a major hurdle Thursday, getting the green light to be brought to a vote before the New York City Council.

The council's zoning and franchises committee approved the proposal for rezoning swaths of the neighborhood of Inwood, despite a crowd of protesters who say the plan would hasten gentrification and lead to the construction of large high-rises that would be out of character with current buildings.

Seven council members on the committee voted in favor, one abstained, and another wasn't present for the vote. The full council will vote Wednesday on whether to approve the plan, which would be signed into law by Mr. de Blasio if it passes.

The final scope of the rezoning proposal was negotiated just hours before the committee gave its approval. Councilman Ydanis Rodriguez, who represents Inwood, said late-stage changes addressed community concerns.

City officials said the plan



The New York City Council is slated to vote Wednesday on a plan to rezone Inwood, a neighborhood on the northern tip of Manhattan.

STEVE REMICH FOR THE WALL STREET JOURNAL

would protect or add an estimated 4,100 affordable apartments in Inwood, an ethnically and economically diverse community.

The plan, which initially was drafted by the New York City Economic Development Corp., no longer includes a large section of commercial land after residents voiced fears that lo-

cal shops and businesses would be displaced.

Katherine O'Sullivan, who has lived in Inwood for 25 years, said after the committee vote that she still feels the project is too large. "I'm not a NIMBY; I want people in my backyard. But we have to do sensible planning," she said.

Other activists—some of

whom attended the committee hearing carrying protest signs—fear that large-scale construction projects would displace tenants, even if the projects technically are affordable under city standards.

The Economic Development Corp. has set aside \$700 million in economic incentives to help facilitate rezonings

around the city, with \$200 million given for the Inwood plan.

Inwood would be the fifth neighborhood in New York City to undergo an extensive rezoning as part of Mr. de Blasio's plan to build more affordable housing across the five boroughs.

The proposal also calls for the construction of a 20,000-

square-foot library on Broadway on the same lot as the current library. The building will include about 175 affordable apartments, a community center and universal prekindergarten classrooms.

Mr. Rodriguez, who voted in favor of the rezoning despite strong opposition from some of his constituents, said community feedback led him to remove the commercial district from the plan. And, in an effort to protect small businesses, all of the owners of buildings that receive city supplements will be required to offer 10-year leases to future commercial tenants, Mr. Rodriguez said.

"I know one of the top demands from the organizer[s] was to downsize the rezoning, to protect the landscape of Inwood," he said. "It took a lot of hours of negotiations to limit the rezoning to the east of 10th Avenue."

At the committee hearing, Councilman Francisco Moya, chairman of the zoning committee, accused the de Blasio administration of trying to divide working-class residents through its rezoning. He asked the mayor's office to create a task force to address rezoning concerns and said he wouldn't negotiate with the administration over upcoming rezonings.

"We all want growth, but growth that lifts everyone up, not just the developers," he wrote in a statement. "A rising tide does not lift all ships—not when some of them are drowning."

## Literacy Coaches' Value Questioned

By LESLIE BRODY

A major push by New York City to help poor children in public schools learn to read by assigning literacy coaches to their teachers had no impact on second-graders' progress, according to a study of its first year.

The city Department of Education conducted the evaluation, but its officials said Thursday it was too early to judge the initiative. They said they would strengthen the program while boosting annual funding to \$89 million, from \$75 million.

The initiative has been a key part of the education agenda of Mayor Bill de Blasio, who early in his tenure set a target of having all students read on level by the end of second grade, by 2026.

Research shows that if children lag behind in reading in third grade, it is very hard for them to catch up. About 43% of the city's third-graders passed 2017 state exams in English language arts, with some high-poverty schools showing much lower pass rates.

The literacy program embedded 103 coaches in 107 high-need schools in fall 2016. Each coach was assigned to spend the academic year honing teachers' instructional skills in kindergarten through second grade.

This evaluation tested second-graders in schools that had literacy coaches, and compared their results with peers in similar city schools that had no coaches. The report found



A literacy coach at P.S. 114 in the Bronx in 2016. About 500 coaches will be dispatched this fall.

that both groups of students were behind in skills in October 2016 and fell further behind expectations by May 2017.

Each group gained an average of four months of skills, when they should have gained seven months. At the end of second grade, students in schools with coaches on average performed at the level expected in the second month of second grade, on a measure known as the Gates-MacGinitie Reading Test. It covered decoding skills, word knowledge and comprehension.

The disappointing results didn't surprise Susan Neuman, a New York University professor of literacy education. She

said the department deployed coaches of varying quality, gave them insufficient training and, in some schools, principals shifted them to drilling for state exams.

"The coaching is all over the place," Ms. Neuman said. "You get some people who don't have a clue about reading."

Department of Education Deputy Chancellor Josh Wallock said he had confidence in the coaches, their training and principal buy-in. He noted that some schools showed real improvements.

"We think we are on the right track," he said. "We know we have a lot of work to do."

Skeptics of the initiative have long argued it would be better to reduce class size, add services for the disabled and require a stronger focus on phonics, which teaches children to sound out letters as a primary way to identify words.

The department has expanded the literacy initiative yearly, and will dispatch about 500 coaches this fall, with every elementary school getting a coach or additional attention.

Officials said more funding would go to train coaches to help students who don't speak English at home, after-school reading programs in homeless shelters, work with principals in literacy education and other steps.

## New Jersey Amps Up Pressure on Polluters

By KATE KING

New Jersey officials filed six lawsuits against companies accused of polluting, marking an increase in environmental enforcement under Gov. Phil Murphy.

Mr. Murphy, a Democrat, took office in January and has pledged to take a more progressive stance on environmental issues than former Gov. Chris Christie, a Republican. Environmentalists criticized many of Mr. Christie's policies during his two terms, including his decision to pull the state out of the Regional Greenhouse Gas Initiative, and his administration's pollution settlement with Exxon Mobil Corp., which they felt let the company off easy.

Three of the claims lodged Wednesday were filed under a New Jersey law that allows the state to seek damages from polluters for the restoration of natural resources, such as groundwater and wetlands. The state hasn't brought a case under its natural resource damage law since 2008, even though prior suits have brought in millions of dollars, officials said.

"These cases are important because they are a primary legal mechanism for restoring the natural environment when it has become polluted or damaged," said Catherine McCabe, commissioner of the state Department of Environmental Protection.

The other three lawsuits are "cost-recovery cases," under which the state is trying to recoup money that was spent cleaning up contaminated properties, Ms. McCabe said.

New Jersey Attorney General Gurbir Grewal said, "We're sending a message to every company across the state: If you pollute our natural resources, we are going to make you pay."

Jeff Tittel, director of the

New Jersey Sierra Club, said the six lawsuits are a great "first step," but he wants to see the new administration hire more environmental inspectors and take on other cases.

"By not doing their job for so long, the state has sent a message that it's OK to dump on New Jersey," Mr. Tittel said. "This is a good start, but they have a lot more to do."

A spokesman for Mr. Christie defended the former governor's environmental record.

"The ocean water was cleaner in 2017 than at any time in the last 20 years, and we rebuilt our environmental infrastructure even stronger after [superstorm] Sandy," the spokesman said in an email.

One of the lawsuits filed

*If you pollute our natural resources, we are going to make you pay.*

## Corruption Retrial of Ex-Union Boss Begins

By CORINNE RAMEY

The retrial of Norman Seabrook began Thursday in Manhattan federal court with arguments about whether the onetime powerful union leader's investment of \$20 million in a risky hedge fund—which ultimately lost \$19 million—was a corrupt deal or an unfortunate financial strategy.

Mr. Seabrook, the head of New York City's jail-officers union for two decades, was an outspoken political figure known for his brash manner and vast control over the jail complex at Rikers Island.

In 2016, Mr. Seabrook and Murray Huberfeld, co-founder of now-defunct hedge fund Platinum Partners, were arrested

and charged with conspiracy and fraud. Both were tried this past fall, and in November, a federal judge in Manhattan declared a mistrial after jurors said they were deadlocked.

In May, Mr. Huberfeld pleaded guilty to one count of wire-fraud conspiracy. Mr. Seabrook is now on trial alone. Mr. Huberfeld, who isn't cooperating with the government, is slated to be sentenced in September.

During opening statements Thursday, Assistant U.S. Attorney Lara Pomerantz said Mr. Seabrook's union post made him powerful but not rich. "Norman Seabrook wanted to get paid," she said.

Mr. Seabrook arranged to invest \$20 million in union funds with Platinum Partners went

change for a percentage of the profits, she said. As a kick-back, he received \$60,000 in cash in a Salvatore Ferragamo bag, she said, delivered by the

bankrupt, ultimately losing \$19 million of the union members' dues and retirement funds, Ms. Pomerantz said.

Defense attorney Margaret Lyraugh, who represents Mr. Seabrook, told the jury the case is called U.S.A. v. Norman Seabrook, but should be called Jona Rechnitz v. Norman Seabrook.

"At bottom, this is a one-witness case," she said. Mr. Rechnitz, whom she called a pathological liar, is the only one who can testify to presence of the cash in the bag, she said.

A lawyer representing Mr. Rechnitz, who is cooperating with the government, declined to comment.

Mr. Seabrook faces up to 20 years in prison if convicted.

Platinum Partners went



Attorney General Gurbir Grewal announced pollution lawsuits.

JULIO CORTEZ/ASSOCIATED PRESS

## GREATER NEW YORK



The Fund, which backs New York startups, was created by, from left, Jenny Fielding, Adam Carver, Katie Hunt and Matthew Brimer.

# Fund Won't Take VC Money

By YULIYA CHERNOVA

New York has a new venture-capital fund run by people who disavow the term "venture capitalist."

The Fund, as it is called, collected \$3.2 million from some 75 startup founders and operators with the aim of investing in the next generation of New York entrepreneurs.

People who earn their livelihood as investors aren't allowed to put money into the Fund, said Matthew Brimer, one of its co-founders.

"The best people to support early-stage startups are people who've been through this personally," he said.

Mr. Brimer is one such operator. He co-founded General Assembly, a New York startup that began as a coding boot camp and recently was acquired for \$412.5 million by

Adecco.

Mr. Brimer created the Fund last year with three co-founders: Adam Carver, chief executive of Battlestar Capital and a former executive at AngelList; Jenny Fielding, managing director at Techstars; and Katie Hunt, an early employee of Warby Parker.

The Fund seeks to help its startups by leveraging the connections and expertise of its investors, Mr. Brimer said.

Among the investors are Meetup co-founder Scott Heiferman, SoundCloud founder Alex Ljung, Casper co-founder Neil Parikh and Parsley Health founder Robin Berzin.

As an incentive to the first 40 of its investors, the Fund plans to share a cut of its carried interest with them. Sharing of the profit that partners make from manag-

ing a fund isn't unheard of. Both Data Collective and 8VC, for example, share a portion of their carry with some investors.

Mr. Brimer said he hasn't seen this model used in New York.

The Fund isn't collecting management fees and has a limited budget. There is no office. Instead, all of the Fund's investors are members of a Slack channel they use to propose and discuss deals.

The Fund's co-founders decide on which startups to back. They host in-person get-togethers, sometimes on the rooftop of Mr. Brimer's apartment in Red Hook, Brooklyn, every few weeks, for the Fund's investors and portfolio company founders.

Mr. Brimer said the Fund is writing checks starting at \$50,000 for budding startups, with a "high-volume" strat-

egy. It already has backed a dozen, including cryptocurrency startup Carbon, fitness studio CityRow, and freelancer marketplace Wethos.

About 40% of the Fund's startups have women founders, Mr. Brimer noted.

Mr. Brimer launched his first New York startup as an undergraduate at Yale University when he began commuting into the city, eventually becoming a New York resident in 2009.

The city's tech scene has grown significantly in the decade that Mr. Brimer spent here. "But the technology and startup community still has this underdog sensibility," he added.

It isn't a dominant industry, he said, the way tech is in San Francisco, and that creates "a sense of camaraderie" that the Fund is counting on.

# Tenants-Rights Group Has Little Success in Court

By JOSH BARBANEL

peals, the state's highest court.

Aaron Carr, a 29-year-old former legislative aide who founded the Housing Rights Initiative in 2016 and who serves as its executive director, said "all the cases are still in active litigation."

He said his group had prompted half a dozen buildings to re-register apartments that had been improperly removed from the rent-regulation rolls. Human Rights Initiative is funded by the Robin Hood Foundation charity and individual donors, and doesn't accept contributions from law firms.

If the broadest class actions are allowed to go forward, lawyers on both sides say Mr. Carr would break new ground in landlord and tenant law. "We are proud to be in the forefront of this relatively novel movement," said Lucas Ferrara of Newman Ferrara LLP, which has filed more than 20 of the suits.

**Housing Rights Initiative organizes rent-regulated tenants; finds lawyers for cases.**

But lawyers for landlords say the sweeping class-action claims have been organized to garner publicity and newspaper headlines, rather than to help tenants. They point out that many of these suits target well-known landlords who aren't the direct legal owners of buildings and would in most cases not have direct liability for rent overcharges.

Adam Leitman Bailey, who is defending landlords in at least 10 cases, said at least four of Mr. Carr's Housing Rights suits were filed in cases where there "was not one overcharge in the entire building."

# New York Moves Toward Making Recreational Marijuana Legal

By LARA KORTE

Gov. Andrew Cuomo took another step toward legalizing marijuana in New York, announcing the formation of a 20-person work group to draft legislation allowing for recreational use by adults.

Thursday's announcement came on the heels of a state health-department study that addressed the effects of pot legalization on public health, the economy and the criminal-justice system. The report, released last month, concluded that the positive effects of a regulated marijuana market would outweigh the potential negatives.

"As we work to implement the report's recommendations through legislation, we must thoroughly consider all aspects of a regulated marijuana program, including its impact on public health, criminal justice and State revenue, and mitigate any potential risks," Mr. Cuomo, a Democrat, said.

When asked for comment on the work group, a spokesman for state Senate Majority Leader John Flanagan said Republicans in the chamber are focused on affordability, opportunity and security. "Let the governor and New York City Democrats focus on legalizing drugs, but that's not where our attention is," the spokesman said.

Lawmakers and advocates have been working to move marijuana legislation in the past year. Senate Bill S3040, otherwise known as the Marijuana Regulation and Taxation Act, was introduced in early 2017 and proposes legalization. The measure is still in the Senate Finance Committee and hasn't received a vote.

David Holland, executive director of the New York chapter of the National Organization for the Reform of Marijuana Laws, Empire State NORML, said: "We're not aware yet of all the different aspects that the governor is considering, but we look forward to reviewing them and making ourselves available to him for guidance in this area."

The organization has worked closely with lawmakers to draft the bill currently

in committee, and is cautiously optimistic about the governor's work group.

The state Legislature legalized medical marijuana in 2014.

The governor's office said the creation of a regulated program would enable the state to control quality, set age and quantity restrictions, and reduce racial disparities in criminalization.

Mr. Cuomo, who is running for a third term, has advocated for the softening of marijuana-related crimes for years. Mari-

juana investors have been among his biggest campaign contributors. MedMen Opportunity Fund II LP, based in Culver City, Calif., contributed \$65,000 to Mr. Cuomo, and an executive associated with the fund, Andrew Modlin, contributed \$25,000, filings show.

Mr. Cuomo's rival for the Democratic nomination, Cynthia Nixon, has called for marijuana legalization and says criminalization disproportionately hurts minorities.

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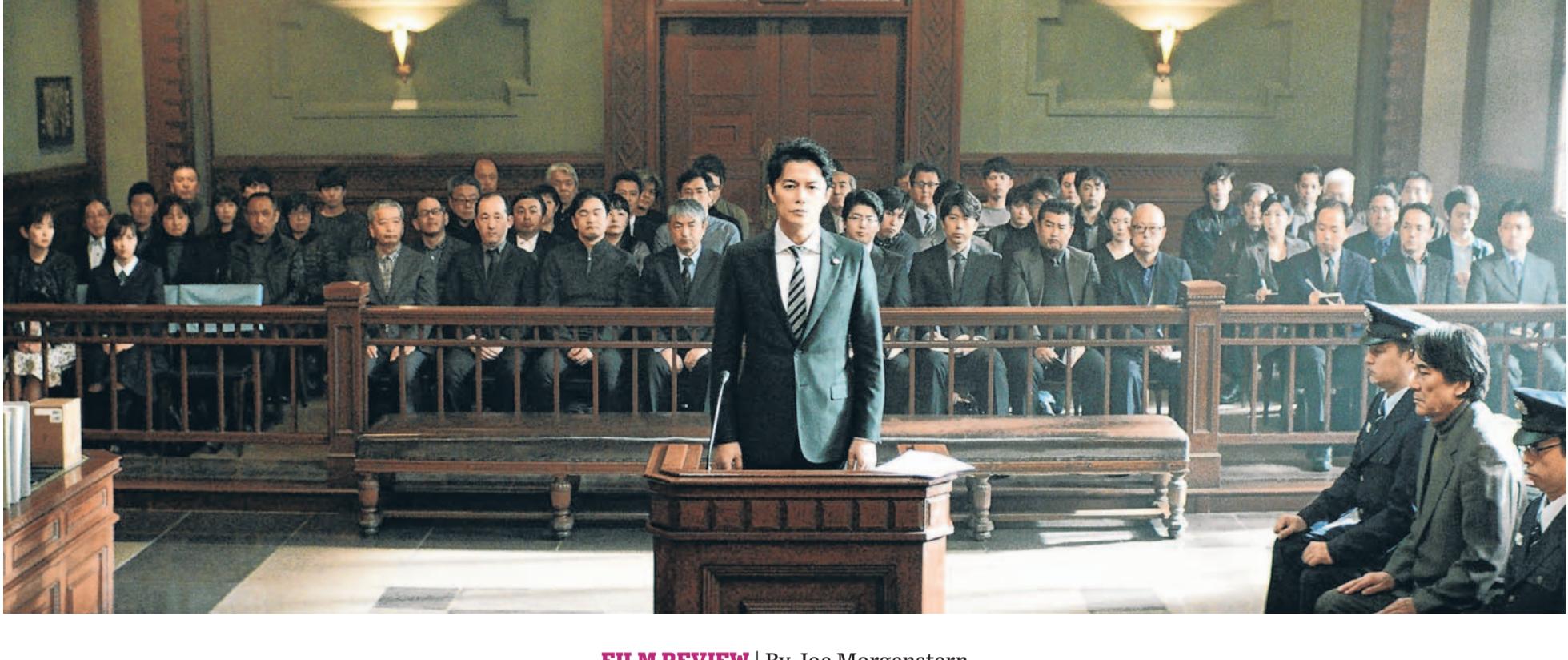
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# LIFE & ARTS



FILM MOVEMENT (2)

FILM REVIEW | By Joe Morgenstern

## 'Murder,' Mystery and a Master's Vision

**THE JAPANESE** filmmaker Hirokazu Kore-eda has a quietly seductive way of finding the sublime in the mundane. "The Third Murder" seems reassuringly conventional at first, a legal procedural coupled with a courtroom drama. But that description doesn't do justice to the story's breadth and depth. This mysteriously beautiful film, in Japanese with English subtitles, explores the elusiveness of motives, the nature of truth and nothing less than the justice system—the way it functions in response to an accused murderer who has already confessed and continues to insist he's guilty.

The defendant, Misumi, is played by Kôji Yakusho, a charismatic actor best known for his starring role in "Shall We Dance?" (He was also the macho and hilariously self-parodying Man In White Suit in "Tampopo.") Misumi has a prior conviction. Three decades ago he went to prison on another murder charge, and spared from execution by a compassionate judge, was released only recently.

Now, sitting behind the thick plate glass of an interview booth in a Yokohama detention center, he's the picture of perplexing affability. Yes, Misumi says, he killed his boss, the owner of a food-processing plant who had fired him;

An accused killer insists on his guilt in Hirokazu Kore-eda's hauntingly beautiful drama

yes, he also stole money from him; and, yes, he's willing to accept a death sentence. The man is thoughtful and appealing, but his account is riddled with cockeyed inconsistencies. Something seems to be missing from his psyche. A cop who arrested him for the previous crime, and who may or may not be an astute judge of character, calls him an empty vessel.

On the other side of the glass sits Shigemori, the defense attorney; he's played by the pop-star singer and actor Masaharu Fukuyama, who was the rigid, driven architect in Mr. Kore-eda's fascinating "Like Father, Like Son."

Conspicuously full of himself, and scornful of the notion of objective truth, the lawyer insists to his colleagues that "you don't need understanding or empathy to defend a client"; reducing the sentence is all that counts, and whatever it takes to do that is the proper strategy. As you might guess, Shigemori becomes what he scorns—empathetic to a fault and a compulsive searcher for some underlying truth about why his client insists on confessing to a crime he may not have committed.

I've admired many of Mr. Kore-eda's films, from "After Life" and "Nobody Knows" through "Still Walking," "I Wish" and "After the

**Masaharu Fukuyama, above, and Yuki Saito and Suzy Hirose, right, in Hirokazu Kore-eda's 'The Third Murder'**

Storm." At the Cannes Film Festival this year he won the top prize, the Palme d'Or, for "Shoplifters," which will open here in the fall. What's remarkable about "The Third Murder" is its density (so many provocative themes bubbling beneath a placid surface); intensity (conversations between lawyer and client, on opposite sides of the glass, are truly spellbinding); cast of intriguing characters (the factory owner's wife and daughter, the lawyer's own daughter, who shocks him by producing tears of ostensible grief on command); shimmering ambiguity (although the climactic scene, if I read it right, carries intimations of clarity); and formal elegance (the CinemaScope format of Miakiya Takimoto's cinematography gives those detention-center conversations an expansive gravity).

"Murder" challenges our belief systems too. It's the work of a contemporary master who arrives at the philosophical by way of the playful, ironic and lyrical.

\* \* \*

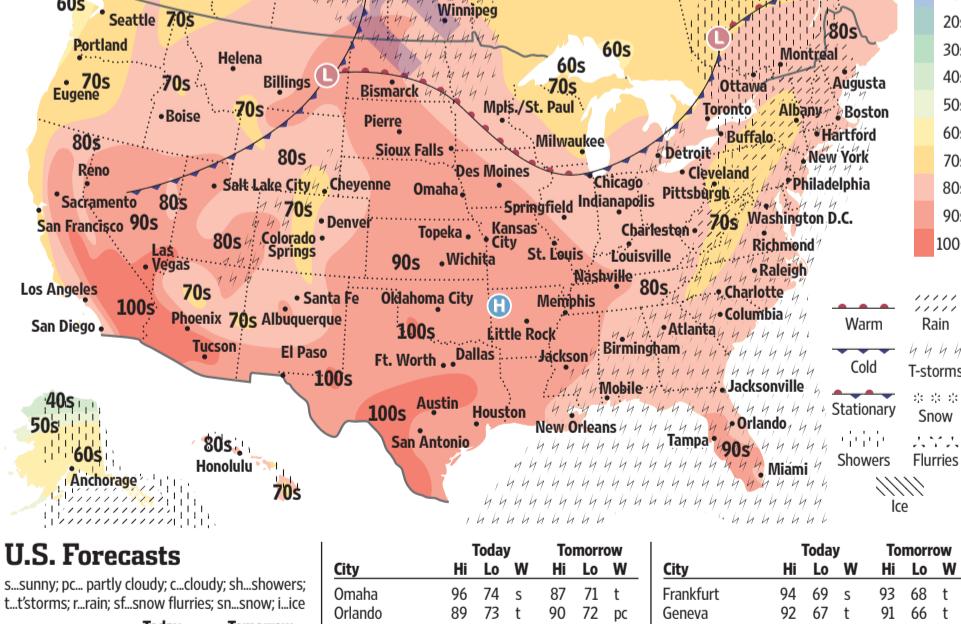
I have a confession of my own to make. Over the years I've written about a wealth of foreign-language films, as well as small but worthy productions in English, without acknowledging that they're getting ever more difficult to track down. That's because of the eroding economic base of independent production and distribution in a period of changing tastes, flourishing TV, streaming video and dwindling numbers of what used to be called art houses. The whole feature-film industry is in decline, but indie woes have been many decades in the making. I still remember a reader's response to my ecstatic review of Mike Leigh's "Topsy Turvy," which had its American opening in 1999. The reader, who lived in Portland, Maine, noted that on the day my review ran he couldn't find the film listed in a city closer to him than Chicago.

At least he knew how to find the listing. Many readers these days have the same question: A given movie may sound interesting, but where can they see it in a theater? In the case of "The Third Murder," a cursory web search won't help. Go to a page provided by its distributor, Film Movement: [filmmovement.com/theatrical/index.asp?MerchandiseID=581](http://filmmovement.com/theatrical/index.asp?MerchandiseID=581).



Part of the narrative plays out in the wintry north of Hokkaido, where Misumi once lived, but it's his personality, not the prospect of snow, that made me think of Robert Frost and "The Secret Sits," the mordant couplet that goes "We dance round in a ring and suppose, / But the Secret sits in the middle and knows." What does Misumi know about himself, or others in his life? All his lawyer knows is that this case, with this cryptic client at its center, is undermining much of what he believes, or wants to believe, about confessions, compassion, judicial efficiency, innate evil and the possibility of doing good. "The Third

### Weather



### U.S. Forecasts

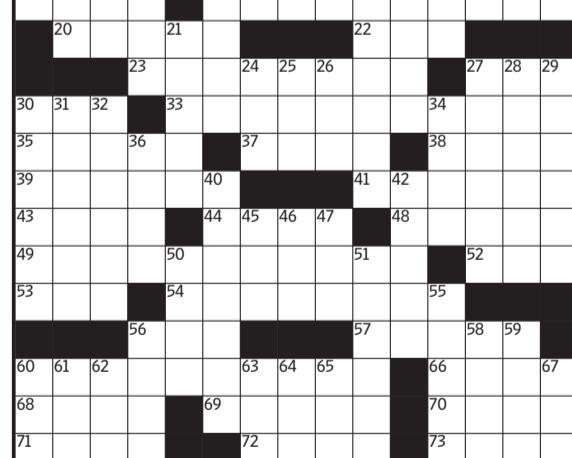
s.sunny; pc...partly cloudy; c.cloudy; sh.showers; sn.snow; l.ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	69	57	c	70	59	pc
Atlanta	82	70	t	87	72	pc
Austin	98	68	s	96	73	pc
Baltimore	83	70	t	88	70	sh
Boise	88	57	s	87	58	t
Boston	88	72	c	83	69	t
Burlington	83	66	pc	86	67	pc
Charlotte	83	70	t	88	71	pc
Chicago	83	67	s	92	74	s
Cleveland	86	68	pc	86	69	s
Dallas	97	72	s	96	75	pc
Denver	83	62	pc	92	63	t
Detroit	86	66	pc	88	68	s
Honolulu	88	78	sh	87	78	c
Houston	94	74	pc	91	75	t
Indianapolis	87	67	pc	90	69	s
Kansas City	94	69	s	92	73	pc
Las Vegas	107	87	s	109	85	s
Little Rock	92	67	s	91	71	pc
Los Angeles	88	70	s	87	69	pc
Miami	89	79	t	89	77	sh
Milwaukee	77	67	s	91	74	s
Minneapolis	87	72	s	82	69	t
Nashville	91	70	pc	93	73	pc
New Orleans	89	76	pc	88	78	sh
New York City	86	72	pc	84	74	sh
Oklahoma City	93	70	s	92	73	pc

### International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	85	62	s	79	59	s
Athens	91	76	pc	89	76	s
Baghdad	110	85	s	111	84	pc
Bangkok	90	80	t	91	79	t
Beijing	98	78	s	97	79	s
Berlin	89	66	s	89	64	pc
Brussels	89	63	s	87	59	s
Buenos Aires	59	41	p	59	39	s
Dubai	104	90	s	104	91	s
Dublin	72	57	c	68	54	pc
Edinburgh	72	52	t	66	50	pc

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



#### SOLVE BY NUMBERS | By Matt Gaffney

- The answer to this week's contest crossword is a word for what seven of the clues are.
- Across**
- 1 Horse place, perhaps
  - 5 "Raiders of the Lost Ark" creatures
  - 9 Hamlet's bigger cousin
  - 13 Buffalo's county
  - 14 Said something
  - 16 Switch finish
  - 17 Summer camp org.
  - 18 Highly agitated
  - 20 Occupied, as a cafe table
  - 22 Chewed nonfood
  - 23 Get bigger and bigger
  - 27 Darya (central Asian river)
  - 30 Rock star of note
  - 33 Some lab work
  - 35 Ballet move that sounds like a cheese dish
  - 37 Come down
  - 38 Reader (quarterly magazine)
  - 39 What a cash-strapped startup may want
  - 41 "Black Swan" director Aronofsky
  - 44 Remote possibility for game day
  - 48 Counties comprise it
  - 49 "ER's in-state rival
  - 52 Back muscle, for short
  - 53 Class for intl. students
  - 54 Shafts on lathes
  - 56 Pot that wasn't good
  - 57 Allowed to buy alcohol, say
  - 60 Minutes man
  - 66 Dim
  - 68 Go the distance
  - 69 Guru

► Email your answer—in the subject line—to [crossovercontest@wsj.com](mailto:crossovercontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, August 5. A solver selected at random will win a WSJ mug. Last week's winner: Brian Borchard, Chicago, IL. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

### PUZZLE CONTEST

- 70 They often fly over the Mediterranean  
71 \_\_\_\_\_ numbers (important parts of a crossword)  
72 Singer James  
73 Forces (through) Down  
1 Affected  
2 Weaponry  
3 Part of a Central American country  
4 Deli counter buys  
5 Actor Kutter  
6 Day \_\_\_\_\_  
7 PBS film series  
8 Participate in the Super G  
9 Squad  
10 Tolkien humanoid  
11 Aim to charm  
12 At the present  
15 May's place  
19 Coast coaster  
21 Or older  
24 Card game for two  
25 Ovine whine  
26 Singer DiFranco  
27 Plane or projection preceder  
28 Secretary of transportation, 2001-06  
29 Early online forum
- 30 Wear away  
31 Oliver and Jay, for two  
32 Thomas Aquinas book about morality  
34 Round house  
36 Family tree member: Abbr.  
40 Thoroughly entertains  
42 "\_\_\_\_\_-Made Man" (Tom Petty song)  
45 Heir, often  
46 Grad student's goal, maybe  
47 Near neighbor of neither  
50 Wild way to run  
51 Where pols want it to play  
55 Less of a risk  
56 Red Rose  
58 Apple variety  
59 Food in wax  
60 Brief pampering  
61 Proverb ending?  
62 Spartans' sch.  
63 She says  
25-Down  
64 Colleague of Vanna  
65 CPR pro  
67 South African driver of note
- Previous Puzzle's Solution
- |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|
| H | A | L | E | R | B | R | A | V | A | D | O |
| I | C | E | F | O | G | R | E | N | A | M | S |
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## LIFE &amp; ARTS

THEATER REVIEW | By Terry Teachout

# Applause Outdoors and for Orphans



Nikki M. James (center) with the community ensemble rotating cast of the Public Theater's new Shakespeare in the Park production of 'Twelfth Night,' above; Elijah Rayman in the title role of 'Oliver!', right

New York

**REJOICE GREATLY!** The Public Theater's delicious new Shakespeare in the Park production of "Twelfth Night," which Kwame Kwei-Armah and Shaina Taub have turned into something closely resembling a Broadway musical, is at least as good as any of the new musicals that have opened in the past decade, and better than all but a handful of them. Indeed, Ms. Taub's tuneful pop-soul score is reminiscent of a big-budget Disney show, only without the soul-shriving slickness of a cold-hearted commodity musical like "Frozen." If you don't go home humming "Count Malvolio,"

you'd better visit your otolaryngologist.

While it wouldn't take much work to develop this "Twelfth Night" into a commercial show, the outdoor version has an unpretentious charm all its own. It got its start two years ago as one of the Public Theater's Public Works productions, in which "civilians" and professionals band together to create what Oskar Eustis, the Public's artistic director, calls "radically inclusive" shows that blur the line between community and fully professional theater. "Twelfth Night" was so well received that Mr. Eustis decided to remount it as a

mainstage Shakespeare in the Park production, complete with a cast that includes both familiar faces like Nikki M. James (who is ideal as Viola) and four dozen not-so-ordinary ordinary New Yorkers who like to sing, act and dance. Don't call them amateurs, though: Some of their performances are slightly rough around the edges, but the fizzy festivity of this heart-lifting production, originally directed by Mr. Kwei-Armah and remounted with panache by Mr. Eustis, more than offsets its occasional lack of polish.

I'd like to go into more detail about the show, a color-

ful modern-dress version that runs for 90 tightly wrought, feather-light minutes, but I can do no more in this space than suggest its limitless pleasures, not the least of which is a fetching performance by Ms. Taub as Feste, who is an accordion-toting street singer. Leave it at this: The Public's "Twelfth Night" is the very essence of what Shakespeare in the Park is all about.

\* \* \*

East Haddam, Conn.

**SPEAKING OF** productions that deserve both a larger audience and a longer life, Goodspeed Musicals' "Oliver!" fills the bill as abundantly as "Twelfth Night."

Lionel Bart's ever-so-English stage version of "Oliver Twist" first came to Broadway in 1963 and ran there for nearly two years, after which Carol Reed turned it into one of the last high-budget movie musicals to whack the box-office gong. But "Oliver!" tanked when it returned to Broadway in 1984, closing after just 17 performances. Since then, professional American revivals have been comparatively scarce, so much so that I'd never seen it performed live until I drove up to Connecticut to take a look at Rob Ruggiero's new production. Mr. Ruggiero has a knack for fitting big musicals onto Goodspeed's tiny stage without breaking off the corners, but "Oliver!" is notable even by his own high standards. It is, in fact, one of the finest things Goodspeed has ever done, making a convincing case for a musical at which many musical-comedy buffs turn up their noses—and one that could be transferred to Broadway almost effortlessly.

If you remember "Oliver!" as being cheery to a fault, you're not far wrong: Mr. Bart's galloping music-hall ditties and pretty-pretty ballads rarely do much more than nod toward the darkness of Dickens's novel. But Mr. Ruggiero and Michael Schweikardt, his scenic designer, have set "Oliver!" in a two-tiered dungeon that hints at inconceivable horrors carefully hidden from public view, and even though their production is true to the musical's audience-friendly tone, it doesn't

shrink from showing what needs to be shown. At a moment when child abuse is all over the front pages, nothing could be more to the point.

Elijah Rayman is totally unselfconscious as Oliver, playing to his fellow cast members instead of working the crowd for cheers and tears. Donald Corren's Fagin is a roguish scene-stealer, shunning gross grotesquerie without succumbing to blandness. (You'd never guess from his genial performance that Charles Dickens's original character was and is widely seen as an anti-Semitic caricature.) The other kids are all terrific, and Michael O'Flaherty, the music director, ensures that each number

is sung and played to maximum effect. Fine costumes by Alejo Vietti, lively choreography by James Gray, atmospheric lighting

by John Lasiter. If you've never been to Goodspeed, now's the time to get your card punched.

**Twelfth Night**

Public Theater, Delacorte Theater, Central Park (free), 212-539-8750, closes Aug. 19

**Oliver!**

Goodspeed Musicals, Goodspeed Opera House, 6 Main St., East Haddam, Conn. (\$29 and up, depending on availability), 860-873-8668, extended through Sept. 13

*Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at [tteachout@wsj.com](mailto:tteachout@wsj.com)*

## TELEVISION REVIEW

## DADDY-DAUGHTER DEBACLE



Kristen Bell, Seth Rogen and Kelsey Grammer in Lauren Miller Rogen's 'Like Father'

BY JOHN ANDERSON

**NEO-SCREWBALL** isn't an official movie genre, exactly, but that's what writer-director Lauren Miller Rogen is up to with the frothy, seagoing "Like Father." To call it a boatload of clichés wouldn't be wrong. But it's also true that many great Depression-era comedies and their myriad offspring share plot devices, similarly dysfunctional relationships and even scenes—the runaway bride chasing a taxi in her wedding gown, for instance. A tweak here, an update there. What you have is what Howard Hawks and Leo McCarey often did, i.e. creative recycling.

In "Like Father," for instance, the one doing the jilting is actually the groom.

At her movie-perfect Central Park wedding, bride-to-be Rachel (Kristen Bell)—hopeless workaholic and the second-in-command at a boutique Manhattan ad agency—misses her cue to walk down the aisle. Why? Because she's still on her phone, arranging a pitch for a potato-chip account. ("They aren't just a snack," she tells the hippie chip

makers. "They're an act of love.") Rachel is smart and driven. And her hands are probably sweaty, because she drops her cellphone right at the altar. Mr. Right responds by saying, in effect, "I don't." It's clear they've had the whole conversation before.

Adding to Rachel's moment of Sacha Baron Cohen-level humiliation is the presence of her father, Harry

A woman embarks on a cruise with the father she hasn't seen in 25 years

(Kelsey Grammer), whom she hasn't seen in 25 years, and who has made the journey from California to New York and witnessed the entire thing. The begowned Rachel flees, getting into a cab as Harry watches from his car. In keeping with the scrubbed and shiny unreality of the entire project, he has found a parking space on Central Park West.

"Like Father" does what a lot of its comedic ancestors

did, which is find humor on the perimeter of woeful circumstance. There's nothing funny about a father having been MIA for 25 years, or a woman's devotion to work sabotaging her happiness. Or, for that matter, a genetic predisposition for alcoholism, which Harry and Rachel display during an epic, post-nuptial drunk. ("I'm going to need three more like this right away, please," Harry tells their bartender upon learning Rachel is three Manhattans ahead of him.) In their ensuing stupor, from which the viewer is mercifully protected, they agree to go to sea together on what was supposed to be Rachel's honeymoon cruise, coming to their senses in the middle of the ocean with regrets, and hangovers, the size of the Titanic.

Luckily, there are jokes, like little lifeboats, floating all around, rescuing "Like Father" from anything resembling gravity. Rachel, initially disgusted that she's gotten herself into this position and dying to get back to work, becomes a foil for the real honeymoon couples, who, when they get wind of Rachel's story, try to break her out of her old habits; she even thaws out enough to have a shipboard fling with an affable Canadian (Seth Rogen, the director's husband).

Harry, made perfectly charming by Mr. Grammer, is guilt-ridden and wounded. ("You never Googled me?" he asks plaintively, when Rachel says, no, she never wondered where he'd gone. He's extremely likable though, as is Rachel...eventually. The explanation for their estrangement is made plausible, if not entirely forgivable. But forgiveness, of course, is the point on the horizon for which "Like Father" is sailing, from the moment it embarks from Central Park West.

**Like Father**  
Friday, Netflix

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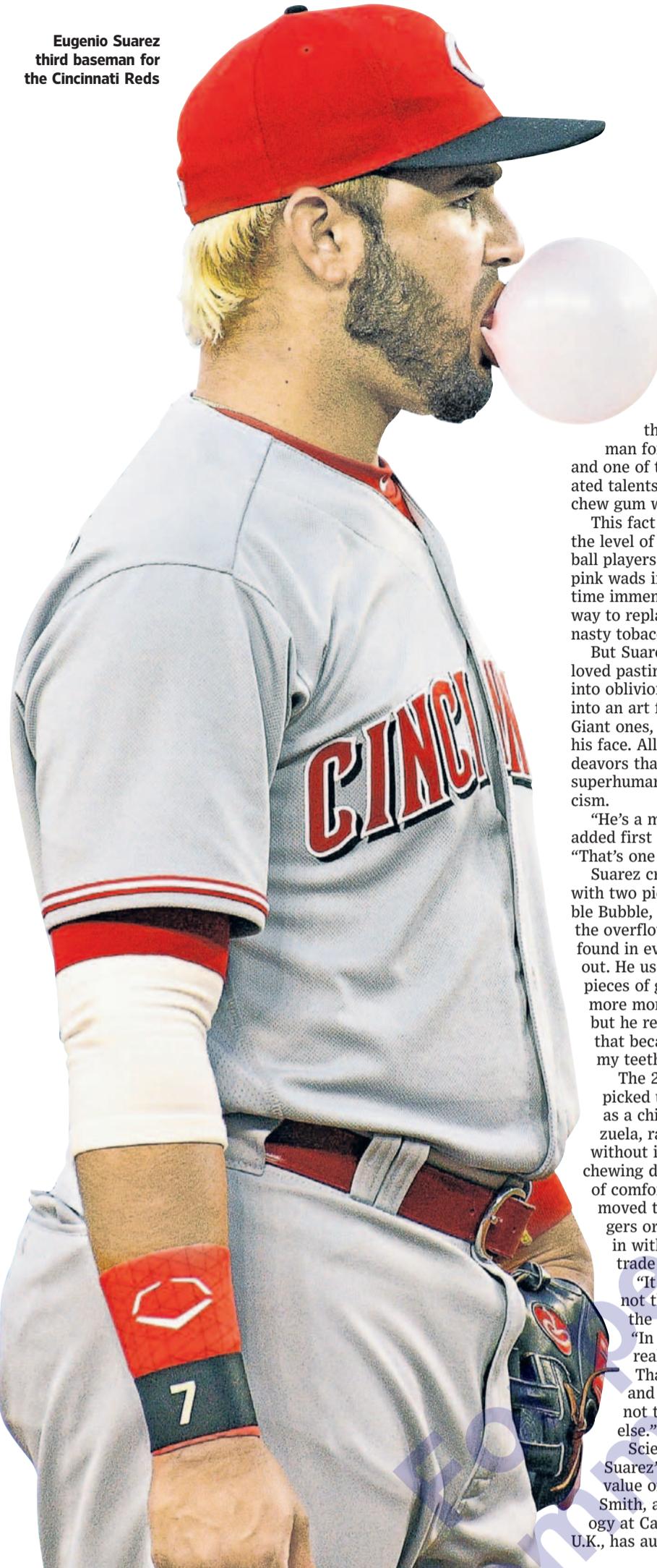


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## SPORTS

Eugenio Suarez  
third baseman for  
the Cincinnati Reds



BRIAN ROTHMULLER/ICON SMI/ZUMA PRESS

MLB | By Jared Diamond

# Suarez Can Run And Chew Gum

The Reds' All-Star third baseman, who has emerged as a legitimate star, is well known for his giant bubble gum bubbles

**EUGENIO SUAREZ,**

the All-Star third base-  
man for the Cincinnati Reds  
and one of the most underappre-  
ciated talents in the game, likes to  
chew gum while on the field.

This fact alone doesn't rise to  
the level of newsworthiness. Base-  
ball players have shoved sticky  
pink wads into their mouths for  
time immemorial, particularly as a  
way to replace—or cover up—their  
nasty tobacco habits.

But Suarez has taken the be-  
loved pastime of chomping gum  
into oblivion and transformed it  
into an art form. He blows bubbles.  
Giant ones, sometimes the size of  
his face. All while engaging in en-  
deavors that ostensibly require a  
superhuman amount of athleti-  
cism.

"He's a man of many talents,"  
added first baseman Joey Votto.  
"That's one of them."

Suarez creates his masterpieces  
with two pieces of sugar-free Dub-  
ble Bubble, which he snags from  
the overflowing buckets that are  
found in every major-league dug-  
out. He used to chew three to five  
pieces of gum at a time for even  
more monumental bubbleage,  
but he recently stopped with  
that because, he said, "It hurt  
my teeth."

The 27-year-old Suarez  
picked up his gum obsession  
as a child growing up in Vene-  
zuela, rarely playing baseball  
without it. Over time, the gum-  
chewing developed into a source  
of comfort, calming him as he  
moved through the Detroit Ti-  
gers organization and settled  
in with the Reds following a  
trade before the 2015 season.

"It makes me relax and  
not think too much about  
the pressure," Suarez said.  
"In the big leagues, you've  
really got a lot of pressure.  
That makes me relax a lot  
and keep my mind free and  
not think about anything  
else."

Science tends to back up  
Suarez's feelings about the  
value of chewing gum. Andrew  
Smith, a professor of psychol-  
ogy at Cardiff University in the  
U.K., has authored several studies

examining the role of gum-chewing  
on performance.

One paper that appeared in the  
journal Stress and Health in 2009  
concluded that chewing gum "was  
associated with greater alertness  
and a more positive mood," as well  
as quicker reaction times and im-  
proved attention. He wrote another  
in 2015 with collaborator Andrew  
Allen that said that gum "was as-  
sociated with higher productivity  
and fewer cognitive problems."

"As far as him saying things like  
it helps him relax, that would be  
consistent," said Allen, a postdoc-  
toral researcher at Maynooth Uni-  
versity in Ireland.

None of that explains the bubs.  
Plenty of players chew gum  
because it allows them to focus on  
the task at hand in difficult situa-  
tions. Few of them complete those

"It makes me relax and  
not think too much  
about the pressure,"

Suarez said.

tasks with an enormous bubble  
hanging from their lips. Suarez  
blows bubbles while fielding  
grounders in the infield, while  
standing at home plate, even while  
sprinting around the bases. Reds  
second baseman Scooter Gennett  
even remembers Suarez blowing a  
gigantic bubble while caught in a  
rundown.

Giant bubbles might be fun to  
blow and look impressive—but  
they're also kind of gross when  
they inevitably explode all over  
your face. Hence, when kids reach  
the point in their lives when  
they're disgusted by the idea of  
picking gum out of every pore and  
crevice, they tend to stop blowing  
unreasonably large bubbles.

"I've blown a bubble to where it  
popped around my whole head and  
got stuck in my hair," Gennett said.  
"After that I was kind of retired."

Suarez chose another path. In-  
stead of stopping, he simply de-  
cided to master the ever-important  
skill of removing gum from his

face. That way, he figured, he could  
continue blowing bubbles without  
fear of embarrassment.

"What's amazing is that I've  
seen it pop on him a few times,  
and he's got the perfect peel," Gen-  
nett said. "He just peels it off, and  
there's nothing left on him. That's  
impressive. That's hard to do. It  
gets overlooked."

Nobody can argue with the re-  
sults at this point. Suarez has  
emerged as a legitimate star in the  
first season of a seven-year, \$66  
million extension he signed with  
the Reds in March. He entered  
Thursday ranking third in the Na-  
tional League in on-base-plus-slug-  
ging percentage (.957) and second  
in RBIs (81), to go along with his  
.300 batting average and 24 home  
runs.

Suarez says the key to blowing  
such prodigious bubbles is "hold-  
ing a lot of air in my mouth" and  
flattening the gum with his tongue  
before puffing. He also thinks his  
gum of choice, sugar free Double  
Bubble, plays a role as well, since  
he believes that the sugar in  
the regular Double Bubble hinders  
bubble production.

He's not entirely wrong—but  
he's not entirely right, either.

Chad Fell is 49 years old. He  
works as a senior reporter for the  
Northwest Alabamian, a weekly  
newspaper that serves Haleyville,  
Ala., a city with a population of  
about 4,000. He also happens to be  
the best bubble gum blower in hu-  
man history.

In 2004, Fell blew a bubble  
without using his hands that mea-  
sured at 50.8 centimeters in dia-  
meter, or 20 inches, a Guinness World  
Record that stands to this day. He  
blew his record-setting bubble  
with three pieces—the maximum  
allowed by Guinness—of regular,  
not sugar free, Double Bubble.

Fell, a baseball fan who roots for  
the Atlanta Braves, said that Su-  
arez is correct that sugar hurts  
bubble-blowing.

"The sugar is the enemy of the  
gum," Fell said.

But, he said, sugar free "is not  
structured to blow large bubbles"  
and has less elasticity because of  
the artificial sweeteners used in  
place of the sugar.

COLLEGE FOOTBALL | By Jason Gay

## Meyer and the God Complex in College Sports



Urban Meyer is sus-  
pended from Ohio  
State. Yes: the univer-  
sity says it has placed  
its head football coach  
on "paid administra-  
tive leave," and surely there are  
crucial bureaucratic differences be-  
tween we're putting you on leave  
and we're suspending you from  
work, but let's not argue the  
impact. Meyer—one of the most cele-  
brated coaches in college sports—is officially, stunningly, on ice.

The issue is whether or not Meyer protected an assistant coach, Zach Smith, after domestic violence allegations were made against Smith. Meyer dismissed Smith last month after Smith's ex-wife, Courtney Smith, obtained an order of protection against the former Buckeyes assistant coach. In the aftermath of the firing, Meyer admitted he'd known of a prior domestic violence allegation involving Smith and his former spouse from 2009, when Smith worked for Meyer at the University of Florida, but he said he'd been unaware of later allegations against Smith from 2015.

Now Meyer's account is under scrutiny. Former ESPN college football reporter Brett McMurphy reported Wednesday on a series of alleged texts and photos dating back to 2015 between Courtney Smith and Meyer's spouse, Shelley, that detailed an alleged episode of violence. These new allegations—plus an interview of Courtney Smith by the digital sports outlet Stadium—challenge Meyer's claim that he did not know about any of the 2015 allegations. It also raises the question as to whether Meyer failed to appropriately respond and report the case to school officials.

It's now on Ohio State to deter-

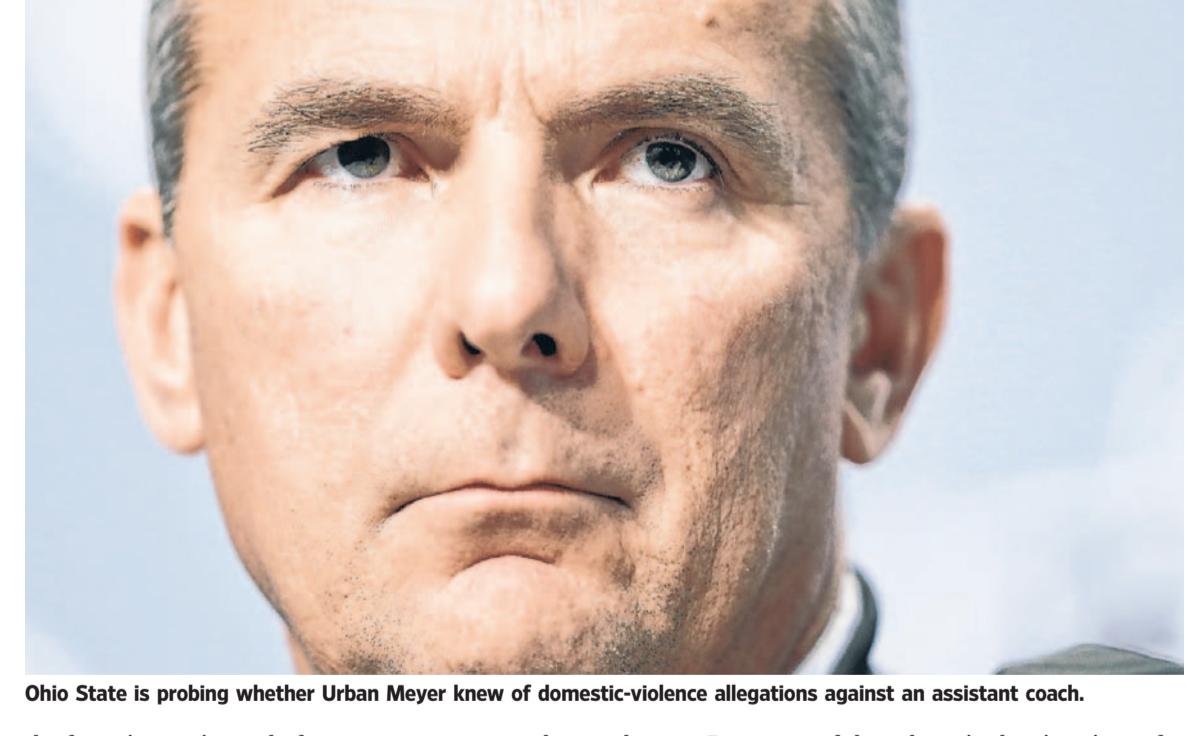
mine whether Meyer appropriately handled the matter, or knew about it at all. By Wednesday evening, at least one betting house was tackily predicting he'd be fired. Assistant Ryan Day will handle coaching duties in the meantime.

There's a lot that needs to be sorted out here, and Meyer has yet to be heard from, other than a statement saying he looked forward "to the resolution of this matter." But whatever happens, this case is yet another reminder of a continued cultural blind spot: we spend far too much time deifying college sports coaches.

Meyer's spent a generation being presented as a towering figure in modern college football, practically a living statue. For years, both the media and the college football ecosystem have lionized his intensity, his work ethic, his meticulousness, his devotion...I could go on. Meyer is an undoubtedly success on the field—he's brought national championships to both Ohio State and the University of Florida—but the characterization is almost mythological. Moments of personal vulnerability—a heart attack while at Florida—are presented as rare human aberrations, like slivers of Kryptonite.

This is not just the story of Urban Meyer. This has been happening forever in big-time college sports. Some of it is structural—players come and go, but the coaches remain, the most victorious of them staying for decades. These living statues become a permanent part of campus, a flesh-and-blood version of a vine-covered library.

Millions get made. Administrators bow. Alumni get nostalgic. Media partners develop pets, entangled with their subject, selling



Ohio State is probing whether Urban Meyer knew of domestic-violence allegations against an assistant coach.

the fuzzy image, instead of pre-  
senting college sports for what it  
is in 2018: another cutthroat busi-  
ness, where the bottom line is the  
bottom line.

Think of how often you've  
watched a college football or bas-  
ketball game and heard the an-  
nouncers rhapsodize about the  
coach as a virtual God. It's absurd,  
a ludicrous standard.

It's also fraught. Over time, the  
powerful college coach may evolve  
into his or her own self-policing  
nation state. They become hard to  
discipline, much less fire. It's an  
attractive status for a coach to as-  
pire to, but in the end, it's a disas-  
ter for everyone. We've seen it  
again and again—a literal statue

went up and came down at Penn  
State—and we may see another  
falling to earth in Columbus. Did  
another college program believe it  
knew best?

There are allegations in Court-  
ney Smith's account—her claims in  
her Stadium interview that her  
abuse was met with inaction by  
people close to her—that are truly  
heartbreaking. But they're pain-  
fully familiar. Domestic violence is  
an epidemic, and yet silence is too  
often the response. It's not hard to  
see the conflict between a serious  
allegation and a workplace incen-  
tivized to protect itself. That's not  
merely a college football thing.  
That's everywhere.

The good news is that the rest

of the culture is showing signs of  
accelerating past the slow-crawling  
sports world. I don't want to give  
us too much credit for evolving—  
as the past year has shown, in case  
after case, from the allegations  
against Harvey Weinstein to the  
conviction of Larry Nassar, this re-  
mains a culture sadly conditioned  
to doubt or diminish women on  
matters of abuse and violence. But  
there's a growing recognition that  
allegations need to be treated seri-  
ously, with urgency, by leaders  
prepared to act.

That's it. That's the human stan-  
dard that college sports—and ev-  
eryone else—needs to live up to.  
Meanwhile, let's stop building stat-  
ues.

## OPINION

## Failure to Communicate



POTOMAC WATCH  
By Kimberley A. Strassel

If a tree falls in a noisy circus, does it make a sound? If the Trump administration announces its largest deregulatory effort to date while the president is in the throes of a Twitter rampage, will anybody pay attention?

No, and thereon may hang the balance of Republican congressional control. It's never clear where Donald Trump gets political advice, if he does at all. What is clear is that this White House is doing an able job of whiffing one of the best political messages in decades, a reality that is demoralizing administration insiders and GOP candidates alike.

The following are just a few pieces of news out of Washington, all of which hold enormous promise for Americans. The Environmental Protection Agency and Transportation Department released a plan—announced on the website of these pages—to ax the Obama administration's car-emissions standards, saving consumers \$500 billion. Dollarwise, it may be the biggest deregulation ever.

The Treasury has recommended rescinding the "payday lending" rule, which threatened to cut off the poorest Americans from viable credit. The Interior Department proposed the first real reforms to the Endangered Species Act in decades, offering hope to tens of

thousands of landowners. The National Labor Relations Board is revisiting a 2014 decision that allowed unions to poach employer email systems, part of the board's plan to review any case that overruled precedent in the name of Obama union backers. The Internal Revenue Service lifted a political threat to nonprofits by allowing them to shield the names of their donors.

The Department of Health and Human Services finalized its rule allowing more non-ObamaCare insurance options to millions of Americans. The Senate sent a \$717 billion defense authorization bill to the White House, increasing active-duty strength and providing troops their largest pay raise in nine years. The Senate also confirmed the 24th Trump circuit-court judge.

The Labor Department released new numbers showing worker compensation increased 2.8% year over year, the fastest pace in a decade. Average home values are rising at twice that pace. Unemployment hit record lows. Second-quarter economic growth came in at 4.1%.

If all this sounds wonderful, it is, though many Americans have heard little about it. The headlines? Mr. Trump publicly lecturing his attorney general. Mr. Trump hashing Charles Koch. More about Russian collusion, provoked by the president's call for the firing of special counsel Robert Mueller. China tariffs. Border strife. Michael Cohen. Paul Manafort.

Yes, the mainstream media relentlessly drives anti-Trump stories. But what's new? Republicans have long known they don't get a fair hearing from the press, which is why they shifted to talk radio and other alternative media. Mr. Trump understands that better than most—thus his heavy use of Twitter, live rallies and press conferences.

### Trump has a solid record, but he's too busy making noise to tout it.

It's the content that is mystifying. To hold the House and increase their Senate majority, Republicans must do two things: get out their base and bring along the center. The president, with an unrivaled bully pulpit, has instituted policies that provide him a near-perfect message for those tasks. He can rally supporters by banging home his promises kept and warning that only their vote this fall will allow him to continue his mission. And he can court the undecided with constant reminders of their new prosperity and freedom, and a vow that this is only the beginning.

The president is certainly focused on his base, though with an eye to whipping them up with rallies focused primarily on the polarizing issues of trade and immigration. His tweets revolve around the

same issues—those and Mr. Mueller—and are often defensive or whiny.

This House midterm will hinge on marginal districts—suburban or exurban areas where Hillary Clinton outpolled Mr. Trump or came close. Those races in turn will hinge on centrist voters. If Mr. Trump makes those centrists believe this election is about family separation, Republicans lose. If he refocuses it on voters' newly thriving prospects, Republicans have a shot.

That aforementioned list of accomplishments is only from the past few weeks. One remarkable aspect of the Trump administration is its productivity. The cabinet set a pace of reform in its openings weeks that has never lagged. If Mr. Trump isn't going to spend every day embracing, elevating and making this product of his own presidency the dominant discussion, then no one will. The press isn't going to do it. Democrats sure aren't. And no other Republican has that megaphone.

Some will doubt whether Mr. Trump's unconventional style even allows him to deliver such a message. But meditating in his farewell address on his nickname, the Great Communicator, Ronald Reagan said: "I never thought it was my style or the words I used that made a difference: It was the content." The content—the results—of this administration is right there, waiting for the president to communicate.

*Write to kim@wsj.com.*

BOOKSHELF | By Peter Hellman

## Uncorking The World

## Tasting the Past

By Kevin Begos  
(Algonquin, 277 pages, \$26.95)

**A**t a certain moment, a glass of wine can lead the sipping down an unplanned path. Journalist Kevin Begos's fateful sip took place in 2008 in a nondescript hotel in Amman, Jordan, where he was on a reporting assignment. "Finding good wine in a hotel room is a tantalizing concept, but I had a rule: never buy the stuff," he writes in "Tasting the Past," a lively and instructive recounting of his wanderings to the curious corners of the wine world.

Bored, tired and unable to understand the Arabic spoken on television that evening in Amman, Mr. Begos broke his mini-fridge rule. The bottle he opened was labeled "Cremisan Cellars, Holy Land—Bethlehem." He took one sip and was hooked: "Wow, I perked up immediately," he writes. "The dry red wine had a spicy flavor," like wines made from the Syrah grape, "but not quite." Compared with the Cabernet Sauvignon, Merlot and Chardonnay that increasingly seemed to him like the same old, same old, this wine was "pleasingly different," and he imagined that it might be fun one day to visit the winery.

Back stateside, Mr. Begos found nowhere to buy Cremisan wines. His email queries to the winery went unanswered. From its "rudimentary" website, he learned that Cremisan was a Christian monastery and that the winemaker, an Italian monk, used local grapes that Mr. Begos had never heard of: "red Baladi, white Jandali, and Hamdani." Paging through the Oxford Companion to Wine in 2011, he found no mention of Cremisan or those mysterious grapes. Nor did he have any luck a year later when "Wine Grapes," a huge compendium of 1,368 grape varieties, was published. Surely the trio of Cremisan grapes would be included. But they were not.

Though the memory of his hotel-room wine "lingered like the refrain of an old pop song," it would be seven years since that tasting before Mr. Begos finally made the journey to Cremisan, one of the trips recounted in "Tasting the Past." Amid his travels, Mr. Begos interviewed an eclectic array of winemakers and vinous researchers. He visited wine venues near and far, sampling many an obscure wine, and even a few well-known ones, at their source. His double purpose was to track down the ancestral grapes of our modern wine and to sample all the off-the-radar wines that he could find.

A bounty of books relate the history of wine. For erudition allied to filigreed prose style, I turn to Hugh Johnson's "Vintage: The Story of Wine" (1989). Geekier, but plump with vinous esoterica, is "A Natural History of Wine" (2015) by Ian Tattersall and Roh DeSalle. For passion, nothing beats Alice Feiring's "For the Love of Wine" (2016). Mr. Begos's welcome distinction is to come at the subject as a curious journalist who makes no claim to being a wine savant. We experience his discoveries on the wine side roads as freshly as he does. The end game of his travels is to encourage wine drinkers to step beyond their tried and true pours to seek out unheralded but worthy wines to drink on and think on. Wine, after all, ought not always to be a habit but sometimes an adventure.

**A journalist searches for the ancestral grapes of our modern wine—and tries to sample all the off-the-radar pours he can find.**

One of the far places to which Mr. Begos's adventures take him is the Alaverdi Monastery in Georgia, not too far from Tbilisi, the country's capital. Georgia is thought to be a core breeding ground of our domestic wine grapes. For millennia, Georgian wines have been vinified in large clay jars called *qvevri* buried in the earth. Mr. Begos ascended the Caucasus Mountains to learn about these *qvevri*-vinified wines at Alaverdi. Its winemaking traditions were once subverted, he writes, by the Soviets, whose goal was to maximize the production of industrial wines. Now the old ways are being revived. The wines are slowly vinified in *qvevri* from a melange of grape varieties unfamiliar to Western viticulture, even if they are progenitors. "I can compare our winemaking to a family with many children," a brown-bearded monk tells Mr. Begos. "The children look like each other, but each of them has their own individual character."

Mr. Begos also prowls Italy, which he writes "has done more to identify, protect, and promote local grapes than any other country in the world"—400 varieties compared with 90 in Spain. In Sicily, he visits Arianna Occhipinti, a darling of the "natural" wine movement, who uses local grapes and, despite hot and dry summers, refuses to plump them up by irrigating her vines. Heading north to Milan, Mr. Begos shows a knack for ferreting out surprises. Who knew, for example, that Leonardo da Vinci owned a walled vineyard across the street from the Santa Maria delle Grazie church, where he painted "The Last Supper." Mr. Begos chats up a local grape scientist who tells him that DNA analysis of plant remnants dug out of the vineyard points to Malvasia di Candia Aromatica, still a widely planted Italian white-wine variety.

When Mr. Begos finally wended through the Jerusalem hills to Cremisan, it was a bit of a let-down. The red wine he tasted brought back none of the memories of the hotel-room wine that had seduced him seven years before. Monks no longer made the wine. Under a young Palestinian winemaker who had studied in Italy for three years, the facility's new wines had traded up to clean-cut modernity. Gone was the unique flavor that Mr. Begos remembered. "The red was a decent dry wine, but unremarkable, with none of the spiciness and depth that had first attracted me," he writes. Or maybe that character was solely a product of his mind-set in an hour of boredom. When mood and venue change, so can wine.

*Mr. Hellman is the author of "In Vino Duplicatas: The Rise and Fall of a Wine Forger Extraordinaire."*

## Coming in BOOKS this weekend

The quest to create an artificial heart • Joseph Epstein on honor • Merchants and money in Old London • The literary life of Teddy Roosevelt • Our quantum reality • Sam Sacks on the best new fiction • & much more

## The Concentration Camp Choir

HOUSES OF WORSHIP  
By Bryony Clarke

In the summer of 1944 a delegation of Nazi officials, including Adolf

Eichmann, hosted representatives from the International Red Cross at Terezin concentration camp. The visit had been meticulously planned: gardens planted, barracks renovated, streets cleared. Thousands of prisoners were deported eastward to reduce overcrowding. The elaborately staged tour, held on June 23, culminated with a performance by Terezin's inmate choir. Conductor Rafael Schächter chose to perform Giuseppe Verdi's "Requiem."

"When the music stopped, the Nazis sat there in silence," recalls Zdenka Fantlova, 96, a survivor of Terezin. "Then Eichmann murmured, 'Interesting, very interesting.' Following his cue, nervous applause trickled through the hall. Ms. Fantlova adds, "The Nazis thought, why would Jews perform a Christian prayer for the dead? But Schächter had his reasons."

Verdi's nearly 90-minute masterpiece features a fearsome evocation of fire and fury, promises of posthumous punishment, and dire warnings of God's wrath. While other settings of the Latin text omit the unsettling sequences and emphasize only eternal rest and serenity, Verdi accentuates the themes of judgment, justice and vengeance.

The apocalyptic hymn "Dies Irae" is repeated throughout. "Therefore when the Judge takes his seat, whatever is hidden will be revealed: Nothing shall remain unavenged."

"Rafael said we would sing to the Nazis what we couldn't say to them," says Marianka May, 95, a Terezin survivor who sang in Schächter's choir. "The Latin words remind them that there is a judge, and one day they will answer to that judge."

Terezin was a ghetto and transit camp in German-occupied Czechoslovakia. It usually housed around 60,000 inmates, most of whom would in time be deported to extermination camps such as Treblinka and Auschwitz. Terezin became a hub for the Jewish intellectual elite—titans in politics, music and academia. A vibrant cultural scene flourished amid the desperation, with lectures, concerts and plays performed within the barracks.

In the spring of 1943, Schächter, a Czech conductor who led the camp's choir, decided to teach his singers Verdi's "Requiem." Ms. May says, "At one rehearsal, Schächter made an announcement. He said, 'I have a dream to put on some very special music by Verdi, that has never been sung in such a place as this before.'

It was no easy task, and the choir faced many challenges. A transport to Auschwitz in September 1943 wiped out nearly

all 150 members. Schächter had to start from scratch with new singers. Music was learned by rote from a single score sheet, smuggled in by Schächter. They had only a piano for accompaniment. After long days of hard labor, beset with exhaustion and malnutrition, singers had to grapple with one of Verdi's most demanding compositions.

### Its performance of Giuseppe Verdi's 'Requiem' left Nazi officials speechless.

Murry Sidlin, a professor of conducting at the Catholic University of America, says he was in disbelief when he discovered what Schächter had done. "I have conducted the 'Requiem' all over the world. There are passages that are treacherously difficult. It is enough of an achievement even in optimum conditions—where the singers are experienced, well-rested and healthy. The 'Requiem' demands all your concentration and energy. To come to rehearsals after a cup of gruel and a day of slave labor—I don't know how they did it."

Ms. May's answer: "Being in the choir gave us the wonderful ability to think about the next rehearsal, the next performance—it reminded us we come from a normal world.

It was soul-saving. I survived the war and I still have a soul."

They gave 16 performances between September 1943 and June 1944. On Oct. 17, 1944, a transport took almost the entire choir, and its conductor, to Auschwitz. Ms. Fantlova sat opposite Schächter on the way to the camp. "There were about 130 of us locked in the same truck," she says. "The doors were bolted, there was no air. The journey took three days, and no one knew where we were going."

She recalls Schächter pulling in a tin of sardines from his sock and asking her to mix it up. "This will be my last supper," he told her. "I thought he was being a bit of a pessimist," says Ms. Fantlova. "After all, we didn't know what was going to happen—it might not be so bad."

Schächter perished on a death march in the spring of 1945—only one month before the liberation of Czechoslovakia. Of the more than 150,000 Jews sent to Terezin, only about 17,000 survived the war.

For the choir of Terezin, singing the "Requiem" was an act of moral resistance. The condemned sang in defiance of their captors and the fate that awaited them. "We rehearsed without sufficient food, clothing or sleep," says Ms. May. "But those in the choir had a reason to stay alive."

*Ms. Clarke is a copy editor at the Guardian.*

## The Lost Art of the Apology Letter

By Paula Marantz Cohen

**D**ear Mr. and Mrs. Di Gioia," the letter begins. "We received a phone call from Sachs Dress Shop in New Haven today inquiring about the 'duns' we mailed to you. We immediately investigated the matter, and found, to our extreme chagrin, that \$2 payment which you had made was mis-posted on our records to some one else's account. This explanation is not intended as an excuse, for there can be no excuse for such errors, even though they do occur due to the tens of thousands of accounts which we handle."

I was given a copy of this letter, dated April 10, 1957, by my friend Rosemary, who found it among her late parents' belongings. Rosemary and I often discuss what she calls the "disappearance of civility," the growing tendency toward thoughtless or rude behavior. Even seemingly well-brought-up people these days

fail to write thank-you notes (or even emails) in response to gifts. They neglect to RSVP to invitations to parties (or even weddings). They act nasty online (or even in person) toward people who happen to disagree.

### Common courtesy is no longer common, but old-fashioned.

America's approach to etiquette has always been more freewheeling than Europe's. We never used the kinds of long-winded signoffs still customary in France: *Recevez, cher Monsieur/cher Madame, l'expression de mes sentiments distingués.* (*Receive, dear Sir/Madam, the expression of my best regards.*) We never engaged in the kind of elaborate social rituals familiar from Jane Austen's novels. Yet a reason Austen remains popular is that she portrays a mannerly

world, one that seems kinder and gentler—if not more virtuous—than our own.

Still, for all America's laxness of protocol, certain rules have, until recently, been almost universally understood:

Write a condolence note after a death. Don't call people by their first names unless you know them well. Apologize for mistakes. Unfortunately, these basic formalities are no longer instinctual. The apology, in particular, has disappeared.

The computerized nature of modern business has eroded human contact, and in a litigious culture an apology can be construed as an admission of guilt.

The novelty of that old letter to the DiGioias is that it is courteous, responsible and personally contrite, all at the same time. It immediately acknowledges blame for the mistake. It then continues:

"Furthermore, upon examining your account and related records, we realize that if, out of the tens of thousands we

have, we had to choose the one hundred best accounts, your account would assuredly be one of the hundred. And yet, it was in your account that the error had to occur! Isn't that typical of our hectic, atomic age?"

The wording seems old-fashioned not so much because it invokes "our hectic, atomic age" but because it shows a genuine interest in the people behind the payment. The writer, who happens to be president of the company, has made the effort to review the DiGioias' records and express his respect and gratitude for their business, in the best words he can muster. Could an apology be phrased with more sincerity and charm?

I keep a copy of this letter in my wallet to lift my spirits

in the face of a rude world—and to remind me how to say my own apologies, when the occasion inevitably arises.

*Ms. Cohen is a dean and English professor at Drexel University.*

## OPINION

## REVIEW &amp; OUTLOOK

## New York's Charter Mugging

**M**ess with a politically connected union, and you'll be driven out of New York. That's the message the Cuomo Administration sent to businesses last Friday as the Public Service Commission revoked its approval of Charter Communications' merger agreement with Time Warner Cable. The official narrative is that the telecom company is failing to live up to its merger obligations, but in reality this is political retribution.

The story began after the 2016 merger, as Charter negotiated a new collective-bargaining agreement with the International Brotherhood of Electrical Workers Local 3, which represents about 1,700 cable technicians. Charter, which does business in New York under the trade name Spectrum, offered union workers an average raise of 22%, effective immediately.

The company also wanted to replace its defined-benefit pension with the same 401(k)-style retirement benefits that its other 94,000 employees nationwide receive. Local 3 rejected the offer and went on strike on March 28, 2017, two days before its contract expired. Charter has hired non-Local 3 members to replace the strikers, who are still picketing.

Charter says the union has since engaged in intimidation and vandalism. Last September a union picketer "violently shook" a 28-foot ladder where a Charter subcontractor was working "in an effort to cause the worker on the ladder to fall to his death or serious injury," the company claimed in a lawsuit against Local 3. In an affidavit, Charter technical operations supervisor Anthony Rodriguez described how union picketers showed up at a job site last September and shouted at nonstriking workers, "I'm going to kill your family the same way you're killing mine."

Charter said its coaxial and fiber-optic cables have been intentionally damaged more than 125 times, cutting off TV, internet and phone service for tens of thousands of customers. "The saboteurs clearly knew the optimal locations where they could cut cable lines to multiple customers without being harmed or observed," Charter said.

The Queens district attorney charged one Local 3 member with criminal mischief for allegedly cutting cables that knocked out service for 38,000 Spectrum customers. Local 3 did not respond to our repeated inquiries, but it said in court it issued a notice instructing members to engage in "peaceful and lawful picketing."

The New York Supreme Court dismissed Charter's tort claim against the union in March. Justice Kathryn Freed wrote that "to properly plead this claim, Charter was required to allege that each and every member of Local 3 authorized or ratified the allegedly unlawful conduct claimed." Charter is appealing, but in practice the ruling means the union

can continue its thuggish tactics.

Local 3-affiliated PACs have given some \$200,000 in campaign donations statewide since Jan. 1, 2017, including at least \$23,000 to support Andrew Cuomo. Last September Mr. Cuomo participated in a Local 3 rally, addressing the workers on strike. He referred to Charter's merger and its requirement that Spectrum expand coverage to rural and underserved parts of the state. "If they don't get their act together and fulfill that agreement, they're going to be out of the State of New York," Mr. Cuomo told Local 3 members. "I want Charter to understand that."

Charter says it met its most recent expansion quota. But lo, New York's Public Service Commission claims that more than 18,000 of the new properties don't count, in part because some addresses are in New York City. And last Friday the commission called a special session on Charter's expansion, giving a day's notice. Why the rush? Spokesman James Denn said the commission "moved forward to promptly protect the interests of New Yorkers." But Diane Burman, the contrarian on a commission full of Cuomo appointees, was on vacation.

The remaining three commission members voted to deny Charter's petition for rehearing on the expansion. In an unprecedented move, they also revoked Charter's merger approval in New York state. The regulators gave Charter 60 days to come up with an exit plan that includes a replacement provider.

Though the decision effectively evicts Charter from the state, the commission claims the company is still obligated to continue its network expansion. Completing the shakedown, the commission imposed \$1 million in fines on Charter for alleged delays, in addition to the \$2 million it levied last month.

Charter says Friday's unexpected decision to revoke the merger was made without public comment. Mr. Denn says there have been "robust public comments accepted," pointing to a website where around 450 people have submitted feedback on the general topic of Charter in New York since 2015.

Dani Lever, a spokeswoman for Mr. Cuomo, says Charter's failure to sufficiently expand "is at the heart of the [commission's] action." She says the commission "rightly exercised its authority as a regulator" and "efforts to link a crackdown on bad corporate behavior to anything [else] would ignore the very clear facts and undermine the very real complaints from rural communities."

Charter plans to challenge the commission's actions in court. But labor leaders are betting this episode will change how other New York businesses negotiate. Cave to the union or the Governor will kill your business. By the way, Mr. Cuomo is running for a third term, and then he plans to run for President—with union support.

## A Trillion-Dollar Apple

**A**pple's ascent Thursday to become the first U.S.-listed company to reach \$1 trillion in stock-market value is worth celebrating as a capitalist success whether or not you own the stock or an iPhone. Thanks to human ingenuity, technological breakthroughs and smart management, a single firm has enhanced the wealth and well-being of millions in a way government never could. For perspective, the entire U.S. economy surpassed \$20 trillion for the first time in the second quarter.

Apple's milestone is all the more notable because success at the top in business can be so fleeting. GE was an investment staple for decades but its new managers are breaking it up

after a run of mistakes. Exxon was the leader in stock-market valuation only a few years ago, and it's still a great company, but its market cap is now surpassed by that of Apple, Amazon, Facebook, Microsoft, Alibaba and even J.P. Morgan. A market economy offers great rewards but brutal discipline.

How long will Apple stay on top? Its execution has been spectacular, and its sales defy predictions of slowing down. But Apple's profit margins have fallen from their heights, and consumers may eventually decide they don't want to replace their iPhones as often as Apple would like. Enjoy the time at the pinnacle because a competitive economy is always looking for the next big thing.

## Don't be Naive, Google

**I**ntent on abiding by its founding motto, "Don't Be Evil," Google announced in June that it would not participate in a U.S. military program seeking to apply artificial intelligence to drone technology. This week it has been reported that Google is attempting to reintroduce its flagship search engine into China, albeit with censoring and surveillance filters demanded by the Chinese government. This does not compute.

Eight years ago, Google co-founder Sergey Brin pulled the company out of China, telling The Wall Street Journal that "in some aspects of their policy, particularly with respect to censorship, with respect to surveillance of dissidents, I see some earmarks of totalitarianism." That was true then and is more so now. China is famously using advanced technology to erect an Orwellian surveillance state.

But like other companies, Google has concluded it cannot sacrifice access to China's market, which is now dominated by the Chinese search-engine company Baidu. That means conforming itself to China's rules on social control of the internet. Google hasn't decided whether to proceed with this search-engine initiative, but clearly no license will be granted unless the company agrees to give Chinese censors access to the site's vast internal information.

That Google would seek re-entry to a country whose efforts at totalitarian control are increasing while the company ostentatiously separates itself from a U.S. defense program is more than a contradiction. It is naive. What kind of world does Google think we live in?

The June decision to withdraw from the Pen-

The company may re-enter China after nixing the Pentagon.

tagon's AI program was accompanied by an 8,000-word statement of Google's ethical principles on the use of artificial intelligence. Well, yes, the intersection between AI and human autonomy is complicated.

But no one paying attention to China's ambitions doubts that it is developing artificial intelligence for domestic political control and sophisticated military applications. Its Communist Party leaders are doing so to gain a decisive advantage over China's military competitors, primarily the United States and its citizens.

A recent Journal article detailing China's high-tech military programs quoted former People's Liberation Army Maj. Gen. Xu Guangyu: "China will not ignore or let slip by any dual-use technology, or any technology at all, that might improve the ability of our military to fight, our awareness, or our ability to attack." In other words, the U.S. finds itself in an intense military competition with China. If American tech companies deny their own country access to advanced knowledge, the U.S. will fall behind.

The good news is that most U.S. technology companies, including in Silicon Valley, understand these realities and are contributing to the U.S. effort to defend itself. Google and its hyper-political employees stand out for seeming to spend a remarkable amount of time navel-gazing and composing codes of conduct.

Sergey Brin had it right in 2010: China's success at lifting its people out of poverty is remarkable. Its determination to deploy American knowledge to control the Chinese people remains abhorrent.

## LETTERS TO THE EDITOR

## Why Shouldn't Trump Talk About the Fed?

President Donald Trump's criticism of the Federal Reserve ("Breaking Custom, Trump Raps Fed," page one, July 20) includes the statement, "I'm letting them do what they feel is best," implying he has the discretion to take stronger steps.

Your article highlights an unfortunate irony: The Fed's already earmarked interest-rate hikes for 2018 might now be even more likely, in order for the Fed to assert its political independence. Presidential pressure reinforces the wisdom and benefit of an independent Fed. Think about our nation's monetary policy being run by the same administration that has imposed billions in trade tariffs and created an estimated \$1 trillion budgetary deficit.

Fed Chairman Jerome Powell should take the next opportunity to confirm that the Fed will continue its work and policy decisions based 100% on the data.

WILLIAM GOLDMAN  
Palos Verdes Estates, Calif.

Presidential criticism of the Fed isn't unprecedented in modern times. In 1992 President George H.W. Bush blamed the Federal Reserve for his election loss to Bill Clinton, alleging that interest rates weren't reduced fast enough in the aftermath of the 1990-91 recession. Despite that criticism, the Fed re-

tained its independence from politics and has continued to do so no matter who resides in the White House.

CHRISTIAN B. TEETER  
Los Angeles

The independence of the Fed is what sets us apart from many nations. One may not like what the Fed does, but it keeps the U.S. economy moving forward. The Fed began quantitative easing for a reason. The bond-buying program was enormous but brought us to where we are today. Note: President Trump dropped Janet Yellen and now is going after his chosen pick to lead the Fed. This needs to stop.

FRANK POPELESKI  
Seffner, Fla.

I agree with President Trump. Jerome Powell is making a huge mistake by planning to increase interest rates incrementally. Alan Greenspan did the same at the end of his tenure and helped tank the market.

The fact that Mr. Powell is hypothesizing on the net effect of Mr. Trump's tariffs is puzzling. The Fed should be working with the White House on this matter. The proper interest rate can't be set without knowing the net impact of President Trump's tariffs.

STEPHEN BONICK  
Los Angeles

## Readers Support the Right to Disarm Bears

Mike Kerrigan's "Bear With Me? Get It Away!" (op-ed, July 27) omits the most suspect of bear safety tips: No bear has ever been known to attack a group of five or more. When a naturalist advised this rule of thumb would be our primary means of protection from bear attacks, I wondered who had done such a study and where the data was to back up her claim. Each day I carefully selected which hiking group to join after assuring myself that its other members were of at least average size lest a bear discount our safe number due to someone's diminutive stature. As we wandered around the Alaskan wilderness in our group of five, I worried that we would encounter a bear suffering from dyscalculia, or two bears who would simply divide and conquer. How close together did we need to be in order for a bear to recognize us a group of five? If bears are smart enough to count, are they also smart enough to

know that a hiker with a camera is likely to wander off, thereby jeopardizing the entire group? And would said bear go after the thoughtless photographer or the four innocents? Our reliance on ursine counting skills was nearly unbearable.

M. SHAWN BORT  
Phoenixville, Pa.

Many years ago I was in Wyoming elk hunting with a guide in prime grizzly-bear territory. Camped in an area with a host of bear tracks in the surrounding snow, I asked one evening how to stay safe from grizzly bears.

"First, tie bells to your shoes so they can hear you. Second, learn the difference between black bear and grizzly bear scat [feces]."

I asked about the scatological difference.

"Grizz scat has bells in it."

GLEN ESNARD  
Jackson, Wyo.

## No Cease Fire in Sight as Culture War Rages

Sen. Orrin Hatch's call for the combatants on both sides of the culture war to set standards of social discourse is timely and thoughtful, but I fear it will fall on deaf ears ("Geneva Conventions for the Culture War," op-ed, July 28).

As a right-of-center gay man, I am heartbroken that major gay-rights organizations have become virtual hate groups, practicing the very same intolerance they were originally formed to fight. Hundreds of thousands of LGBTs do not self-identify as progressives. They are given little respect by the greater gay community. Thankfully, at least one organization, the Log Cabin Republicans, represents gay conservatives and independents.

I am 64 years old. When I was 30, I witnessed the hatred centered on gays and determined not to hate back. Hating back is pointless. Sen. Hatch makes no mention of the key role the nation's clergy can play in his scenario. Sadly, gays have produced no

While I support Sen. Hatch and his genuine desire to deescalate our country's partisan tension, I couldn't help feeling worse about the issue after reading his op-ed. Comparing our cultural disputes to actual armed conflicts with references to POWs and scorched-earth tactics seems like no way to reduce our political division. If we want to make rules to rein in our "culture wars," the first rule should be to stop calling them wars.

JOHN GALLOWAY  
Powell, Ohio

## Russian War or Peace Saga Perplexes the Progressives

William A. Galston's suggestion that the president is "soft" on Vladimir Putin and Russia is typical nonsense from Democrats who for nearly eight years accused President Reagan of risking World War III by denouncing the Soviet Union as the "evil empire" and for supporting increased spending on defense to include missile defense ("Trump's Russia Remarks Were No Gaffe," Politics & Ideas, July 18). Can Democrats ever decide whether they are more afraid of a war or a diplomatic rapprochement with Russia?

ANDREAS FRIEDRICH  
Gettysburg, Pa.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"So it costs more than your first house, but did it have built-in Blu-ray, television, GPS . . ."

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## OPINION

# The Senate's Unprecedented Obstruction

By David B. Rivkin Jr.  
And John Shu

**W**hen Harry Reid and the Democratic Senate abolished the filibuster for most nominations in 2013, the idea was to overcome obstruction from the Republican minority and allow President Obama to fill positions expeditiously. Now that Republicans hold the White House and a Senate majority, Democrats wish they hadn't given up the filibuster.

**O**bama's nominees faced only 17 cloture votes in his first term. Trump's have faced 108 in 18 months.

Yet they've managed to subject many of President Trump's nominations to lengthy delays anyhow. It took the Senate almost seven months to confirm Ric Grenell as Ambassador to Germany. Jeff Clark, whom Mr. Trump nominated more than a year ago to head the Justice Department's Environment and Natural Resources Division, still awaits his confirmation vote. Likewise Eric Dreiband, Mr. Trump's pick for the Civil Rights Division. The Senate finished their hearings last year, and no member has raised a question about their qualifications.

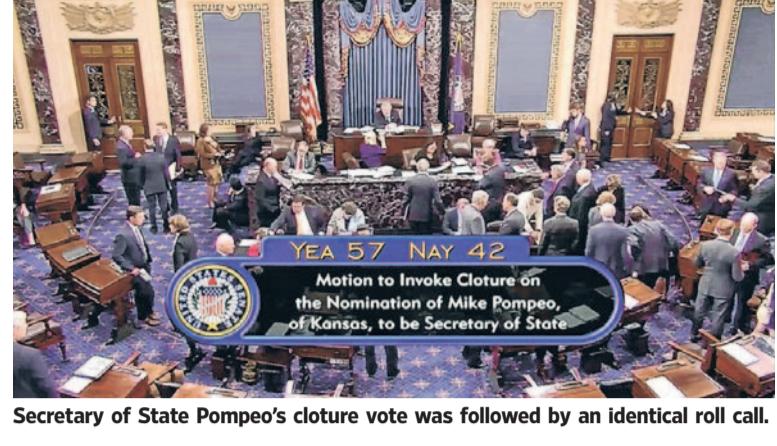
On average it has taken the Senate three months to confirm Mr. Trump's

executive-branch nominees. President Obama's nominees needed about 2½ months on average and President George W. Bush's needed about 1½ months—even though the filibuster was in place for all of Mr. Bush's eight years and more than five of Mr. Obama's. In many instances Democrat obstructionism today ensures that Obama administration holdovers occupy key executive-branch positions 20 months after the 2016 presidential election.

So how have the Democrats done it without the filibuster? By weaponizing a pair of Senate rules. Rule 22, which covers "cloture," allows for eight separate time-consuming steps. Rule 6, on "roll-call votes," can require each individual senator to verbalize "yea" or "nay" instead of a simple group voice vote.

"Cloture" is a venerable Senate procedure, dating to the early 20th century, which was created not as a dilatory tactic but the opposite—a way of ending filibusters and forcing a matter to a floor vote. The Senate first invoked cloture on Nov. 15, 1919, to end a filibuster of the Treaty of Versailles. From 1919 until 1963, the Senate invoked cloture five times, or about once every nine years, and never to delay a confirmation vote.

Mr. Reid's 2013 move reduced the threshold for invoking cloture on nominations from three-fifths of all seated senators (60 when the chamber has no vacancies) to a simple majority. That means a minority can no longer "win" a cloture vote and prevent the majority from confirming the appointment.



Secretary of State Pompeo's cloture vote was followed by an identical roll call.

But a tiny minority can still demand a cloture vote as a way of slowing things down. Only 16 signatures on a cloture petition are needed to complete the first step. Then the process is grindingly slow: The Senate clerk reads the petition; an "intervening day" must occur for the cloture petition to "ripen" or "mature"; a live quorum call has to take place; the majority leader presents the cloture petition; the actual cloture vote occurs; up to 30 hours of "post-cloture debate" ensues; then, finally, the actual confirmation vote arrives.

The numbers tell the story: The Senate held only one cloture vote on any nominee (executive or judicial) during George H.W. Bush's entire presidency, 10 during Bill Clinton's first term, four during George W. Bush's first term, and 17 during Barack Obama's first term. Mr. Trump

has been in office a little more than 18 months, and there have been 108 cloture votes on his nominees.

These delays are usually not about substantive objections. Often Democratic senators eventually vote for confirmation. Their purpose manifestly is to snarl the Senate calendar and severely limit the number of confirmation votes.

Roll-call votes exacerbate cloture delays because they take a long time to organize and conduct. By contrast, a voice vote, once scheduled, takes virtually no time at all. And it takes only 11 senators to demand a roll-call. Again, the numbers illuminate the trend: the Senate held 21 nomination roll-call votes during George H.W. Bush's presidency, 13 during Mr. Clinton's first term, 60 during George W. Bush's first term, 46 during Mr. Obama's first term—and 119

since Mr. Trump took office.

The Senate has traditionally operated under the principle that the president is entitled to nominate people who reflect his philosophies and policies, especially within the executive branch. Cloture, roll-call votes, and other Senate procedures were not designed to stop confirmations. The current practice is a misuse.

Majority Leader McConnell announced that he will shorten, if not cancel, this year's August recess. When he did so last year, the Senate confirmed 77 nominations with no unnecessary floor debate. He also should consider having the senators work full weeks, and some nights and weekends.

More fundamentally, Mr. McConnell and Rules Committee Chairman Roy Blunt should put a stop to these abuses. The Senate should promptly amend its rules to ensure that its procedural rules, in particular Rules 22 and 6, may not be used to delay a president's nominations unless the majority leader, the minority leader, and both parties' top members of the applicable committee all agree to do so. This would ensure fairness to presidents and senators regardless of party.

*Messrs. Rivkin and Shu practice appellate and constitutional law in Washington and Newport Beach, Calif., respectively. Mr. Rivkin served Presidents Reagan and George H.W. Bush in the White House Counsel's Office and the Department of Justice; Mr. Shu served Presidents George H.W. Bush and George W. Bush.*

## Two Years in Prison for Doffing a Scarf

By Roberto González  
And Prachi Vidwans

**A**n Iranian court has ordered Shaparak Shajariyadeh, a 43-year-old woman from Tehran, to spend the next 20 years atoning for an act that shouldn't be a crime. Last month she was sentenced to two years in prison and 18 years' probation for removing her hijab, or head scarf, in public.

This sentence was the culmination of Ms. Shajariyadeh's persecution by the Iranian government. In February, she stood unveiled on a traffic island on Tehran's Gheitariyeh Street, waving her head scarf on a stick. Minutes later police officers slammed her to the ground, arrested her, and carted her off to the Vozara Detention Center.

According to the Human Rights Foundation, Ms. Shajariyadeh was forcibly injected with an unidentified substance and subjected to extensive interrogation. She was severely beaten and dragged by the hair for refusing to confirm the interrogator's allegations that she

was a "Western spy," and for declining to sign a confession.

Like many of those who dare to speak out in Iran, Ms. Shajariyadeh was charged as a criminal under the country's Islamic Penal Code. She was accused of "violating compulsory veil laws" and "inciting corruption and prostitution." The latter charge was added to allow a subservient judge to impose a heavy sentence. (The Supreme Leader of Iran exercises direct influence over the courts.) After nine days in detention, including seven in solitary confinement, she was released on bail.

Iran has forced women to wear the hijab since the Iranian Revolution in 1979. The policy was met with resistance from the start, but the latest iteration of protests began in 2014 when exiled Iranian journalist and author Masih Alinejad created the Facebook page "My Stealthy Freedom" and urged Iranian women to post pictures and videos of themselves wearing white headscarves on Wednesdays. The hashtags #GirlsOfRevolutionStreet

and #WhiteWednesdays have since gone viral.

The unveiling protests began late last year and have gained worldwide attention. The regime has responded with violent repression. Ms. Shajariyadeh is one of dozens of women who have been arrested.

**F**or removing her hijab in a Tehran protest, a 43-year-old woman was convicted and driven into exile.

Several demonstrators have sustained severe injuries due to excessive force used by the police. Many have been subjected to physical abuse while in detention and denied contact with relatives and legal counsel. Iran has gone so far as to alter Tehran's utility boxes in an effort to prevent protesters from standing on them.

Ms. Shajariyadeh, unfazed by her first arrest, appeared unveiled again

in public during a visit to the city of Kashan on May 8. She was arrested once more, this time with her 9-year-old son, and spent another nine days in prison before being released on bail.

Ms. Shajariyadeh's final sentence was handed down on July 8. She didn't learn about the verdict right away because her attorney, Nasrin Sotoudeh, was also battling political persecution. Ms. Sotoudeh, who represented three Girls of Revolution Street activists, was arrested on June 13 by Iranian security officers who told her she had been convicted in absentia on unidentified charges and sentenced to five years in prison at Tehran's infamous Evin Prison.

Ms. Sotoudeh now faces two national security charges: "propaganda against the State" for giving interviews to the international press, and "assembly and collusion" for having "colluded" with Ms. Shajariyadeh, her client, in a courthouse in Kashan. Ms. Shajariyadeh fled Iran with her son after the verdict was announced

and is expected to live in exile.

What has happened to these women and others like them is a moral outrage. Most authoritarians at least pretend to care about civil liberties, offering excuses as they crack down on dissent. But Iran's leaders are unabashedly tyrannical. In a public statement in March, Iran's Supreme Leader Ali Khamenei dismissed the protesters for women's rights and pledged that the "nation is always prepared to crush aggressors and critics."

The Girls of Revolution Street have sent a message to the regime, their countrymen, and the international community. Those of us in the free world have an obligation to use our rights to amplify their message—and hold the regime accountable.

*Mr. González is an international legal associate and Ms. Vidwans a research associate at the Human Rights Foundation. HRF submitted a petition to the U.N. Working Group on Arbitrary Detention on Ms. Shajariyadeh's case.*

## Work Requirements Hurt Poor Families—and Won't Work

By Jason Furman

**W**ith the unemployment rate around 4% and people flooding back into the workforce, the question facing economic policy makers has changed: Once the cyclical recovery has fully run its course, what can be done to help into employment Americans still left behind?

The answer offered by many Republicans is to increase work requirements on low-income benefits. The House farm bill would tighten eligibility for the Supplemental Nutrition Assistance Program, also known as food stamps. States are doing the same for Medicaid under federal waivers. But such steps would jeopardize the health and nutrition of millions of Americans, while doing little to increase work.

Of the people who would be targeted by work requirements for means-tested benefits, a large majority already are working. SNAP is like Milton Friedman's negative income tax: a near-cash benefit that is provided broadly to people with low incomes and then phased out as their finances improve. Unlike Friedman's proposed

unconditional benefit, however, SNAP requires most working-age, nondisabled beneficiaries to register for work with a state agency and accept any reasonable job offer.

In fact, 74% of working-age SNAP recipients are employed within the year before or after they received benefits, and most of the rest have health issues or are caring for family members. Some of the SNAP statistics tossed around miss this because they focus on whether people were working in the month they received benefits.

Grading SNAP recipients based on whether they worked in a single month is particularly problematic because, as economic research by Kristin Butcher and Diane Schanzenbach has shown, the jobs available to this population are often temporary and unstable. "Working" often means involuntarily cycling into and out of employment.

Policies that fail to appreciate this can be more punitive than productive. Under the House plan, an able-bodied adult who spends a single month without working 20 hours a week would lose SNAP benefits for

a year. For a second offense, the penalty is three years.

Medicaid work requirements have similar problems. Kentucky's plan, currently being stayed by the courts, would require beneficiaries to work 80 hours each month or lose their health coverage. Again, the narrow measurement is a problem. One-quarter of beneficiaries who work at least 1,000 hours annually—averaging to 80 hours a month—could be denied coverage for part of the year, according to the Center on Budget and Policy Priorities. What these people lack is not motivation, but stable, consistent, decently paid jobs.

Partly as a result, Kentucky itself estimates that more than 95,000 people would lose health coverage under its policy. Taking medical care away from low-wage workers in unstable jobs is not only ineffective in promoting employment, it may be counterproductive, since losing access to regular treatment can make it harder for people with serious health needs to look for and keep a job.

The best direct evidence on work requirements comes from the National Evaluation of Welfare-to-Work

Strategies, a set of 11 randomized trials done during the 1990s in a half dozen cities across the country. These trials found modest increases in work over the short run, but the effect faded out by the end of five years, generally leaving the treatment group no more likely to be employed than the control

**What beneficiaries lack is not motivation, but stable, consistent, decently paid jobs.**

group. A notable exception was Portland, Ore., which, along with the work requirement, provided intensive support to train and place people into jobs. Still, on average in all the cities, households ended up with low-paid work that did not make up for the money they lost on their benefits, leaving more people in deep poverty.

Employment rates did increase a lot after President Clinton and Congress reformed welfare in 1996. But research by Jeffrey Grogger, an economist at

the University of Chicago, found that it was thanks less to work requirements than to the roaring economy and the expanded earned-income tax credit. This insight should be the basis of an alternative approach: Government can do more to ensure that work pays, that people who want employment have the support they need, and that jobs will be available for them to find.

The most promising ideas put the private sector first. Numerous proposals have been made to expand the earned-income tax credit, including for workers without dependent children who get essentially nothing today. Rep. Ro Khanna, a Democrat who represents Silicon Valley, has suggested temporary subsidies for employers who hire unemployed and disadvantaged workers. Others are proposing additional support for job training and placement, child care, paid leave—all of which can be effective in enabling people who want to work to do so.

As a last resort, providing federal jobs may have to be part of the policy mix. This is an idea advanced not only by progressives but also by Kevin Hassett, chairman of President Trump's Council of Economic Advisers. In 2013 Mr. Hassett advocated a "short-run jobs program that recruits the long-term unemployed to assist with the normal functions of government."

The largest progressive idea, a federal jobs guarantee, is not ready to become law today and will have to reckon with the increasingly problematic budget outlook. But enabling more people to work—and thereby boosting economic growth—isn't a partisan objective. Anyone who shares this goal should welcome the debate over big ideas to achieve it with work incentives and supports. In the meantime, it would be a mistake to put poor families into an even deeper hole with ineffective and damaging work requirements.

*Mr. Furman, a professor of practice at the Harvard Kennedy School, was chairman of the White House Council of Economic Advisers, 2013-17.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES &amp; COMPANY

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, August 3, 2018 | B1

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## Apple Value Surges to \$1 Trillion

BY TRIPP MICKLE  
AND AMRITH RAMKUMAR

**Apple** Inc. on Thursday became the first U.S. company to surpass \$1 trillion in market value, underscoring the iPhone maker's explosive growth and its role in the technology industry's ascent to the forefront of the global economy and markets.

Shares of the world's most valuable public company rose \$5.89, or 2.9%, to \$207.39, making it worth slightly more than \$1 trillion. Apple reached

the milestone when it climbed above \$207.04 in midday trading. The stock has risen 23% so far this year, its latest rally coming after it reported strong revenue and profit gains Tuesday as demand for high-price iPhones remained resilient and sales from the app store and other services hit all-time highs.

Apple's rise has been propelled by the sustained success of the iPhone developed under late co-founder Steve Jobs, a product visionary who helped revive the company from a

death spiral in the late 1990s. His successor, Tim Cook, has turned Apple into a cash-generating giant by pushing its existing products to prominence in China and cultivating its rapidly growing services business—moves that have helped stave off concerns about the absence of a new, blockbuster device.

"We've heard a number of times since Mr. Jobs died that the company was going to slip and fall, but they've continued to execute," said Greg Hersch, founder of New York City-

based Florence Capital Advisors, which has more than \$400 million under management and counts Apple among its largest holdings.

Along the way, Apple has led a broader tech boom that has made a handful of giant companies central in people's daily lives and investment portfolios. The five most valuable companies—Apple, **Amazon.com** Inc., Google parent **Alphabet** Inc., **Microsoft** Corp. and **Facebook** Inc.—are all tech and internet firms, a level of industry dominance rare in re-

cent markets history.

The iPhone, and the smartphone era it birthed, helped lift other tech giants—and disrupted many other businesses. Smartphones drive mobile advertising businesses at Google and Facebook, and account for an increasing share of the e-commerce transactions lifting Amazon.

Technology's ubiquity, and the industry's swelling wealth and clout, also have triggered growing criticism and regulatory scrutiny—one of several

Please turn to page B5

## CBS Prohibits Questions On Probe

BY JOE FLINT  
AND KEACH HAGEY

The elephant in the room went unmentioned.

**CBS** Corp. reported quarterly results Thursday amid a maelstrom of corporate drama. The media company's board is investigating allegations that Chief Executive Leslie Moonves sexually harassed multiple women over his career. And its relationship with controlling shareholder **National Amusements** Inc. is the subject of a court battle.

But at the start of a conference call to discuss the earnings, a company official issued an edict that such terrain would be off limits for questioning. Over the next 48 minutes, Wall Street analysts stayed off the topic.

There were two questions about legalized sports betting: one on Amazon.com Inc.'s potential as an ad-sales juggernaut; many about CBS's growing streaming ambitions.

Although CBS stock has tumbled on news of the allegations Mr. Moonves faces, and the ensuing intrigue about how the company and its board are handling the situation, no analyst asked the reason for leaving Mr. Moonves in place pending the investigation, when the board first was made aware of allegations against him, and by whom, and has the company received or uncovered any additional complaints.

On Twitter, reporters and other observers mocked the analysts for failing to ask about the scandal.

One analyst, Rich Greenfield of BTIG Research, said on Twitter, "Shame on the CBS analysts who were allowed to ask questions and failed to use the opportunity."

Mr. Moonves opened with lengthy remarks about the company's results, speaking of his optimism about the company's new streaming-video services. In the question-and-answer portion, he jumped at the chance to weigh in on sports gambling services as a source of ad revenue.

"We're extremely excited," Mr. Moonves said, adding the category has "an unbelievable upside."

Several analysts didn't immediately respond to requests for comment about the earnings call.

Analysts can come under pressure from the companies they cover as well as their

Please turn to page B6

## Brookstone Files for Bankruptcy Protection



**HIGHFLIER FALLS:** The specialty retailer known for selling drones, massage chairs, travel gadgets and other novelties at malls and airports said Thursday that it would close its 102 mall-based stores. As more shopping moved to smartphones and mall trips became more targeted, the company's stores became less of a draw. B3

## Musk Uses Twitter as Sword Against Shorts

BY SUSAN PULLIAM  
AND SAMARTH BANSAL

Fund manager Paul Wick says he braced for a hit to his bearish position in **Tesla** Inc. when Chief Executive Elon Musk on May 4 lashed out at short sellers in the auto maker, warning they were about to suffer the "burn of the century."

He got it. Tesla shares jumped nearly 4% that day, leading some short sellers—in

vestors who bet on price declines by borrowing shares, hoping to buy them back at a lower price and pocket the difference—to trim their positions, though Mr. Wick said he held tight.

Mr. Musk has been engaged for some time in a digital cat-and-mouse fight with negative investors on his company's stock, and so far he is often winning. His extraordinary use of Twitter to battle short sellers has often

been followed by a jump in Tesla's stock price, hurting shorts in the process.

On Thursday, short sellers suffered a \$1.7 billion loss, according to S3 Partners, after Tesla's second quarter results cheered investors, boosting the company's shares 16%.

Kamran Mumtaz, a Tesla spokesman, responded to questions about this article by sending an emoji with a smiling face and waving hands and declined to elaborate on what it meant

or to comment further. Mr. Musk didn't respond to a request for comment.

On June 17, Mr. Musk took aim at bearish investors in a tweet that said such investors had "about three weeks before their short position explodes." The stock rose 4% the first day of trading after Mr. Musk's tweet.

Tesla shares began a long decline after that but on Thursday made a big reversal, closing at \$349.54, up \$48.70.

The gain—on volume of 23 million shares and the stock's largest percentagewise since December 2013—came after the company reassured investors it would post a profit later this year and was burning less cash than expected.

Mr. Musk also apologized for the prior quarter's conference call when he derided analysts for their questions about the company.

Earlier in the morning  
Please turn to page B4

## Options Clearing Under Scrutiny

BY DAVE MICHAELS  
AND GUNJAN BANERJI

The company tasked with curbing risk in the U.S. options market is under investigation by federal regulators for how it handled a recent period of market turbulence, according to people familiar with the matter.

The probes from the Securities and Exchange Commission and Commodity Futures Trading Commission include concerns that Options Clearing Corp. failed to accurately forecast how much cash would be needed to cover trading losses triggered by a spike in volatility last February, some of the people said.

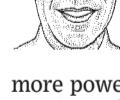
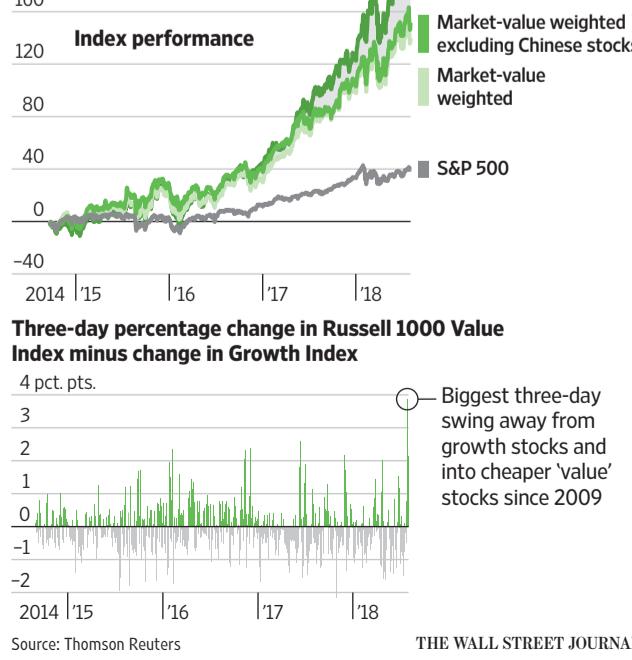
The turbulence wiped out exchange-traded funds that offered a way for investors to bet on volatility and left many traders with losses. The role of Options Clearing as a clearinghouse is to keep

STREETWISE | By James Mackintosh

## FANG Group Has Stories With Bite

### Measuring FANGs

The popular NYSE FANG+ index is unusual, putting equal weight on 10 stocks including two from China. Calculated like a normal market-value weighted index it went up a bit less and has fallen less.



Tales told about stocks have a powerful hold on investors, and no story is

more powerful today than the FANGs—widened to include an array of technology companies beyond the original **Facebook**, **Amazon**, **Netflix** and **Google**, now **Alphabet**.

The past two weeks have shown both why the wider FANGs grouping makes little sense and at the same time how important it is to the bigger debate about whether to buy cheaper "value" stocks or pay up for expensive companies with better growth prospects.

Putting together a selection of big disruptive companies is a reasonable idea; it is growth investing in its purest form. But the original thought has been broadened to include anything big and vaguely techy: the widely referenced NYSE FANG+ index includes **Tesla**, **Apple**, **Nvidia** and **Twitter**, as well as two large Chinese companies,

while last month Goldman Sachs analysts included **Microsoft** to get the "FAAMG." Needless to say, that acronym hasn't caught on.

The approach mixes disruption (Amazon, Tesla, social media, Netflix, Alphabet); high-margin network semi-monopolies (Facebook, Alphabet, Microsoft); high-margin brands (Apple) and technological leadership (Nvidia).

Yet, the moves in the FANG complex mattered, for two reasons. They have become synonymous with growth, so investors to some extent are happy to substitute one company for another, meaning moves in the price of one affect the price of the others. The FANGs etc. are also huge: the FAAMGs are now the five biggest companies in the U.S.

As a result, the bad news from Facebook and Twitter, showing that social-media companies face higher costs to police their users' posts, rippled through the wider market.

Please turn to page B2

## INSIDE



### DOWDUPONT GETS OVER COLD SNAP

EARNINGS, B3



### KELLOGG SAYS IT'S GONNA HAVE A GREAT DAY

FOOD, B6

## INDEX TO BUSINESSES

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

A	
Abraaj Group	B10
AdvancedMD	B11
Aetna	B12
Alphabet	B1, B4, B12
Amazon.com	B1, B12
American International Group	B10
Apollo Global Management	B10
Apple	B1, B5, B11, B12
Athena Holding	B10
<b>B</b>	
Baidu	B4
Barclays	B10
Berkshire Hathaway	B5
BlackRock	B5
Blue Apron Holdings	B6, B12
BMW	B2
Boeing	B12
Brookstone	B3
Bu Khyn	A6
<b>C</b>	
Casibean	A11
Catalyst Paper	A2
Caterpillar	B12
CBS	B1
Chieftain Capital Management	B12
Church & Dwight	B12
Cigna	B12
Cisco Systems	B3
Clorox	B11
Cushman & Wakefield	B2
<b>D</b>	
CVS	B12
DowDuPont	B3
<b>E</b>	
Express Scripts Holding	B12
Exxon Mobil	B5
<b>F</b>	
Facebook	A4, B1, B6, B11, B12
Fiat Chrysler Automobiles	B2
Fitbit	B4
<b>G</b>	
GAM Holding	B10
General Electric	A3
General Mills	B6
Global Payments	B11
GoPro	B4
Great Wall Motor	B2
<b>H</b>	
Hanesbrands	B12
Harley-Davidson	B12
Hershey	B6
HNA Group	B3
Honeywell International	B12
<b>J</b>	
Jeep	B2
<b>K - M</b>	
Kanso	A6
Kellogg	B6
Meituan Dianping	A2
<b>N</b>	
Microsoft	B1
Mokran	A6
<b>O - P</b>	
Options Clearing	B1
Peloton Interactive	B3
Post Holdings	B3
<b>S</b>	
Sakorema	A6
Sears Holdings	B6
Sherborne Investors (Guernsey)	B10
Sonos	B4
Stark's Metal Works	A11
State Street	B5
<b>T</b>	
Target	B12
Tesla	B1, B11
Teva Pharmaceutical Industries	B3
Thomas H. Lee Partners	B3
Twitter	B1
<b>U - V</b>	
United Technologies	B12
Vanguard Group	B5

## INDEX TO PEOPLE

A	
Amico, Alissa	B10
<b>B</b>	
Brin, Sergey	B4
Brown, Campbell	B6
Brown, Cindy	A1
<b>C</b>	
Cahillane, Steve	B6
Cavender, Ben	B4
Cook, Tim	B1, B5
Cordani, David	B12
Coughlin, Mark	B5
<b>D - F</b>	
Dickerson, Brad	B12
Duperreault, Brian	B10
Fadallah, Tarek	B10
Foley, John	B3
<b>G</b>	
Friedlich, Jim	B6
Goeckeler, David	B3
<b>H</b>	
Hersch, Greg	B1
Hoag, Jay	B3
<b>I</b>	
Icahn, Carl	B12
Irving, Chad	B6
<b>L</b>	
Lynch, John	B12
Lynch, William	B3
<b>M</b>	
Manley, Mike	B2
Miller, Keith	B6
Miller, Trip	B5
Moonves, Leslie	B1
<b>N - R</b>	
Musk, Elon	B1, B2
Natkin, Mark	B4
Redstone, Shari	B6
Rockwell, John	B6
<b>S</b>	
Schultz, Kåre	B3
Spence, Patrick	B4
Staley, Jes	B10
Szabo, Viktor	B11
<b>T - U</b>	
Tan, Adam	B3
Trentham, Travis	B6
Upadhyay, Nishant	B11
<b>W - Y</b>	
Whittaker, Meredith	B4
Yang, Shawn	B4

## BUSINESS & FINANCE

# Fiat Chrysler Stalls Out in China

New Fiat Chrysler Automobiles NV chief executive Mike Manley once promised that China would be the company's global engine of growth.

By Trefor Moss in Shanghai and Mike Colias in Detroit

Now he has to deliver.

The U.S.-Italian car maker sold fewer than 85,000 vehicles in China in the first half of the year, one of the weakest performances by any international auto group. Sales of Jeep, the star of the Fiat Chrysler stable, were down 35% from a year earlier.

"Jeep is in a downward spiral," said Hu Ping, sales manager at a Jeep dealership in Zhenjiang in eastern China. Barring a quick turnaround, "It's just a matter of time before my boss decides to quit selling Jeeps."

Four years ago, when Mr. Manley was running Fiat Chrysler's Asia-Pacific arm, he told investors the company was on the brink of explosive growth in China. He forecast that combined sales there of Alfa Romeo, Chrysler, Fiat and Jeep vehicles would more than triple to 850,000 in 2018. Now it is most likely the tally will be down sharply from last year's 242,000.

The world's largest auto market and a core market for other car companies, China accounted for just 5% of Fiat Chrysler's global sales in 2017, compared with 42% for General Motors Co. and 18% for Ford Motor Co.

Mr. Manley, who headed the company's Jeep and Ram divi-

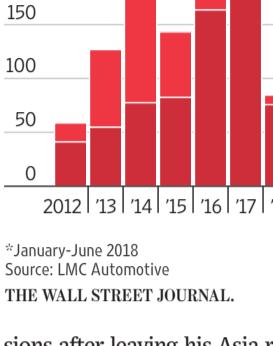
### Jeep Jam

Fiat Chrysler is lagging behind the competition in China as its reliance on Jeep grows.

#### Fiat Chrysler's total vehicle sales in China

■ Jeep ■ Other brands

250 thousand units



\*January-June 2018

Source: LMC Automotive

THE WALL STREET JOURNAL.

sions after leaving his Asia role, was named chief executive July 21. He succeeded Sergio Marchionne, who died last week at age 66.

"The biggest challenges we face...are all focused in China," Mr. Manley told analysts on a conference call last week, as the company cut its profit forecast largely because of its unexpected China slump.

Jeep, the storied American sport-utility vehicle brand, was the first foreign auto maker to set up a joint venture in China, back in 1983. But the project never thrived and was closed in 2006.

By the time Jeep restarted local production in 2015, China's auto market was nearing the end of a long period of breakneck growth, rivals were

#### Passenger-vehicle sales in China\*

Volkswagen Group 2.07 million units

General Motors 1.67

Renault-Nissan-Mitsubishi 0.77

Toyota 0.72

Honda 0.67

Hyundai 0.55

Daimler 0.36

BMW 0.30

Ford 0.27

Peugeot-Citroen 0.16

Mazda 0.16

Fiat Chrysler 0.08

Jaguar-Land Rover 0.08

Mr. Marchionne said during an April conference call that Jeep had done a poor job establishing an identity that resonates with Chinese buyers. The first Jeep specifically designed for China, the seven-seat Grand Commander SUV, hit the market in May. Around 3,000 had been sold by the end of June.

But new models won't be enough, said Mr. Hu, the dealer. A price war among Fiat Chrysler dealers—Mr. Hu's outlet is offering 20% discounts—has forced many to sell at a loss and created customer doubt about the Jeep brand's quality, he said.

The company didn't respond to questions about its China business.

Mr. Manley said during last week's analyst call that one localized model wouldn't be enough to turn things around, and that Fiat Chrysler needs to beef up its dealer network and improve existing vehicles.

Chinese car buyers typically have less brand loyalty than U.S. consumers, and they expect regular product updates and new technology.

"There are certainly a combination of things that we need to fix," Mr. Manley said. "That process has started."

Fixing Jeep is critical, given the brand's outsized importance for the company in China. It accounted for 91% of Fiat Chrysler's sales in the country last year, up from 42% in 2014, in part because the Fiat brand was dropped from the local lineup. Fiat's once-popular small city cars fell out of favor as China's tastes shifted to large SUVs.

—Lin Zhu in Beijing contributed to this article.

# BMW Boosts Prices in China for Its U.S.-Made Cars

By MAX BERNHARD

**BMW AG** said it was drawing up plans to navigate rising global trade barriers, days after the German auto maker raised prices on some cars it sells in China because of newly imposed import tariffs.

Chief Financial Officer Nicolas Peter told reporters on Thursday that the cost to BMW of increased tariffs in China would be several hundred million dollars this year unless it takes countermeasures.

After the Trump administration placed import duties on Chinese-made goods this year, Beijing retaliated with an additional 25% tariff on a number of products made in the U.S., including cars. Washington on Wednesday threatened to more than double its proposed tariffs on Chinese imports.

BMW this week said it had raised the suggested retail price for its X5 and X6 sport-utility vehicles in China by about 4% and 7%, respectively.



LUKE SHARRETT/BLOOMBERG NEWS

The German auto maker said it will take a hit from higher Chinese tariffs despite the price increases.

The company makes those cars in Spartanburg, S.C. The higher-end X7 SUV that BMW plans to build in the U.S. will be immediately priced in China to reflect the tariffs, Mr. Peter said.

Chief Executive Harald Krüger said the company had other ideas on how to contend with the trade situation, but didn't offer details. BMW already ships some X5 SUVs to China from Thailand, he said,

adding that such shipments aren't a response to Chinese trade action.

BMW has already been boosting car production in China to satisfy local demand in what is the world's largest

auto market by volume. It currently makes more than 80% of cars it sells in China locally and is set to expand further, Mr. Krüger said. The company is also stepping up joint ventures with Chinese partners to expand.

In June, BMW rival Daimler AG issued a profit warning because of the Chinese tariffs. The German auto maker also sells U.S.-made SUVs in China and said it couldn't fully recover the added cost.

BMW on Thursday stuck to its full-year guidance of slight growth in sales and earnings, with pretax profit unchanged from 2017 as it reported second-quarter earnings. The company's net profit dropped 6.4% from last year's second quarter to €2.06 billion (\$2.40 billion), with sales 2.9% lower at €25 billion. BMW shares fell slightly on Thursday.

Global trade disputes are roiling the auto industry. Car makers both in the U.S. and Europe rely on far-flung suppliers and manufacturing facil-

ties on multiple continents, making them particularly exposed to rising trade barriers.

President Trump has repeatedly singled out German car makers as benefitting unfairly from European Union trade policies. He had repeatedly threatened to increase the U.S. tariff on cars from Europe to 20% or even 25%. Last week, though, Mr. Trump and European Commission President Jean-Claude Juncker agreed to work toward resolving their differences over trade and hold off on new tariffs.

Car makers also have been hit by higher raw material costs after the U.S. imposed import tariffs on foreign-made steel and aluminum. Detroit's Big Three auto makers—General Motors Co., Ford Motor Co. and Fiat Chrysler Automobiles NV—last month lowered their profit outlooks, blaming the fallout from those levies. Daimler also said it was feeling the impact from higher raw-material costs, while BMW called the effect manageable.

## Cushman Shares Rise in NYSE Debut

By NISHANT MOHAN

Shares of **Cushman & Wakefield**, a global brokerage and real-estate-services firm, opened at \$18 in their first day of trading Thursday, up 5.9% from the company's initial public offering price.

Cushman expected net proceeds of \$719.3 million, based on the \$

## BUSINESS NEWS

# Brookstone Seeks Chapter 11 Shelter

By LILLIAN RIZZO  
AND PATRICK THOMAS

**Brookstone** Inc., the specialty retailer known for selling massage chairs, travel gadgets and other novelties at malls and airports, filed for bankruptcy protection Thursday and said it would close its 102 mall-based stores.

The shops were popular places to hang out when Americans spent more of their idle hours at malls, relaxing in Brookstone's massage chairs and browsing its eclectic offerings. But as more shopping moved to smartphones and mall trips became more targeted, the stores became less of a draw.

Several shoppers at a Brookstone in New York City on Thursday morning were surprised to hear the chain had filed for chapter 11 bankruptcy protection. Some were testing out a neck massager. Others were just looking to kill time. None was making a purchase. "My wife's getting coffee so I thought I'd walk over to Brookstone and see if there is anything cool," said Lee Schneider, 49, of Neenah, Wis., who left without buying.

"That's usually what I do at a Brookstone."

The chain got its start as a catalog retailer in 1965 selling "hard-to-find tools," and was taken private in 2005. Weighed down by debt and weak sales, the company filed for bankruptcy in 2014 and was sold to a consortium of Chinese investors. The catalog remained until earlier this year, when Brookstone decided to cease sending the booklets as it faced a cash crunch.

The business outlasted several of its competitors, including Sharper Image, which filed for bankruptcy and closed its stores in 2008, and in-flight catalog SkyMall, which filed for bankruptcy in 2015. Both brands live on as websites under new owners.

Brookstone said Thursday it would put its 35 airport stores up for sale. Those locations are still performing well, the company said.

The airport stores, which sell products as diverse as travel pillows and Brookstone-branded virtual-reality goggles, make up 17% of Brookstone's net sales. In 2017, the airport stores had \$38 million in sales, down from \$44 million in the previous year.

Brookstone will also look to sell its intellectual property, including the brand name.

## Pickup in Seed Sales Boosts DowDuPont



KC MCGINNIS FOR THE WALL STREET JOURNAL

Sales in **DowDuPont** Inc.'s agriculture business rebounded after a late planting season, helping boost the chemical giant's top line for the second quarter.

Cold weather led to a first-quarter drop in the company's seed sales compared with a year earlier. In the latest period, its agriculture business reported \$5.73 billion in sales, up 25%,

aided as well by strong sales of insecticides.

Overall, DowDuPont's net sales rose 17% to \$24.25 billion in the second quarter.

The comparisons are on a pro forma basis, assuming Dow and DuPont had merged, whereas their deal didn't close until August 2017.

Following on its merger,

DowDuPont said earlier this year that it expected to complete its split up into three companies in between 14 and 16 months.

For the latest quarter, the company reported a profit from continuing operations of \$1.77 billion, down 3.7% on a pro forma basis.

Its adjusted per-share earnings rose to \$1.37 from 97 cents,

topping estimates from analysts polled by Thomson Reuters. The company's top-line results also exceeded expectations.

The Delaware-based company said Thursday that it expects net sales to grow by more than 10% in the third quarter. DowDuPont also raised its annual savings target to \$1.4 billion for this year.

—Allison Prang

# Peloton Financing Values Bike Maker at \$4.15 Billion

By MAUREEN FARRELL

**Peloton Interactive** Inc. is raising a \$550 million round of financing as the maker of video-streaming stationary bikes contemplates an initial public offering as soon as next year.

The funding round, led by venture-capital firm TCV, values Peloton at \$4.15 billion, according to people familiar with the terms of the financing.

Peloton's co-founder and Chief Executive John Foley

and President William Lynch said in an interview that they expect this financing will be the last before an IPO. The timing of a public debut remains fluid, but 2019 "makes a lot of sense," Mr. Foley said.

The latest financing adds to Peloton's already ample fund-raising and comes at a sizable premium to its last round. In 2017, Peloton raised \$325 million from investors including Wellington Management Co., Fidelity Investments and Kleiner Perkins at a \$1.25 bil-

lion valuation.

Peloton, founded in 2012, makes a \$1,995 stationary bicycle. Most customers use the bikes at home, paying about \$39 a month to stream live classes that the company produces using its own instructors. The New York-based firm, which has showrooms around the U.S., plans to launch a treadmill this fall.

The company is on pace to generate more than \$700 million in revenue in the fiscal year ending next February,

continuing its more than 100% year-to-year revenue growth rate, Mr. Foley said. It has recently generated earnings before interest, taxes, depreciation and amortization, but Mr. Foley said he expects it to lose money in the second half as the company invests in growth opportunities.

TCV, a new investor, is contributing \$150 million to the latest round. Nearly all of the company's existing investors, including its earliest institutional investor Tiger Global

Management LLC, will take part, Peloton said.

TCV's founding general partner Jay Hoag, an early Netflix Inc. investor, said that while many companies claim to be the Netflix of their category, Peloton is a rare example of one that is. "We're totally convinced it's the Netflix of fitness," he said.

While roughly \$150 million of the proceeds will be used to give existing investors and employees the option to sell shares, the rest will be ear-

marked for initiatives including international expansion.

The IPO market has been booming, hastening the debuts of a number of companies that had been content to draw on private funding and delay going public. So far this year, 146 companies have raised \$41.2 billion on U.S. exchanges, according to Dealogic. That is up more than 30% from last year's dollar volume at this point in the year, when 107 companies had raised \$30.9 billion through IPOs.

## BUSINESS WATCH

GIULIA MARCHI/BLOOMBERG NEWS  
Adam Tan will lead HNA's international business.

Cisco has beefed up its software offerings in the past several years, part of its transformation from a legacy seller of network switches and other gear, said David Goeckeler, executive vice president of Cisco's networking and security business. The company's largest security acquisition came in 2013, when it paid \$2.7 billion for hardware and software maker Sourcefire Inc. Two years ago, Cisco spent \$293 million for cloud-security provider CloudLock Inc., and it paid \$635 million in 2015 for OpenDNS, which uses internet domain-name servers to help block cyberattacks.

—Jay Greene

## POST HOLDINGS

### New Unit to House Private Brands

Packaged-food company **Post Holdings** Inc. has reached a roughly \$875 million deal to transfer its private-labels business into a new subsidiary and get a cash infusion from private equity firm **Thomas H. Lee Partners** LP.

The St. Louis company had said that it was reviewing options, including carving out the business through an initial public offering.

The private-labels segment, which makes food that grocery stores sell under their own brand names, includes the granola, dried fruit and nut snacks as well as the nut butter and pasta businesses and had sales of more than \$600 million for

the nine months through June 30, up 7% from the comparable period a year earlier.

Under the terms of the deal, which is expected to be completed in October, **8th Avenue Food & Provisions** Inc. would become the holding company for the business.

—Maria Armental

## TEVA PHARMACEUTICALS

### Weakness Persists In Big Categories

The world's largest maker of generic drugs, **Teva Pharmaceutical Industries** Ltd., is struggling to get healthy.

Teva posted an 18% decline in second-quarter sales, with continued weakness in some of the Israeli company's most important drug categories.

Generic-drug sales in North America fell again and are down 34% since their recent peak in late 2016. Teva said such sales fell to \$947 million in the April-through-June period, the sixth straight quarter of decline.

Chief Executive Käre Schultz also said in an interview that the market-share erosion of Teva's blockbuster multiple-sclerosis drug Copaxone wasn't over. "When a product goes off-patent you never recover," he said.

Copaxone enjoyed a roughly 30% market share a year ago. That fell to less than 20% in the second quarter of this year. Teva forecasts not only fewer Copaxone sales but also that competition from generic rivals will force it to cut the price of its drug.

—Donato Paolo Mancini



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— Gitto, Hicksville NY

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## TECHNOLOGY

# Google's China Move Causes Stir

Work on customized mobile search app recalls controversial exit from country

The prospect of Google offering a mobile search app suited to China undercut shares of the dominant Chinese search

*By Liza Lin in Shanghai and Shan Li in Beijing*

engine, but analysts cautioned the U.S. company faces hurdles in regaining entry to a country it split with eight years ago over the issue of censorship.

Shares of Beijing-based tech giant **Baidu** Inc. fell 7.7% on Wednesday following news that Google is testing a mobile version of its search engine that would adhere to China's strict controls over content.

Trade friction with the U.S. is one broad obstacle to Google's re-entry into China's search market.

"At this moment, it's not a particularly hospitable environment," said Mark Natkin, managing director of industry research firm Marbridge Consulting. "I'd imagine getting such a search permit would be difficult, if not impossible for the company."



The U.S. search giant retreated from China in 2010 over the issue of government censorship.



ALEKSANDAR PAVLOVSKI/EPAPSHUTTERSTOCK

The Cyberspace Administration of China, which would need to approve a Google search engine, didn't respond to requests for comment.

There is also Google's troubled history in China.

When the business, now a unit of **Alphabet** Inc., left China in 2010, company co-founder Sergey Brin attacked Beijing's policies on censorship and human rights—and the government isn't likely to have

forgotten, said Ben Cavender, a senior analyst at China Market Research Group. "China has a very long memory," he said. "I would expect a lot of push back from regulators."

Even as its search engine is locked out of China, Google maintains a sizable presence in the country. It runs three offices of about 700 employees in Beijing, Shanghai and Shenzhen, and continues to test new programs and expand its in-

vestments in China, including opening an artificial-intelligence lab in Beijing in December. The company also hopes to bring its official Google Play app store back into the Chinese market, according to people familiar with the matter.

Mr. Cavender noted other American tech companies such as Facebook have been courting China with little to show for it so far. At the same time, Google's Android smartphone

is still popular in China.

During Google's long absence, China's own search engines and other web services have advanced, erecting yet another obstacle to re-entry, said Shawn Yang, executive director at Blue Lotus Capital Advisors.

"They are facing a different environment," he said. "The competition is fierce."

operating system is used by China's smartphone manufacturers who count on good relations with Google for product development, especially for phones sold globally.

Google also could face push back outside China if it tries to use a censor-friendly version of its search engine to work its way back into the country.

In a statement on Twitter posted Tuesday but later removed, Google researcher Meredith Whittaker said the project was "a violation of Google's pledge" against technology that infringes on human rights. Ms. Whittaker also co-directs a New York University research unit on artificial intelligence and society.

In a tweet, Sen. Marco Rubio (R., Fla.) said the news was "very disturbing," but added he was willing to give Google the benefit of the doubt until more information is presented.

During Google's long absence, China's own search engines and other web services have advanced, erecting yet another obstacle to re-entry, said Shawn Yang, executive director at Blue Lotus Capital Advisors.

"They are facing a different environment," he said. "The competition is fierce."

—Christopher Cameron  
in Hong Kong  
contributed to this article.

## Sonos Jumps 33% in Debut

BY MAUREEN FARRELL AND NISHANT MOHAN MOHAN

Speaker company **Sonos** Inc.'s stock surged 33% above its initial-public-offering price Thursday in its market debut.

The shares closed at \$19.91 after being priced Wednesday night at \$15, as investors scrambled for a piece of the maker of popular, high-end home-audio gear while IPO stocks are performing well.

Still, the first-day pop for Sonos, which trades on the Nasdaq under the ticker symbol SONO, came after the company priced the shares below the \$17-to-\$19 range that it had initially targeted. Sonos executives and investors attributed the lowered pricing in part to a recent selloff in technology stocks.

Sonos Chief Executive Patrick Spence said in an interview Thursday that he had to spend much of the past week educating investors about the business model and how the company could be valued. "Because we're so unique, I don't have anything to compare it to," he said, adding that some investors were skittish after losing money on other consumer-hardware stocks. Both **GoPro** Inc. and **Fitbit** Inc. are down more than 70% from their 2014 and 2015 respective IPO prices.

Sonos's offering raised \$208 million and gave the company a valuation of \$1.8 billion on a fully diluted basis at its initial price.

Sonos has been a pioneer in high-end wireless speakers, building a loyal customer base that drove sales to nearly \$1 billion in the year ended Sept. 30. The company's speakers support streaming services such as Spotify and Apple Music.

The company had revenue of \$993 million in the latest fiscal year, compared with \$844 million in 2015. It posted annual losses in its three most recent fiscal years.

## 'Smart City' Project Sparks Data-Privacy Debate

BY VIPAL MONGA AND JACQUIE McNISH

key personnel. On Tuesday, the two concerns behind it—Alphabet's subsidiary Sidewalk Labs LLC and Waterfront Toronto, a Canadian government entity—said they expect to release a final development plan by next spring. Meanwhile, the chief executive of Waterfront Toronto, a supporter of Sidewalk, resigned in July, and a real-estate developer left Waterfront's board this week because she was uncomfortable with Alphabet as a partner.

The early stumbles reflect the challenges of building new, high-tech developments and illustrate the difficulties technology companies can encounter when working with municipal agencies.

Sidewalk remains positive about the waterfront plan and its relationship with Toronto.

"We have had the privilege of working with public servants at all three levels of government, and on the staff and board of Waterfront Toronto, to create a groundbreaking plan for Toronto's waterfront," the company said in an email.

Under the terms of a negotiating agreement issued on Tuesday, Sidewalk laid out a

plan to invest \$50 million for the next planning stage of the deal. Waterfront Toronto agreed to negotiate intellec-

tual-property ownership and digital privacy rights based on a set of "guiding principles" emphasizing people's control over their own information.

Privacy watchdogs have questioned who will control sensitive information as residents are tracked by sensors that may be embedded in such infrastructure as traffic lights and garbage-disposal units. Also at issue are ownership rights over products or techniques developed at the site.

The Toronto waterfront is Sidewalk's first and only major project since the business was launched in 2015.

Though the project will be

open to other tech companies, it could allow Alphabet to incorporate some early ideas it gleaned from developing things like driverless cars, connected thermostats and security cameras.

Last month, the CEO of Waterfront Toronto, Will Fleissig, resigned after clashes with the board. On Monday, board member Julie Di Lorenzo resigned.

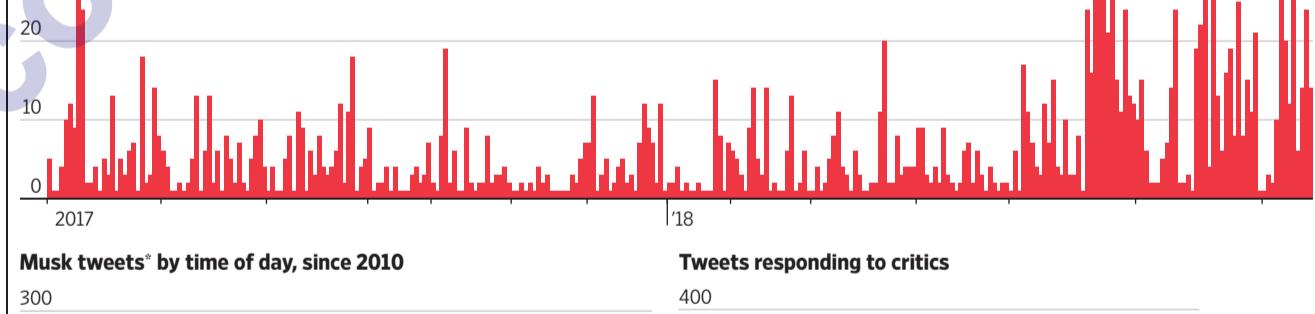
Toronto Mayor John Tory played down Waterfront's management changes and said the project remains on track.

Waterfront Toronto's privacy counsel, Chantal Bernier, said data privacy will be a major issue in the coming negotiations.

## Elon Musk According to Twitter

The founder of Tesla and SpaceX is one of the active tech CEOs on the social media network, using it for sharing his views, rebutting critics—and causing controversy.

Musk's recent tweets\*

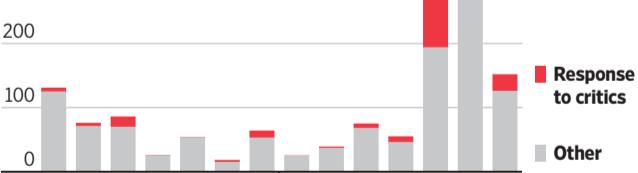


Musk tweets\* by time of day, since 2010

\*Excluding retweets

Tweets responding to critics

400



Note: As of July 12; times are Pacific

THE WALL STREET JOURNAL.

## Tesla CEO Takes On Shorts

Continued from page B1

Wednesday, before Tesla issued its quarterly report, Mr. Musk poked fun at David Einhorn, the prominent short seller who this week told investors his hedge fund's performance had been hurt by, among other things, a bearish Tesla position. Mr. Einhorn also wrote he had let his lease end on his Model S and switched to a competing Jaguar.

In response to an article about Mr. Einhorn's comments, Mr. Musk tweeted he would send the hedge fund billionaire a box of "short shorts to comfort him through this difficult time."

Tesla is among the most heavily shorted stocks on the

market, with about 34 million shares—or about 20% of its total shares outstanding—sold short.

Mr. Musk's use of Twitter to fight them and others is unparalleled among CEOs.

As of mid-July, Mr. Musk has tweeted 1,256 times this year, or about six times a day, on an array of topics, according to an analysis by The Wall Street Journal.

The analysis found the number of his tweets has increased each year since 2014, making him the second-most active technology-industry CEO on Twitter, after Salesforce.com's Marc Benioff.

Unlike other CEOs, the bulk of Mr. Musk's tweets are responses to other users.

Some CEOs over the years who have publicly battled short sellers haven't fared well.

Gene Munster, managing partner of investment and research firm Loup Ventures, suggested last month in an open letter to Mr. Musk that he take a "Twitter sabbatical," adding:

"When companies aggressively engage

with short sellers they lose."

Mr. Musk's use of Twitter surged in May when Tesla neared a deadline for production of its Model 3 car, as he engaged in more contentious exchanges with his critics in the media and stock market.

Mr. Musk's taunts of short sellers go back several years. In 2017, Tesla shares were up 30% for the year when, on April 3 of that year, Mr. Musk tweeted "Stormy weather in Shortville." Tesla shares rose \$5 that day.

Barclays PLC research analyst Brian Johnson has written about Mr. Musk's tweets in his reports, saying in April 2017 that Tesla stock "seems to be more driven by 'cult' psychology and the flow of tweets."

In September 2017, Mr. Johnson made a tongue-in-cheek note of the idea of Tesla's "return on tweet," saying he was refining that analysis as "the ultimate Tesla valuation tool."

Quantopian Inc., a Boston-

based quantitative asset management firm, analyzed the sentiment of Mr. Musk's tweets between May 2016 and July 2018 and built a trading model based on the data.

Quantopian found in general that investors could make money—albeit not much—by buying shares when its computer model detected a shift toward a positive tone in Mr. Musk's tweets based on his language, and selling shares when the tone turned negative.

Other companies have run into trouble after jousting publicly with investor critics. Boston Chicken filed for bankruptcy in 1998 after battling criticisms from short sellers. Last month, MiMedx Group Inc. Chief Executive Parker "Pete" Petit departed amid investigations into the skin-graft company's financial practices, following his public criticism of those who bet against the company's stock.

—Akane Otani contributed to this article.

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## TECHNOLOGY

# Buffett Leads Parade of Apple Winners

**Apple Inc.'s** rise above \$1 trillion in stock-market value has enriched billionaires and everyday investors.

One of the biggest winners:

By Nicole Friedman,  
Asjlyn Loder  
and Tripp Mickle

Warren Buffett. His **Berkshire Hathaway Inc.** is the tech giant's second largest shareholder with a roughly 5% stake.

Berkshire first purchased Apple shares in the first quarter of 2016. The company bought around \$1 billion worth of stock at a price of

\$99.02 a share, according to FactSet, or for less than half of what Apple trades for today.

Berkshire steadily increased its stake, investing more than \$30 billion between the first quarter of 2016 and the first quarter of 2018, according to FactSet and company filings. Apple was Berkshire's largest equity holding, as of March 31 filings, and would be worth nearly \$50 billion based on Thursday's price.

Mr. Buffett has historically shied away from investing in technology companies, but he has said he likes Apple because it is a retail business

with a strong brand.

Plenty of other investors have gained with Apple, too, given it is such a widespread holding among mutual funds and exchange-traded funds.

U.S. mutual funds and exchange-traded funds own almost 1.1 billion shares of Apple, about 21% of the company's stock, according to Morningstar. Those shares are worth almost \$220 billion today.

The exchange-traded fund, or ETF, with the most Apple stock is **State Street Corp.'s** \$274 billion SPDR S&P 500 ETF, the biggest fund of its kind. It holds 55.8 million Ap-

ple shares.

The ETF with the highest exposure is the \$4.1 billion iShares U.S. Technology ETF with about 17% of its portfolio invested in Apple, according to ETF.com.

Meanwhile, index fund giants including **Vanguard Group**, **BlackRock Inc.** and State Street are among Apple's biggest shareholders. Vanguard is the tech company's biggest shareholder, with more than 342 million shares, according to FactSet. The three fund firms have a combined Apple stake of almost 16%, spread across dozens of mutual funds and ETFs.

Some of the biggest beneficiaries of Apple's gains have been early shareholders who never lost faith in the company, even as it flirted with failure in the mid-1990s.

Mark Coughlin, who worked for a company that sold Apple's early computers, was given about 1,000 initial shares in Apple in 1980 and earned more shares in 1981 through an incentive program. He said those shares, accounting for splits over nearly four decades, were valued around 51 cents a share.

When former Chief Executive John Sculley ousted Steve Jobs in 1985, Mr. Coughlin

sold some shares but kept most of them. When Mr. Jobs returned, he began buying more, adding so much that he estimates about 60% of his net worth is in Apple stock.

After leading Apple from 1983 to 1993, Mr. Sculley said he sold most of his shares. However, about six years ago, he began buying Apple stock again, largely because of the power of the iPhone and other products Mr. Jobs developed after returning as chief executive in 1997.

More recently, Mr. Sculley says he has appreciated share buybacks initiated by current CEO Tim Cook.

## Apple Hits \$1 Trillion In Value

*Continued from page B1*  
factors that could undermine the boom. This year, Apple confronted investor pressure to address the public health risks of youth smartphone addiction.

Some money managers worry that a few highflying firms are powering the broader market, leaving stocks susceptible to a painful downturn if

**The company has rebounded since losing \$2 billion over two years in the '90s.**

the rally ends.

Apple, founded as an upstart maker of personal computers in 1976, first took the crown as the largest company in August 2011 when it edged out **Exxon Mobil Corp.**

The calculation of Apple's market value is based on the company's share count as of July 20. Share counts fluctuate

day by day based on factors like stock buybacks, but generally aren't disclosed more than a few times a year.

Apple isn't the world's first company to claim the \$1 trillion title. In 2007, **PetroChina Co.**'s market cap surpassed that level by some measures, though the Chinese oil and gas producer's corporate structure kept most of its shares locked up in government hands, making it difficult to determine the firm's actual value.

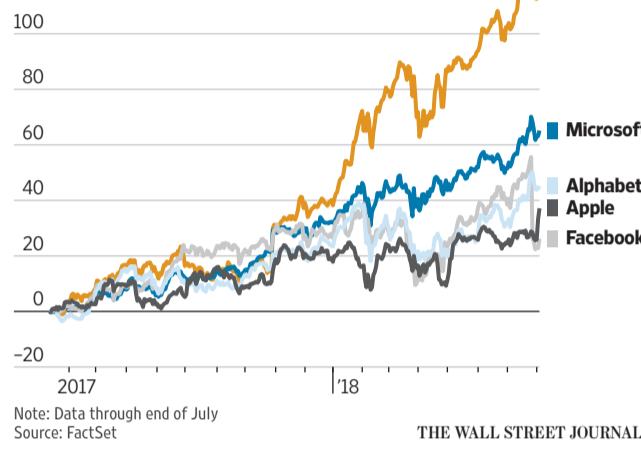
Outside of the public markets, there is **Saudi Arabian Oil Co.**, the state-owned oil company. It weighed an initial public offering that could value the business at as much as \$2 trillion. The plan has stalled however, and the actual value of the company, known as Saudi Aramco, isn't clear.

Apple's ascent is especially remarkable since its survival as a company was in doubt just over two decades ago. It lost \$2 billion over two years in the mid-1990s, weighed a sale to Sun Microsystems, and churned through three CEOs in four years before bringing back Mr. Jobs. He revived the business by thinning Apple's product lineup and spearheading a trio of hits: the iPod, iPhone and iPad.

Mr. Cook, who took over in 2011, broadened the iPhone's reach, helping it become one of

### Growth Spurts

While Apple hit a valuation benchmark, other tech companies have seen bigger gains in their market caps.



the best-selling products in history, with more than 1.4 billion devices sold.

The iPhone also underpinned Apple's services sales, which Mr. Cook set the goal of doubling in four years to \$50 billion by 2020. On Tuesday, he said Apple is on track to hit that goal thanks to accelerating subscription sales, growing transactions on Apple Pay and other factors.

In the longer term, investors worry about Apple's ability to launch another transformational product like the iPhone,

Its smartwatch, which debuted in 2015, made Apple the world's largest watch company by sales but hasn't delivered the same type of boost that other hit products have.

"One of the things that has always concerned us is the concentration in the iPhone," said Trip Miller, managing partner at Gullane Capital Partners, which owns the stock. "But I don't think there is a risk that there is some gee-whiz product in the next 12 to 24 months that is going to unseat the iPhone as the king."

### It Isn't Easy to Tell When Market Cap Crossed the Line

**Apple Inc.'s** market value hit \$1 trillion. But when precisely did that happen?

That depends on how you calculate market capitalization. The number of shares is multiplied by share price to get market capitalization, or value. And when determining when a company's market value surpasses a level like \$1 trillion, it matters which measure of shares outstanding you use.

Companies have "basic" and "diluted" share counts. Basic shares are those shares that a company has actually issued; fully diluted shares add in the shares that would result if all of the company's stock options, warrants and convertible securities were converted to common shares.

At Apple, the weighted-average basic share count for the quarter that ended June 30 was 4.882 billion. But the weighted-average diluted share count was 4.926 billion. At Apple's current share price, that makes a difference of about \$9 billion in market cap—so if you use diluted shares to compute market cap, Apple gets there

more quickly.

Companies also have slightly different share counts depending on whether shares are measured on an average basis for a fiscal quarter or year, or as of the end of that period. Apple's share count as of June 30 was 4.842 billion, lower than the 4.882 billion average for the quarter.

In its most recent 10-Q quarterly report to the Securities and Exchange Commission, filed late Wednesday, Apple said it had 4.83 billion shares as of July 20, nearly three weeks after the end of its latest fiscal quarter. That is the count The Wall Street Journal used to determine Apple hit \$1 trillion around midday Thursday.

Based on Apple's diluted share count, though, the company's market cap topped \$1 trillion earlier Thursday.

Ironically, many sophisticated investors don't even focus on market cap. They use enterprise value, a more refined gauge of a company's worth that takes its debt and cash into account. Enterprise value is generally viewed as a company's market cap plus debt minus cash.

By that measure, Apple had topped \$1 trillion as of Wednesday, according to FactSet.

—Michael Rapoport

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Wealth Intelligence

## BUSINESS NEWS

# Customer Losses Hit Blue Apron

Meal-kit company wrestles with logistical woes as competition heats up

BY HEATHER HADDON

**Blue Apron Holdings Inc.** disclosed increasing customer losses, as the meal-kit maker struggles to fix logistical problems dogging its complex operations.

Its shares fell more than 24% Thursday, the biggest percentage loss since the New York City-based company went public last year.

The second biggest meal-kit company by revenue had 717,000 customers at the end of June, a 24% drop from last year, the company said. Customer count was down nearly 9% from the end of this March.

Meal-kit startups are scrambling to become more efficient and consistent in how they deliver boxes of preportioned ingredients and recipes to customers. The sector is growing more competitive and investor pressure for startups to turn profits has increased.

Blue Apron, a leader in the



The meal-kit maker's stock fell over 24%, the biggest percentage loss since it went public last year.

sector when it began in 2011, saw its operations suffer when a new, automated facility failed to ramp up as planned last year. Orders went out late and without all of the promised ingredients, and costs grew.

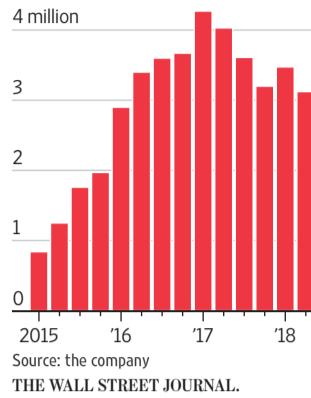
Blue Apron had scaled back

on marketing and deals as it worked to move beyond expensive logistical problems. A lack of new selections has hurt the company's ability to convert those looking at its offerings online into subscribers, officials said.

The company has since brought on executives with more supply and management experience. Costs have fallen and profit margins are improving. Cost of goods sold during the most recent quarter fell to 65% of net revenue from 69%

## Subscriber Slowdown

Blue Apron's total orders per quarter



Source: the company

THE WALL STREET JOURNAL.

the prior year, while administrative costs decreased 22%, the company said. Blue Apron had a round of layoffs last year.

For the second quarter, Blue Apron reported a net loss of \$32.8 million, or 17 cents a share, compared with a loss of \$31.6 million, or 47 cents a share, the previous year. The continued customer losses led revenue to fall 25%, to \$179.6 million. Analysts had expected revenue of \$205 million for the period. Earnings per share were as projected.

# Facebook Gives Papers Some Tips

BY LUKAS I. ALPERT

A recently launched **Facebook Inc.** program to help local publishers gain subscribers is proving to be a rare bright spot in the social-media giant's often uneasy relationship with the news industry.

Since March, Facebook has held training sessions with executives from 14 midsize newspapers from around the U.S. to develop strategies for bringing in more paying customers via Facebook and beyond. It also gave each participating publisher \$200,000 in grant money to put those strategies into play.

The program has been met with praise from the executives who have attended—a contrast to some meetings with publishers that have devolved into tense exchanges over political balance and the spread of misinformation.

Publishers have long been wary of Facebook's outsized role in news dissemination and its commanding presence in the digital advertising market, which has played a considerable role in disrupting the economics of the news industry. In January, Rupert Murdoch, executive chairman of **News Corp.**—which owns The Wall Street Journal—said Facebook should pay publishers fees similar to those cable distributors pay to television channels.

Jim Friedlich, executive director of the nonprofit Lenfest Institute for Journalism, which helped develop the curriculum and is administering the grants, said it is in Facebook's interest to help publishers. Lenfest owns the Philadelphia Daily News, Philly.com and the Philadelphia Inquirer. The Inquirer was part of the pilot group.

"The truth is Facebook and local news organizations have a highly co-dependent relationship," Mr. Friedlich said.

The pilot group included the Seattle Times, the Boston Globe, the Omaha World-Herald and the Denver Post. The initial program ran for 12 weeks.

Sessions included developing strategies to boost reader engagement through things like targeted newsletters—whose recipients later get subscription offers—and how to use big news events as marketing opportunities.

"It really got everyone to share their notes on how to drive subscriber acquisition in a smarter, faster and more efficient way," said John Rockwell, director of subscription sales and retention at the San Francisco Chronicle.

The publishers submitted plans on how they would spend their grant money and what goals they hoped to achieve by the time the group reconvenes in January.

Facebook said it planned to expand the program to include a slate of nonprofit, membership-based news sites.

"We went into this not really knowing what kind of results we would get," said Campbell Brown, Facebook's head of news partnerships. "It turned out to be very collaborative."



The company provided a bullish outlook but said rising costs were squeezing margins. Its core U.S. cereal business continued to decline.

SETH WENIG/ASSOCIATED PRESS

# Pringles, Eggo Give Kellogg a Boost

BY ANNIE GASPARRO

**Kellogg Co.** offered a bullish outlook for its annual sales after several sluggish years, but it warned that higher trucking costs and lower prices for its products were eating into profit margins.

The maker of Frosted Flakes and Pop-Tarts said Thursday that in the second quarter, rising demand in emerging markets and strong brands like Pringles and Eggo waffles in the U.S. helped revenue.

But its core U.S. cereal business continued to decline. "Health and wellness continues to be a very important trend," Chief Executive Steve Cahillane said in an interview.

Like its peers, Kellogg is

struggling with Americans' move away from processed, packaged food for fresher options. At the same time, a truck shortage has inflated costs for food distribution industrywide, pinching profitability for big food companies. Several of them, such as **General Mills Inc.** and **Hershey Co.**, have said they are raising prices to cover the costs, but Kellogg said its prices were generally lower in the latest quarter.

Shares in Kellogg rose 0.7% to \$69.88 on Thursday.

Kellogg has been cutting costs to stave off the rising expenses. However, its adjusted operating profit margin dropped to 14.2% from 15.1% the prior year. Mr. Cahillane said moving the labor in-house for new sin-

gle-serve products will alleviate some margin pressure.

With Americans eating less cereal in recent years, Kellogg has had to rethink its strategy and diversify its brands with deals, including buying RX Bar, a protein bar made with simple ingredients, last year for \$600 million.

Mr. Cahillane said that the cereal business in the U.S. is stabilizing and that it is "on the right track." Previous attempts to make its cereals appeal to a more health-oriented crowd

were too focused on weight loss rather than on the use of simple ingredients and beneficial nutrients, executives said.

Lately, Kellogg has been correcting that with new products like Special K with probi-

otics. "Special K was a huge leaky bucket," Mr. Cahillane said, and now, consumption of that cereal brand is rising.

The company also doubled down on some of its indulgent cereal brands, hoping a combination of nostalgia among millennials and consumers still devoted to cereal as a dessert or snack would generate interest in Chocolate Frosted Flakes and Froot Loops with marshmallows.

Overall, Kellogg's revenue rose 5.8% to \$3.36 billion and profit more than doubled to \$599 million in the quarter ended June 30. Adjusted to exclude the impact of foreign-currency translation and other one-time events, its profit rose 16% to \$1.12 a share.

# CBS Takes No Queries On Probe

*Continued from page B1*  
own brokerage firms to issue positive research as a way to help secure access to top company executives, The Wall Street Journal has reported.

The allegations against Mr. Moonves stem from a New Yorker report last week that detailed claims from six women that he sexually harassed or sexually assaulted them. The story also portrayed a broader culture that was hostile to women at CBS News.

CBS's board has hired two outside law firms to probe the matter and set up a subcommittee to oversee the investigation.

Separately, Mr. Moonves and CBS are fighting to strip National Amusements and its

president, Shari Redstone, of voting control of CBS, after Mr. Moonves resisted her efforts to combine the company with sister firm Viacom Inc. That legal dispute is headed to trial in a Delaware court this fall.

CBS had a good story to tell about its business. The company reported better-than-expected revenue of \$3.47 billion for the June quarter, up 6% from a year earlier.

Affiliate and subscription fee revenue grew by 17%, pushed higher by a rise in carriage fees for its TV stations and growth in digital initiatives like its direct-to-consumer streaming services.

CBS said those services, CBS All Access and Showtime OTT, are ahead of schedule in adding subscribers and are expected to have 16 million subscribers by 2022, as they rapidly become a meaningful part of the broadcaster's business.

Content licensing and distribution revenue grew by 4% while advertising sales were up 2%.

Profit increased to \$400

million from \$58 million a year earlier.

Shares of CBS fell 1.5% in after-hours trading. For the year, the stock has fallen more than 10%, most of those losses coming since last week's report of the harassment allegations.

New details are emerging that could make the situation even more complicated for CBS and its board. Earlier this

week, KNBC-TV Los Angeles reported that a woman filed a report with the Los Angeles Police Department last November alleging that Mr. Moonves had sexually assaulted her in 1986 and 1988 when he was a production executive.

The report was made in November 2017 and the Los Angeles District Attorney's Office declined to pursue a case because the statute of limitations for the complaints had expired, according to its Charge Evaluation Worksheet.

Mr. Moonves was never interviewed by police on this matter, an LAPD spokeswoman said.

On Thursday, the Los Angeles Times reported that Mr. Moonves had told a committee of the CBS board about the LAPD probe several months ago, and that committee had hired an outside law firm to investigate.

CBS spokesmen have previously indicated that they weren't aware of any specific probes and declined to comment on the Los Angeles



EVAN AGOSTINI/INVISION/ASSOCIATED PRESS

Times story.

National Amusements knew nothing about the probe until the KNBC report Tuesday about the woman's allegations, according to people familiar with the matter.

CBS's handling of the matter raises governance questions, including whether material information was withheld from investors, according to Jeffrey Sonnenfeld, professor of management and senior associate dean of leadership studies at the Yale School of Management.

Mark Spund, chairman of the employment law practice group at Davidoff Hutchison & Citron LLP said he didn't believe CBS was under any obligation to disclose any previous investigations into Mr. Moonves's behavior if no evidence of wrongdoing was found.

However, he said the whole board should have been made aware of any investigation like the one related to the LAPD, rather than certain members, as the Los Angeles Times reported.

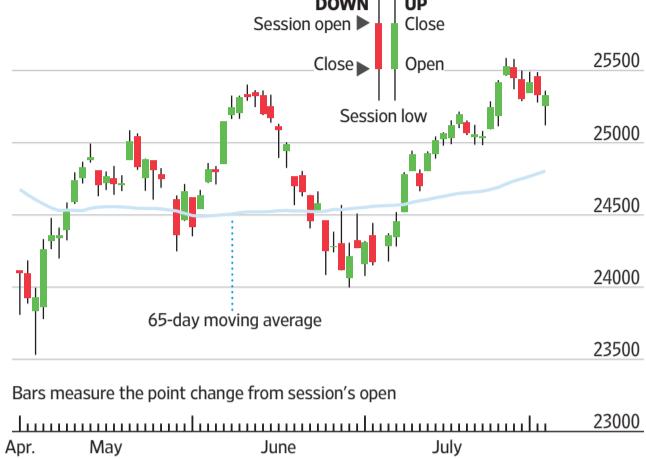
## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**25326.16** ▼7.66, or 0.03%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 22.93 19.95  
P/E estimate \* 16.59 18.42  
Dividend yield 2.13 2.28  
All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Apr. May June July

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2827.22** ▲13.86, or 0.49%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.13 23.94  
P/E estimate \* 17.65 18.94  
Dividend yield 1.82 1.97  
All-time high 2872.87, 01/26/18



65-day moving average

Apr. May June July

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Nasdaq Composite Index

**7802.69** ▲95.40, or 1.24%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.11 25.75  
P/E estimate \* 21.43 21.45  
Dividend yield 0.96 1.10  
All-time high: 7932.24, 07/25/18



65-day moving average

Apr. May June July

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

6850 7025 7200 7375 7550 7725 7900

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
<b>Dow Jones</b>										
Industrial Average	25360.48	25120.07	<b>25326.16</b>	-7.66	-0.03	26616.71	21674.51	<b>15.0</b>	2.5	<b>12.7</b>
Transportation Avg	11075.35	10925.13	<b>11055.21</b>	72.18	<b>0.66</b>	11373.38	9021.12	<b>20.1</b>	4.2	<b>9.6</b>
Utility Average	723.36	713.14	<b>721.94</b>	4.14	<b>0.58</b>	774.47	647.90	<b>-1.7</b>	-0.2	<b>7.3</b>
Total Stock Market	29397.24	29044.27	<b>29374.46</b>	172.10	<b>0.59</b>	29630.47	25030.26	<b>15.0</b>	6.1	<b>10.2</b>
Barron's 400	759.41	748.44	<b>759.15</b>	6.94	<b>0.92</b>	761.84	629.56	<b>17.0</b>	6.8	<b>10.4</b>

## Nasdaq Stock Market

Nasdaq Composite	7808.85	7659.52	<b>7802.69</b>	95.40	<b>1.24</b>	7932.24	6213.13	<b>23.1</b>	13.0	<b>15.0</b>
Nasdaq 100	7380.56	7221.35	<b>7372.15</b>	99.26	<b>1.36</b>	7508.59	5786.54	<b>25.1</b>	15.3	<b>17.1</b>

## S&amp;P

500 Index	2829.91	2796.34	<b>2827.22</b>	13.86	<b>0.49</b>	2872.87	2425.55	<b>14.4</b>	5.7	<b>10.4</b>
MidCap 400	1996.80	1969.48	<b>1994.93</b>	16.68	<b>0.84</b>	2009.15	1691.67	<b>14.2</b>	5.0	<b>9.9</b>
SmallCap 600	1058.68	1044.54	<b>1058.15</b>	9.66	<b>0.92</b>	1059.77	817.25	<b>24.3</b>	13.0	<b>14.1</b>

## Other Indexes

Russell 2000	1682.30	1662.33	<b>1682.10</b>	12.84	<b>0.77</b>	1706.99	1356.90	<b>19.7</b>	9.5	<b>10.7</b>
NYSE Composite	12904.75	12803.90	<b>12898.07</b>	-4.32	-0.03	13637.02	11699.83	<b>7.9</b>	0.7	<b>5.8</b>
Value Line	580.14	574.13	<b>579.93</b>	2.92	<b>0.51</b>	589.69	503.24	<b>11.1</b>	3.1	<b>5.7</b>
NYSE Arca Biotech	5144.73	5046.66	<b>5134.70</b>	77.75	<b>1.54</b>	5134.70	3787.17	<b>31.0</b>	21.6	<b>6.4</b>
NYSE Arca Pharma	569.99	565.10	<b>567.13</b>	-2.17	-0.38	593.12	514.66	<b>7.4</b>	4.1	<b>-2.1</b>
KBW Bank	110.13	108.36	<b>109.92</b>	0.50	<b>0.46</b>	116.52	89.71	<b>14.1</b>	3.0	<b>12.0</b>
PHLX® Gold/Silver	75.90	75.13	<b>75.39</b>	-0.47	-0.63	93.26	75.39	<b>-10.2</b>	-11.6	<b>16.6</b>
PHLX® Oil Service	149.54	146.70	<b>148.75</b>	-0.14	-0.09	170.18	117.79	<b>11.3</b>	-0.5	<b>-6.1</b>
PHLX® Semiconductor	1380.68	1348.13	<b>1378.83</b>	13.72	<b>1.00</b>	1449.90	1060.02	<b>27.8</b>	10.0	<b>28.7</b>
Cboe Volatility	14.53	12.17	<b>12.19</b>	-0.96	-7.30	37.32	9.14	<b>16.8</b>	10.4	<b>0.2</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 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	11,793.1	282.63	0.24	<b>0.08</b>	282.73	280.93
Invesco QQQ Trust I	QQQ	3,523.1	179.74	0.21	<b>0.12</b>	179.87	178.41
Ford Motor	F	3,188.9	9.92	...	unch.	9.95	9.91
VISA Cl A	V	3,132.7	139.10	0.18	<b>0.13</b>	139.25	138.71
iShares China Large-Cap	FXI	2,746.7	42.11	...	unch.	42.12	41.90
Van Eck Vectors Gold Miner	GDX	2,629.9	20.93	-0.01	<b>-0.05</b>	20.96	20.89
Vanguard Div Appreciation	VIG	1,658.7	106.00	0.12	<b>0.11</b>	106.00	105.49
GoPro Inc.	GPRO	1,651.1	6.22	0.23	<b>3.84</b>	6.60	5.70

## Percentage gainers...

Adamas Pharmaceuticals	ADMS	87.5	28.55	3.66	<b>14.70</b>	29.50	24.89
Take-Two Interactive	TTWO	555.1	127.00	13.76	<b>12.15</b>	127.33	112.57
Acacia Communications	ACIA	69.7	37.20	3.54	<b>10.52</b>	37.30	33.62
Wingstop	WING	144.2	54.60	4.29	<b>8.53</b>	54.95	48.00
Babcock Wilcox Ent	BW	64.7	2.23	0.15	<b>7.21</b>	2.23	2.08

## ...And losers

# COMMODITIES

WSJ.com/commodities

## Commodity Contracts

### Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Open	High	hi	lo	Low	Settle	Chg	Interest
r-High (CMX)-25,000 lbs.; \$ per lb.							
2,7300 2,7350 2,7080	2,7270	-0.0080	2,479				
2,7475 2,7595 2,7075	2,7375	-0.0100	160,575				
MX)-100 troy oz.; \$ per troy oz.							
1214.70 1219.30 ▼ 1205.80	1210.60	-7.30	3,382				
1219.40 1224.90 ▼ 1210.30	1214.90	-7.50	55,151				
1224.70 1230.00 ▼ 1215.30	1220.10	-7.50	339,616				
1231.70 1234.20 ▼ 1222.30	1225.80	-7.60	31,233				
1243.10 1243.10 ▼ 1234.20	1237.40	-7.70	6,927				
1262.80 1263.40 ▼ 1253.50	1256.50	-7.80	3,717				
ium (NYM)-50 troy oz.; \$ per troy oz.							
913.40 919.40 902.20	915.50	3.60	18,160				
910.90 913.60 901.80	912.80	3.60	4,115				
in (NYM)-50 troy oz.; \$ per troy oz.							
820.70 828.70 815.00	826.20	10.70	34				
819.40 837.00 813.90	828.20	11.00	77,038				
(CMX)-5,000 troy oz.; \$ per troy oz.							
15,375 15,375 15,260	15,329	-0.065	283				
15,405 15,490 15,300	15,385	-0.067	155,426				
Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.							
67.88 69.36 66.92	68.96	1.30	405,238				
66.64 68.05 65.82	67.66	1.16	255,517				
65.85 67.17 65.16	66.79	1.01	289,412				
65.68 66.79 64.89	66.45	0.99	169,601				
63.80 64.94 63.35	64.64	0.83	162,502				
62.27 63.13 61.79	62.78	0.60	212,395				
bor USLD (NYM)-42,000 gal.; \$ per gal.							
2,0978 2,1387 2,0860	2,1318	.0344	127,431				
2,1046 2,1436 2,0924	2,1365	.0325	60,957				
ot-NY RBOB (NYM)-42,000 gal.; \$ per gal.							
2,0448 2,0837 2,0226	2,0681	.0230	163,657				
1,9276 1,9620 1,9067	1,9487	.0204	95,358				
al Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.							
2,744 2,828 2,740	2,816	.058	291,361				
2,755 2,833 2,751	2,822	.052	176,050				
2,797 2,870 2,793	2,857	.046	142,260				
2,990 3,058 2,987	3,043	.038	162,250				
2,853 2,915 2,851	2,903	.035	138,457				

## Commodity Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Source: SIX Financial Info

Thursday, August 2, 2018

Source: SIX Financial Info

Thursday

Energy

	U.S.\$ equivalent)	*15,4750	Thursday
tet, Mont Belvieu-g	Coches, wholesale \$1,000 face-a	11353	SoybeanMeal,Cent IL,rail,ton48%-u
0.9379 1,1015			343.30
normal, Mont Belvieu-g			Soybeans,No.1 yellw IL-bp,u
2,790			8,5200
Gas, HenryHub-i			Wheat,Spring14%-pro Mnpls-u
Gas, TranscoZone3-i			6,8300
Gas, TranscoZone6NY-i			Wheat, No.2 soft red St.Louis-bp,u
Gas, PanhandleEast-i			5,6150
Gas, Opal-i			Wheat - Hard - KC (USA) \$ per bu-u
Gas, MarcellusNE PA-i			5,9925
Gas, HaynesvilleNLA-i			Wheat, No.1 soft white,Portlnd,OR-u
plc, 1,250,000btu,1,250,02-r,w			5,9400
RvrBsn, 8800Btu,08S02-r,w			
13,120			

Metals

	Fibers and Textiles	Grains and Feeds	Fats and Oils
Burlap,10-oz,40-inch NY yd-n,w	0.5825	Corn oil,crude wet/dry mill-u,w	28,0000
Cotton,11/16 std lw-mdMphs-u	0.8794	Grease,choice white,Chicago-h	0.2650
Cotlook A'Index-t	*99.50	Lard,Chicago-u	n.a.
Hides,hyv native steers piece fob-u	54,500	Oats, No.2 millng,Mnpls-u	2,8475
Wool,64s,stable,Terr,dw,u,w	n.a.	Rice,Long Grain Milled, No. 2 AR-u,w	25.75
Barley,top-quality Mnpls-u	n.a.	Sorghum,(Milo),No.2 Gulf-u	6,9550
Bran,wheat middlings, KC-u,w	72		
Corn, No.2 yellow,Cent IL-bp,u	3,3300		
Corn gluten feed,Midwest-u,w	106.8		
Corn gluten meal,MidWest-u,w	441.3		
Cottonseed meal,u,w	255		
Hominy feed,Cent IL-u,w	98		
Meat-bonemeal,50% pro Mnpls-u,w	263		
Oats, No.2 millng,Mnpls-u	2,8475		
Rice, Long Grain Milled, No. 2 AR-u,w	25.75		
Sorghum,(Milo),No.2 Gulf-u	6,9550		

Source: Dow Jones Market Data

Largest 100 exchange-traded funds, latest session

Source: Dow Jones Market Data

Thursday, August 2, 2018

Source: Dow Jones Market Data

Thursday

Energy

Symbol	Closing	Chg	YTD
Symbol	Price	(%)	(%)
LPETF	AMPL	11.16	2.29
scSelSector	XLY	11.48	0.69
scSelSector	XLP	53.66	1.02
SectorSPDR	XLK	75.63	-0.55
SectorSPDR	XLF	27.96	0.04
ernet	FDN	138.36	1.43
reSelSelect	XLV	89.28	0.37
ctorSPDR	XLI	75.78	-0.13
Q	QQQ	179.53	1.36
P500EW	RSP	104.79	0.40
an	BKLN	23.02	-0.04
treasuryBd	IEI	119.26	0.13
SCIEFAFE	IEFA	64.21	-0.79
SCIEmgMk	IEMG	53.06	-1.28
SCITOTIXUS	ITUS	60.78	-0.88
IVV	284.23	4.58	
&P/MC	IH	199.17	0.81
&SC	UR	86.89	0.88
otUSStkMkt	ITOT	64.93	0.59
ISAGBd	AGG	105.74	0.04
Dividend	DIVY	99.41	0.36
SCIMinEAFE	EFAV	72.49	-0.26
SCIMinUSA	USMV	54.98	0.38
SCIMinUSA	MTUM	113.02	1.04
SCIEFAFE	MIN	101.42	0.01
SPDR Gold	GLD	114.52	-0.54
EMB	108.07	-0.08	
ETF	MBB	103.57	0.12
ACWI	ACWI	73.10	-0.05
EFA	EFA	68.08	-0.66

Source: Dow Jones Market Data

Source: Dow Jones Market Data</p

## 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 ISE. This list comprises the 1,000 largest companies based on market capitalization.**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.**Footnotes:**  
I-New 52-week high.  
I-New 52-week low.  
d-Dividends lost in the most recent four quarters.  
FD-FIRST day of trading.  
h-Does not meet continued listing standards.  
If-Late filing.  
q-Temporary exemption from Nasdaq requirements.  
t-NYSE bankruptcy.  
v-Trading halted on primary market.  
WJ-in bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, August 2, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 22.57 -0.25

ADT ADT 8.62 -0.33

AES AES 13.55 0.21

Aflac AFL 46.36 -0.37

AGNC Inv AGNC 19.16 -0.23

ANGI Homes ANGI 15.82 0.24

Ansys ANSS 17.31 2.80

ASML ASML 215.8 1.92

ATT&amp;T T 31.85 -0.05

AbbottLabs Abbott 64.58 -0.20

AbbVie Abbott 95.12 1.21

Abiomed Abmd 372.29 9.01

Accenture ACN 160.14 0.24

ActivisionBlitz ATVI 74.06 0.98

AdobeSystems ADBE 252.22 4.21

AdvanceAuto AAP 143.26 3.51

AdMicroDevices ADM 18.79 0.31

Aegon AEG 6.31 -0.22

AerCap AER 57.27 0.37

Aetna AET 187.06 0.22

AffiliatedMtrs AMG 155.65 0.15

AgileTechs ACG 65.29 0.31

AgnicoEagle AEM 41.30 -0.06

AirProducts APP 159.99 -0.24

AkamaiTech AKAM 74.28 2.65

AlaskaAir ALK 61.60 0.52

Albemarle ALB 92.01 1.01

Alcoa AA 42.48 0.44

AlexandriaREst AER 126.05 -2.12

AexionPharm ALXN 6.60 -1.98

Alibaba BABA 182.26 -2.67

AlignTech ALIGN 36.92 14.22

Alkermes ALKS 44.64 1.16

Allegany H 69.62 1.55

Alleghany AGN 18.24 0.29

AllianceData ADDS 20.55 -0.04

AlliancEnergy LNT 42.47 0.10

AllisonTransc ASN 46.84 0.07

Allstate ALL 97.54 -0.28

AllyFinancial ALF 26.36 -0.28

AlmynPharm ALMY 95.22 0.78

Alphabet GOOG 1265.16 6.14

Alphabet A GOOGL 1421.13 5.62

AltaBaba AABA 72.09 -1.09

AlticeUSA ATUS 16.56 -0.47

Altira MO 58.83 -0.27

AlumofChina CHINA 10.49 -0.59

Amazon.com AMZN 183.33 37.16

Ambev ABEV 5.09 -0.07

Amdocs DOX 63.85 -2.13

Amerco UHAL 38.73 7.25

Ameren AEE 61.77 0.41

AmericaMovil AMV 16.79 -0.17

AmericaMovil A MOV 16.66 -0.19

Amerirlines AIR 37.93 -0.21

AEP AEP 70.49 0.19

AmerExpress EXP 99.73 0.28

AmericanFin AFN 113.64 0.90

AmherstMtns AMH 22.38 0.04

AmicoHome ADUS 12.60 -4.52

AmidaleBldg ATGE 55.70 -0.01

AnlymPharm ALMY 39.95 -0.16

AshlandGlobal ASH 85.98 -1.33

AtrisCures ATTC 33.01 8.87

AudioCodes ACO 9.88 -0.24

BlackstoneBX BXMT 33.41 1.11

BluegreenVac BXG 26.22 1.0

BoeingBldg WFI 32.49 0.15

BristolMyers BMY 59.77 -0.35

BryggWarner BWB 44.64 0.47

Cablecom AVGO 21.65 -0.45

CarterBldg CTDN 14.51 1.30

Caterpillar CAT 138.01 -2.24

CetaceanDesign CED 17.63 -0.24

ChadwickBldg CHD 57.57 -0.30

ChaseBank CHS 23.38 -0.04

Cigna CNG 83.49 -5.44

Cincomsys CMS 27.25 -3.35

CirrusLogic CRUS 17.74 -0.01

Citibank CIB 21.07 -0.28

Citibank CIB 21.0

## BANKING &amp; FINANCE

# Investors Sour on Dubai Authority

City's policing ability attracts focus after private-equity firm Abraaj melts down

BY NICOLAS PARASIE

DUBAI—Investors are questioning whether Dubai's young financial center can police itself as the meltdown of its marquee private-equity firm highlights broader concerns about placing money in the region.

This emirate's top regulator, the Dubai Financial Services Authority, has been close to silent since allegations emerged that **Abraaj Group** misused hundreds of millions of dollars in investors' money, including that of the Bill and Melinda Gates Foundation and the World Bank. It has issued two short statements, seized some laptops from Abraaj, and is in talks with at least one of the firm's auditors.

Investors and executives here say the authority's response has made them nervous about the regulatory environment in Dubai, which built a financial district of gleaming skyscrapers from scratch more than a decade ago. Dubai was supposed to be a rules-based haven in the Middle East's opaque financial world, but fears about corporate governance and conflicts of interest are rising.

The region suffers from a shortage of independent directors on corporate boards, according to ratings firm Standard & Poor's. Some companies have headquarters in Dubai but are legally based in offshore havens like the Cayman Islands, creating uncertainty about which jurisdiction's laws matter. Even in a city that hosts the regional headquarters of most major



The Dubai skyline. Investors and executives say regulators' response to Abraaj's problems are making them nervous.

global banks, the finance world often resembles a small clubhouse of members who look the other way at wrongdoing, say lawyers who work here.

"Governments and regulators need to step up support to encourage the industry's development so that investors can regain trust," said Tarek Fadlallah, chief executive of Nomura Middle East, the regional asset-management arm of the Asian investment bank.

Standard & Poor's said Persian Gulf companies' Achilles' heel is a lack of governance standards. With better practices, companies could improve access to capital markets and reduce debt costs, S&P said in a report last year.

"The problem is the concen-

tration of power within most companies," said Alissa Amico, a Paris-based former executive at the Organization for Economic Cooperation and Development, who now runs her own advisory firm, Govern.

Unlike in the West, where corporate executives are often held accountable by supervisory boards, "there are no checks and balances in the Middle East," she said.

The Dubai Financial Services Authority declined to comment. In its statements about the Abraaj case, the DFSA has said it was aware of "various matters involving Abraaj Group" and it will work toward "safeguarding the interests of investors."

Abraaj has denied any

wrongdoing and said all missing money had been returned to investors. Abraaj's provisional liquidator didn't respond to a request to comment.

The Dubai International Financial Center boasts its own English common-law court separate from the rest of the United Arab Emirates, where Islamic law is observed. Its regulator is the DFSA, which oversees about 629 companies and whose enforcement arm is led by a former U.K. investigator who probed Libor misconduct. The DIFC also declined to comment.

The DFSA has never faced the demise of a firm as big as Abraaj, which once controlled up to \$14 billion.

## Building Up

Number of member firms in the Dubai International Financial Center



SOURCE: DIFC

THE WALL STREET JOURNAL.

# AIG Profit Slides as Business Unit Slips

BY LESLIE SCISM

American International Group Inc. posted a 17% decline in second-quarter net income, weighed down by a \$200 million pretax restructuring charge, lower investment income and another weak showing for its big business of selling property-casualty policies to corporate clients.

AIG's overall net profit sank to \$937 million as the turnaround effort of Chief Executive Brian Duperreault passed the one-year mark. AIG, which has about 50,000 employees, said the restructuring charge is related to efficiency initiatives, without elaborating further.

Since his arrival, Mr. Duperreault has talked about the need to reduce expenses as part of a broader turnaround program. Adding to cost pressures has been a wave of hiring of experienced industry managers in recent months, as Mr. Duperreault seeks to improve basics such as selecting insurance risks that can be properly priced to turn a profit.

At the same time, the global company faces a competitive pricing environment for property-casualty insurance that limits price increases.

AIG posted a 34% decline in its closely watched adjusted operating results, which strip out realized capital gains and losses in insurers' big investment portfolios and other items judged nonrecurring, such as the restructuring charge.

Analysts monitor such adjusted results as a measure of the health of continuing operations.

AIG's adjusted profit of \$961 million, or \$1.05 a share, missed analysts' consensus forecast of \$1.19 a share, as surveyed by Zack's Investment Research, and was down from \$1.53 a share in the year-earlier period.

Much of the decline came from AIG's globe-straddling General Insurance unit, which focuses primarily on insuring business clients. It posted a 46% decline in adjusted pretax profit to \$568 million.

AIG also has a large life-insurance and retirement-prod-

ucts unit. It produced another quarter of solid results with a modest increase in premiums and fees, though its pretax profit slipped 3% to \$962 million.

"In the second quarter, we continued to take actions across General Insurance to establish a culture of underwriting excellence and added stellar talent," Mr. Duperreault said in the earnings release. "Our efforts are taking hold and we remain committed to achieving an underwriting profit as we exit 2018."

For the quarter, AIG cited a 12% decline in investment income to \$3.1 billion. This was primarily driven by lower income from hedge funds, private-equity holdings and other so-called alternative investments that are made with a slice of the premium it deploys into capital markets until needed to pay claims.

AIG attributed an increase in its year-over-year expense ratio to a change in business mix that included higher commissions as well as "strategic initiatives" to improve underwriting results and simplify the company's organization.

AIG's turnaround has been under way since the company in 2012 wrapped up repaying its 2008 federal-government financial-crisis rescue package, which ultimately topped \$182 billion.

That is when investors began pressing management to eliminate the gap between AIG's results and the higher profit margins that many rivals routinely report.

# Barclays Returns to Profit, Cites Trading

BY MAX COLCHESTER

LONDON—Barclays PLC swung to a first-half profit on a pickup in trading revenue and lower bad-loan losses, as the British bank continues a grinding march to win investors on its business model.

Barclays management trumpeted Thursday's figures, which for the first time in years weren't marred by a big financial impairment, as a vision of what it can achieve. Under pressure from activist investor **Sherborne Investors**, Chief Executive Jes Staley is battling to show that the lender's diversified business—which stretches from credit cards to bond trading—can deliver strong returns.

Mr. Staley on Thursday appealed to investors to leave the bank's strategy alone. "Now just let this bank run for a while and let shareholders get the returns they expect," he said.

Barclays said its return on equity, a measure of profitability, was 11.8% in the past three months, ahead of its 2020 target of 10%. The bank recorded a first-half net profit of £468 million (\$614 million), up from a £1.2 billion loss a year earlier. Revenue in the first six



Jes Staley is striving to show that Barclays diversified business can deliver strong returns.

months was roughly flat at £10.9 billion.

Barclays shares fell 2.7% in London amid worries over higher-than-expected costs and that revenue was helped by one-time gains. Barclays said its capital buffers fell slightly as it took on extra risk in its investment-banking division.

The lender's investment bank is being scrutinized as

investors worry that capital deployed there could be put to better use elsewhere.

Barclays said its trading business recorded growth over the first half.

Fixed-income trading revenue in dollar terms was up 1%, while equities-trading revenue rose 37%. This compared with increases of 8% and 14%, respectively, at U.S. banks, according to Berenberg Bank an-

alysts.

However, Barclays warned that market volatility was low in July and that impairments could pick up due to accounting-rule changes.

Barclays executives pointed to the results as key for the bank, which has struggled with years of lackluster share performance and faced pressure since Sherborne acquired a stake.

To some extent, Mr. Staley's fate isn't in his hands. The Brexit vote has sparked investor worries that the U.K. economy could suffer and drag Barclays's sizable retail business with it.

Analysts have fretted that Barclays's red-hot growth in U.S. credit cards could hurt the bank if the economic cycle cools.

One lever he can pull is on costs, which were down 3% year over year, excluding the effect of litigation charges.

Insiders said the market's reaction would gauge whether shareholders were buying the growth vision Mr. Staley has presented or continue to value the bank on its past performance.

On Thursday, Mr. Staley said he "was looking forward to meeting" Sherborne's founder, Edward Bramson, adding that the bank hasn't "changed the model at all" to pre-empt the activist investor's demands.

"We don't believe that you can take slices of a business and get out of them without significantly impacting the whole," he said.

Barclays will look at share buybacks toward the end of the year, he added.

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# Apollo Earnings Miss Wall Street Estimates

BY MIRIAM GOTTFRIED AND ALLISON PRANG

**Apollo Global Management** LLC reported earnings below analysts' forecasts, as the investment firm posted slower growth in the value of its private-equity portfolio.

Apollo said the value of its private-equity funds climbed 1.7% in the second quarter, beating the 2.7% drop it posted in the first quarter but slower than the 1.9% gain logged in the year-ago quarter. The result fell short of the 2.9% increase in the S&P 500 during the period.

The New York firm's economic net income, a closely watched measure of unrealized investment gains, fell 41% year over year to \$108.5 million, or 27 cents a share. Analysts polled by Thomson Reuters expected economic net income of 54 cents a share.

On a call with analysts, Apollo executives said the firm had to mark down the value of a retail holding and a Canadian natural-gas investment during the quarter, weighing on its overall portfolio value. Apollo's investment in insurer **Athene Holding** Ltd. also hit earnings. Athene shares are down 5.6% over the past three months.

Apollo's net income declined 31% to \$63.6 million, or 25 cents a share. Fee-related earnings, a bright spot, grew by 40% to \$185.7 million, primarily driven by the transition to its new fund.

Distributable earnings, a measure of cash profits available for payout to shareholders, fell to 53 cents a share from 60 cents.

Apollo said it would pay a dividend of 43 cents a share, down from 52 cents a year earlier.

The firm said Thursday that all withdrawals from its absolute-return bond funds had been suspended as of Tuesday following high level of redemptions. The firm said it is now looking at all options, including potentially liquidating the funds.

The firm said Tuesday it had taken the unusual step of suspending top hedge-fund

manager Tim Haywood, who ran the funds, after an internal probe found flaws in his risk-management and record-keeping procedures. Mr. Haywood was suspended on Monday night following a decision taken by the board.

Mr. Haywood ran 11 billion Swiss francs in the firm's absolute-return bond strategy, which includes both funds and individual client accounts. The strategy had an average management-fee margin of 0.62%.

Funds' boards of directors typically have to decide whether to halt dealings in a fund if it gets more than 10% withdrawal requests over a short period. The funds affected had 7.3 billion Swiss francs in assets as of Tuesday.

"No other employees are being investigated by GAM in relation to these matters," Chief Executive Alexander Friedman told The Wall Street Journal. "The forensic part of the investigation is largely

completed, and we do not anticipate any further conduct issues to arise. The investigation did not conclude that there has been any departure from a legitimate investment strategy."

GAM said Thursday that although its funds have the liquidity to meet demands by investors to withdraw their money, it didn't want to disadvantage remaining investors as the redemptions would disproportionately change the makeup of the funds. That is because more liquid bonds are typically sold first to meet client withdrawals, which can leave remaining investors with less liquid bonds.

It will stop charging management fees on the funds while they are suspended or if they go into liquidation.

London-based investment director Mr. Haywood is one of GAM's highest-profile fund managers. He didn't respond to a request for comment.

# GAM Blocks Fund Redemptions

BY LAURENCE FLETCHER

The plunge in **GAM Holding** AG shares deepened Thursday as the Swiss money manager blocked investors from pulling out cash from some of the company's funds following the suspension of a star bond-fund manager.

GAM shares closed down 14.9% at 8.54 francs (\$8.60). After Tuesday's 13% drop and a fall mid-July following news that profit would be hit by a write-off, the firm's shares are now down around 44% this year.

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## MARKETS

# Turkey Needs Foreign Investors to Stay

By CHRISTOPHER WHITTALL

Turkey's embattled financial system needs foreign investors. Its plunging currency shows only the bravest are choosing to stick around.

Turkey has one of the biggest piles of foreign-denominated debt in the developing world, much of which comes due in the next year, and a currency whose drastic decline makes it ever more expensive to pay off.

The lira has lost a quarter of its value this year against the dollar and took another leg down Wednesday and Thursday after the Trump administration sanctioned two Turkish officials following Ankara's refusal to free an American pastor.

Bond yields have exploded higher amid very high inflation, and stocks have fallen.

For those foreign investors still left in Turkey the question is: Are the heady yields the country's markets offer worth the volatile ride?

On Tuesday, Nishant Upadhyay, woke at 3 a.m. in New York to read Turkey's latest sky-high inflation figures. He didn't need an alarm. "It's not like I can sleep easy with Turkey—I can't," said Mr. Upadhyay, who oversees more than \$18 billion in assets as head of emerging-market debt at HSBC Global Asset Management, in an interview before the sanctions announcement.

## Up and Away

Turkey has a large stock of external debt for an emerging economy. This year, local-currency government bonds have also come under pressure.

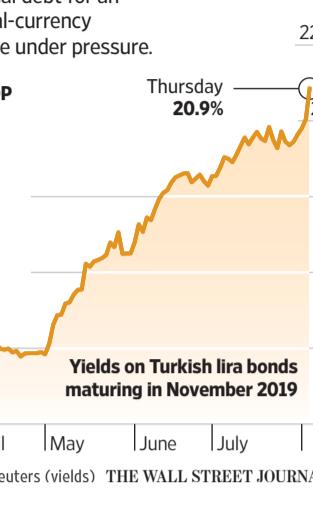
**External debt as a percentage of GDP at the end of 2017**



**Yields on Turkish lira bonds maturing in November 2019**

Source: IMF, World Bank (debt); Thomson Reuters (yields)

THE WALL STREET JOURNAL.



Turkey's lira has lost a quarter of its value against the dollar this year. A currency office in Istanbul.

ERDEM SAHIN/EPA/SHUTTERSTOCK

Even so, the high yield from owning Turkish bonds means investors are highly compensated for taking the risk. "The bar for us to give up on Turkey would be fairly high simply because" of that, he said.

Mr. Upadhyay isn't alone in staying in Turkey, but he is increasingly in the minority. Many foreign funds have already pulled back and Turkish markets reflect the exodus. The lira has plunged and the yield on dollar-denominated government debt maturing in 2028 has moved from 5.2% in January to 7.5% now, according to Tradeweb. Yields on Turkish lira bonds that mature in November 2019 have risen from 13% to more than 20%,

according to Thomson Reuters.

Turkey's woes come against a backdrop of wider pressure on emerging markets, which have been hit this year amid a stronger dollar, higher U.S. interest rates and an escalating trade conflict between the U.S. and China. Argentina asked for a \$50 billion credit line from the International Monetary Fund earlier this year.

But Turkey also has a long list of domestic troubles.

The IMF forecasts the country's current-account deficit will be over 5% of gross domestic product in 2018, the widest among emerging economies in the Group of 20 nations. Inflation spiraled to 15.4% in June, its highest annual rate in 15

years. Investors have ques-

tioned the central bank's ability to tame inflation as President Recep Tayyip Erdogan tightens his grip over the economy. The lira slid sharply in July after he made his son-in-law finance minister and received powers letting him appoint central bank governors.

Another big concern is the amount of debt Turkey owes in other currencies, which the IMF says stood at 53% of gross domestic product at the end of 2017. Over a third of that comes due within a year, while 40% is in floating-rate debt, making it more expensive to pay off as interest rates rise.

In 2017, Turkey's economy expanded at the fastest rate in

the Group of 20 leading economies. But a good part of that growth was fueled by credit partly guaranteed by the state.

That program, known as the Credit Guarantee Fund, expanded 10-fold in 2017 to around 7% of GDP, according to the IMF.

That debt was channeled through local banks, and now problem loans are rising. Turkey's six largest banks notched a "significant" annual rise in nonperforming loans in the first quarter, according to S&P Global Market Intelligence, which warned those lenders are at risk of a further deterioration in asset quality.

Turkey's banks, like many of its companies, are also

hugely reliant on foreign debt.

If that debt can't be rolled over, central-bank reserves aren't big enough to cover that shortfall as well as Turkey's current-account deficit, said Viktor Szabo, a senior investment manager at Aberdeen Standard Investments.

Mr. Szabo has an underweight position on Turkey but still holds three-year local-currency bonds that yield over 20%. The value of lira-denominated assets have taken a substantial hit with the currency's slide this year. Investors buying the bonds now would have to see a 20% decline in the currency over coming months for their returns to be wiped out entirely, he said.

## Options Clearing Scrutinized

Continued from page B1

enough collateral on hand to protect trader defaults from rippling through markets and causing widespread losses.

The SEC and CFTC investigations place new scrutiny on an institution that U.S. regulators labeled "systemically important" in 2012, subjecting it to stricter standards. Clearinghouses are supposed

spokeswoman that the clearinghouse functioned properly and that the firm expects some breaches "when there are extraordinary events."

Ms. McCormick said there were no disruptions to clearing.

This isn't the first time the entity has attracted regulators' attention.

The SEC in 2013 cited Options Clearing for a dozen deficiencies related to inadequate risk-management systems, corporate governance and compliance during regulatory exams conducted from 2011 to 2013.

The new enforcement probes by the SEC and CFTC began after the jump in market volatility during the first quarter of 2018, the people said. SEC and CFTC examiners became frustrated about the clearinghouse's models and referred their findings to their respective enforcement divisions, said people familiar with the matter.

The regulators are now looking into the clearinghouse's risk-management models and databases to determine if there are any violations of rules governing how Options Clearing calculates margin levels, stress tests its members' trading positions and maintains its own critical computer systems, the people said.

## Sizable Spike

A jolt of volatility this year exposed problems with how Options Clearing manages risk.

### CBOE Volatility Index



## MARKETS

# Upbeat Earnings Give Shares a Boost

BY CELSEY DULANEY

Investors are rewarding companies that beat Wall Street's earnings expectations with the largest share-price gains in years, helping to underpin a U.S. stock-market rally rattled by this year's trade tensions and rising interest rates. Earnings for S&P 500 companies are expected to log a rise of 24% for the second quarter, according to FactSet estimates. That would rank as the second-largest increase since 2010 and extend a streak of double-digit profit growth for U.S. companies that had in previous quarters failed to impress investors.

In recent weeks, upbeat results from tech giants like Apple Inc. and manufacturers like Caterpillar Inc. have helped to reassure investors that the corporate profit recovery remains on solid ground. Going into this earnings season, many investors had feared trade tensions, rising interest rates and higher costs for things like labor and commodities would drag down earnings and share prices.

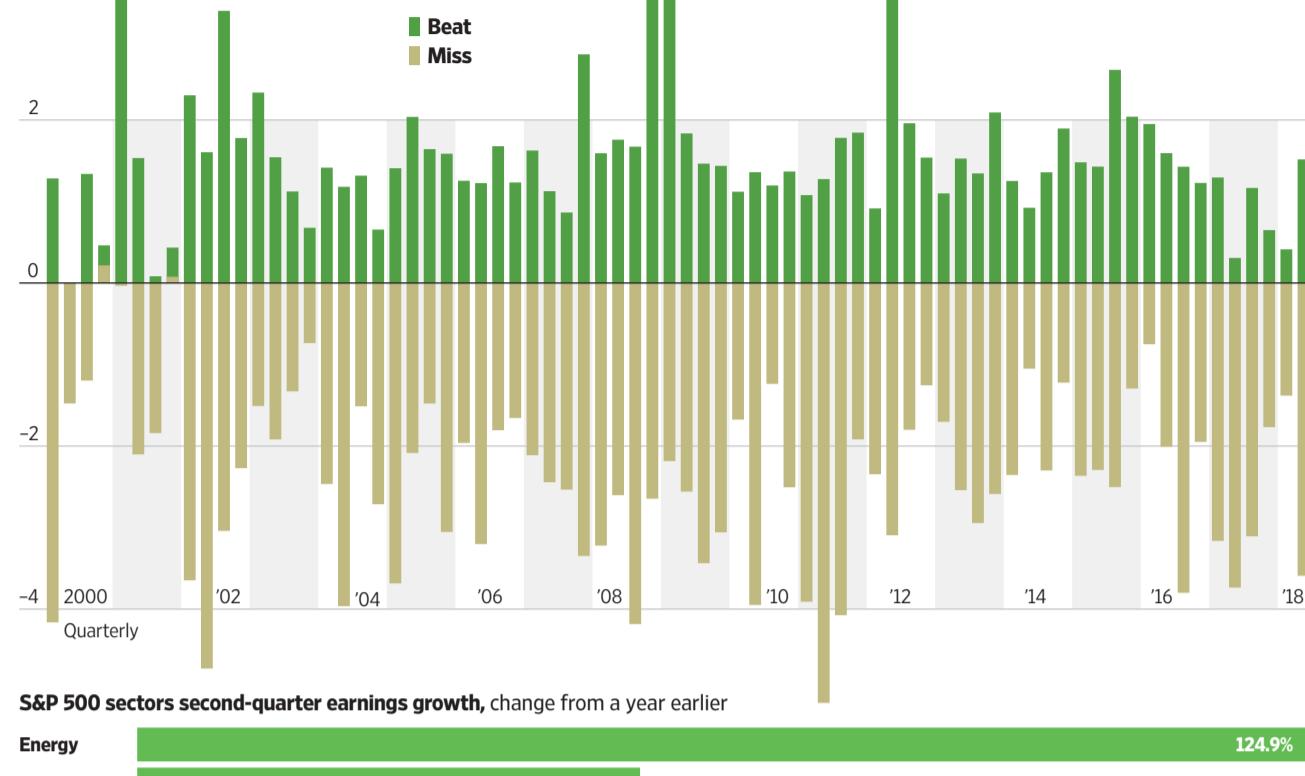
"This is a market that is proving the skeptics wrong," said Jack Ablin, chief investment officer of Cresset Wealth Advisors. "There is a fair amount of resilience in corporate America and that's a good thing for equities."

Shares of companies that posted better-than-expected earnings and revenue in the second quarter have risen by an average of 1.5% after their reports, according to Bank of America Merrill Lynch. That is the largest gain since 2016 and is far higher than the 0.4% rise for the first quarter.

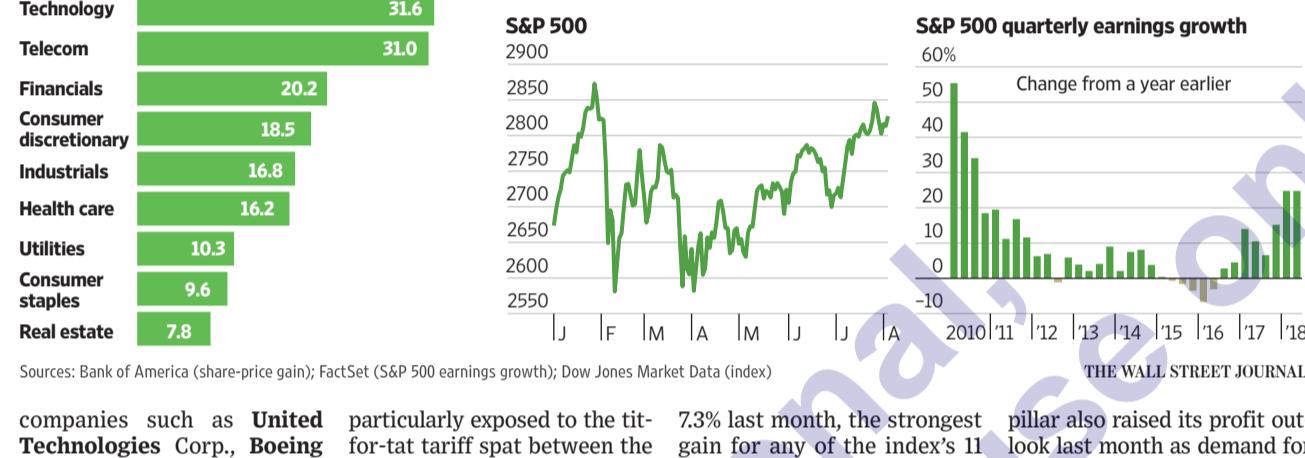
Strong earnings helped send the S&P 500 up 3.6% in July, when companies began to report for the quarter, the best monthly gain since January. The index is now less than 2% from a record.

Investors point to strong results from large industrial

## Average share-price gain for companies that beat or missed earnings and revenue expectations



S&amp;P 500 sectors second-quarter earnings growth, change from a year earlier



S&amp;P 500

2900

2850

2800

2750

2700

2650

2600

2550

2500

2450

2400

2350

2300

2250

2200

2150

2100

2050

2000

1950

1900

1850

1800

1750

1700

1650

1600

1550

1500

1450

1400

1350

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950

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850

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400

350

300

250

200

150

100

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-50

-100

-150

-200

-250

-300

-350

-400

-450

-500

-550

-600

-650

-700

-750

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Jay-Z and Beyoncé's  
onetime rental sells  
for \$50 million **M8**



# MANSION

'The test of a man isn't what you think he'll do. It's what he actually does.' —Frank Herbert, 'Dune'

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THE WALL STREET JOURNAL.

Friday, August 3, 2018 | **M1**



JASON HENRY FOR THE WALL STREET JOURNAL (3)

**SLICE OF LIFE** The Mountainside at Northstar development in Truckee, Calif., built these 'rendezvous cabins' for temporary stays.



BY AMY GAMERMAN

**SOME OF THE** world's most luxurious resorts are borrowing a pitch from the Costco aisle: They are offering bite-size samples to shoppers.

## Luxe Resorts Tell Buyers: Try Us Out!

High-end developers are offering shoppers short stays in fancy tents and cabins 'on the house.'

**'ROUGHING IT'** The cabins are walking distance to a lodge with fitness center, below left, and an outdoor yoga studio, below.



Although the Four Seasons Caye Chapel Resort and Residences in Belize doesn't officially open for three more years, the island property has created four tricked-out beach tents to host mini-getaways for potential buyers.

"I love going down there and staying in the

tents—they have every luxury: air-conditioning, a teak-floor shower with all these beautiful locations, an espresso maker," said Sara Cady, a 48-year-old Austin, Texas, resident whose family has visited the island resort property twice. "We

Please turn to page M4

**HOUSE CALL | MARIO ANDRETTI**

**INSIDE**

## COMING TO AMERICA—IN THE FAST LANE

The champion driver spent his childhood in an Italian refugee camp dreaming of racing cars



**ON TRACK**  
Mario Andretti,  
right, in his  
Nazareth, Pa.,  
home with  
Gonzo, his yel-  
low-nape Ama-  
zon parrot, and,  
left, in a 1960s  
auto race.

*Mario Andretti, 78, is one of the most successful drivers in racing history and the only driver to win the Indianapolis 500, the Daytona 500 and the Formula One World Championship. He spoke with Marc Myers.*

I was 6 when I first felt the thrill of acceleration. A carpenter had built a small cart for my brother, Aldo, and me. We'd pull it up a hill in front of our house in Italy and ride down together.

One day, in 1946, we came down too fast and scared some old ladies. They complained to my father's uncle, who was a priest. He took our side.

Aldo and I are fraternal twins. We were born in Montona, a medieval town on top of an imposing hill on the Is-



**\$11 MILLION**  
Quirky, curvy home in Washington lists **M2**



**GO AL FRESCO**  
Outdoor pavilions for  
wining and dining **M3**



**EXPLAIN YOURSELF**  
When lenders ask you  
to write a letter **M6**

trian peninsula. My father, Gigi, was the administrator of seven farms on 2,100 acres. He owned and managed the land with his uncle. My mother, Rina, helped out at her parents' restaurant in their small hotel at the base of the hill.

There was no refrigeration then, so my mother had to walk down 1,000 stone stairs and back up several times a day to bring fresh food to the restaurant from Montona's stores.

Fortunately, the town was never bombed during World War II. After the war in 1945, the Istrian peninsula was given to Communist Yugoslavia. Italy was on the losing side of the war.

In 1948, my family had enough and decided to leave. We were given a truck for

our essentials and were promised restitution at a later date for our house, land and belongings left behind.

My brother and sister, Anna Maria, and I sat in the back of the truck with my

mother's parents and Uncle Priest. As we left, I watched our town disappear from view.

Our first stop was the main displacement camp in Udine, in northeast Italy. We were

there for two weeks. Conditions were squalid. Then we were put on a cattle train and relocated to a refugee camp in Lucca, in Tuscany.

The refugee camp was

Please turn to page M10

## MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

## Seattle Home Seeks \$11 Million



An heiress to the De Beers diamond fortune is listing her "Guggenheim Museum-meets-spaceship"-inspired Washington state home for \$11 million.

The home is the most expensive residence ever listed in Pierce, Mason and Thurston counties, which are near Seattle, according to listing agent Michael Morrison of Morrison House Sotheby's International Realty.

The house sits on about 80 acres and is roughly 6,500 square feet with four bedrooms. Highly modern and circular, the house somewhat resembles a UFO.

Its interior is contemporary, with curved fixtures and plush rounded furniture. It was also designed to be environmentally friendly with geothermal water

heaters and a solar hot-water boiler system.

The seller is Rebecca Oppenheimer, whose grandfather, Harry Oppenheimer, was the chairman of De Beers Consolidated Mines. She bought the site in 2003, and her South African architect managed to design the home without ever setting foot on the site.

The Guggenheim-meets-space style was her idea: "I wanted it to be cutting edge with smooth lines—nothing usual," Ms. Oppenheimer said. "I had always been enamored with curves." Construction took about three years and was completed around 2006.

Ms. Oppenheimer said she made the home as self-sustaining as possible. A beekeeper looks after the honey bees, and there is

also a greenhouse and a chicken coop. There is also a saltwater pool, a heliport and a barn with three bedrooms for guests.

When it came to the landscaping, Ms. Oppenheimer said she was inspired by the Garden of Cosmic Speculation, a sculpture garden in west Scotland that was based on modern cosmology. Pathways throughout the grounds are cut in swirling patterns.

Ms. Oppenheimer said she is selling the property because she has relocated back to South Africa, where she grew up, and no longer spends much time in the U.S.

She said she has invented a rain-harvesting vertical garden system, which she plans to introduce in low-income areas of South Africa.

## ONETIME WASHINGTON, D.C., ESTATE OF TED KENNEDY ASKS \$22 MILLION

A sprawling Georgetown estate that was once home to Sen. Ted Kennedy is coming on the market for \$22 million.

Mr. Kennedy and his first wife, Joan Kennedy, rented the property some time after his election to the Senate in the 1960s, according to the Historical Society of Washington, D.C., and reports from the time.

The home was once part of the neighboring Evermay Estate, a historic Georgetown property that sold for \$22 million in 2011 to biotech executives Sachiko Kuno and Ryuji Ueno.

The current owner of the estate is Cathy Brentzel, a former securities attorney, who bought the home with her family in 2008 for \$11.8 million, property records show. Ms. Brentzel said she is selling the property, which has been shopped off-market several times in the past few years, to be closer to her 15-year-old daughter, who is attending boarding school in Switzerland.

The original Edwardian-style home dates back to 1887, but an addition was added in the 1950s.



bringing the home to around 10,000 square feet. More recently, a previous owner renovated the home to better blend the older portion with the addition. The interior of the home was taken down to the studs, while new structural support, plumbing and electric wiring were installed.

Ms. Brentzel said she has hosted numerous events at the home, including the wedding of a friend that was presided over by Supreme Court Justice Sonia Sotomayor.

The home has nine bedrooms and 10 bathrooms. The main entrance opens onto a reception hall with marble flooring and a wrought-iron and mahogany staircase. There are wood-paneled walls, walnut parquet flooring and an octagonal study with bookshelves. There are two garages and a media room.

Mr. Kennedy, brother of President John F. Kennedy, was a Massachusetts Democrat who served 47 years in the U.S. Senate. He died in 2009.

Daniel Heider of TTR Sotheby's International Realty has the listing.



FROM TOP: MARK REINSTEIN/ZUMA PRESS; CESAR A. OLIVARES

## KATHARINE GRAHAM'S SUMMER ESTATE FOR \$39.5 MILLION

A large portion of a Martha's Vineyard estate formerly owned by Washington Post publisher Katharine Graham is coming on the market for \$39.5 million.

The sprawling 186-acre beach-front property overlooks James Pond, Buzzards Bay and the Elizabeth Islands. There are meadows, stone walls and a brook that runs through the land, according to listing agents Gerret C. Conover and Thomas E. LeClair of LandVest, an affiliate of Christie's International Real Estate.

Ms. Graham led the Washington Post through the Watergate scandal and the 1971 publishing of the Pentagon Papers, a period depicted

in the 2017 movie "The Post." Ms. Graham bought the property in the early 1970s in a bid to keep it out of the hands of developers, according to LandVest.

In her memoir, "To the New Owners," journalist and author Madeleine Blais said the property "felt like the set of a Katharine Hepburn movie, one in which the heroine shows verbal spunk and athletic grace in equal measure."

Ms. Graham died in 2001, after which a large part of the original property was passed down to her son William, a lawyer and philanthropist, according to the listing agents. Mr. Graham died last year. The property is now owned by

several limited companies linked to trustees and executors for Mr. Graham's estate, and the proceeds of the sale will be donated to charity, according to the listing agents.

The house on the property is roughly 5,000 square feet with eight bedrooms. It has a large covered deck for dining with views of the ocean and a large kitchen for entertaining.

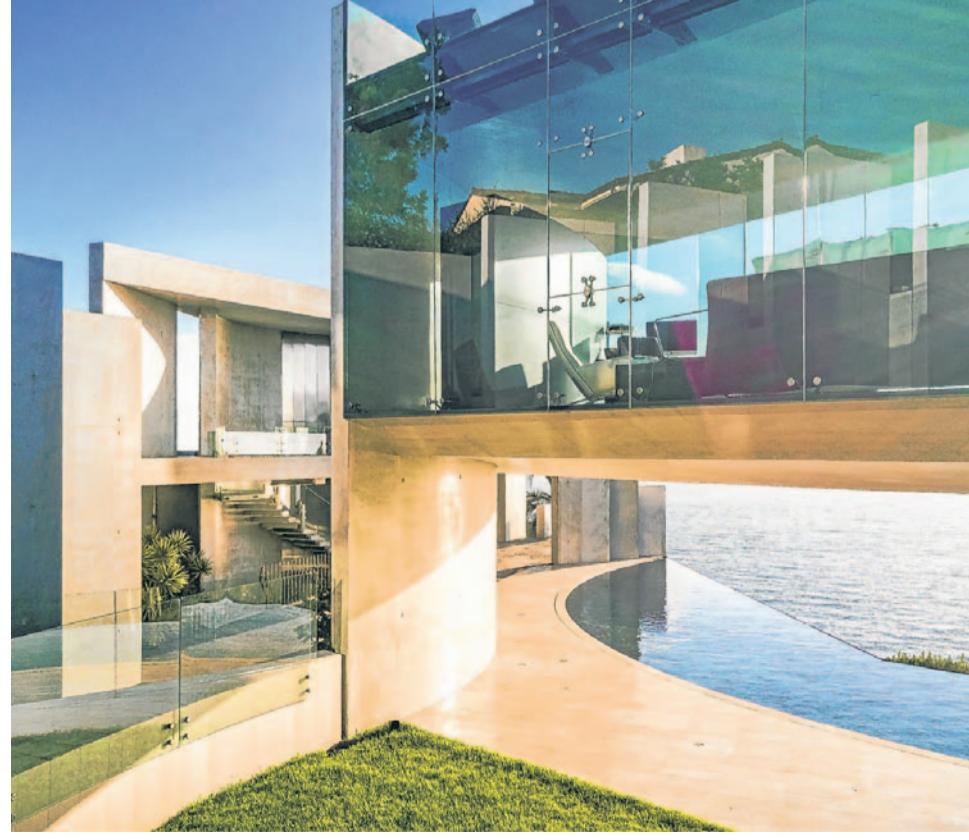
The property also includes a three-car garage with an apartment, a two-story caretaker's home and barn and a one-bedroom private beach house. The home where Ms. Graham lived, named Mohu, is on a separate parcel and isn't included in the sale.

## A REAL CLIFFHANGER: THE RAZOR HOUSE ASKS \$30 MILLION

In La Jolla, Calif., the Razor House—an ultramodern home hugging a steep, jagged bluff overlooking the ocean—is listing for \$30 million.

A local landmark, the cantilevered home is 10,653 square feet with four bedrooms, according to owner Donald Burns. There is a circular living room, a screening room with acoustically treated walls and ceiling, a family room and a library. There are two indoor kitchens, one for entertaining and another restaurant-grade service kitchen. Other amenities include a black-tiled vanishing-edge heated pool and a rooftop entertaining level with a stainless-steel spa and an outdoor kitchen. There is also a 1,301-square-foot, two-bedroom detached guesthouse. The home has been featured in television commercials, including one for Visa Black Card, Mr. Burns said.

Mr. Burns said he bought the home for about \$14.1 million in 2011, after the original owner filed for bankruptcy in the late 2000s. Mr. Burns said it took almost three years and "a substantial sum of money" to finish construction of the property, which was habitable but had no staircase between the first and second floors. Construction was complicated by



SAM CHEN

the home's position on a steep cliff near an area known as Razor Point. It was difficult to transport heavy construction equipment to the cliffside, and to secure approvals from the California Coastal Commission, he said.

Mr. Burns, who is primarily based in Florida, is the former chief executive of magicJack, a device that plugs into a port on a user's computer to allow them to make local and long-distance phone calls. He said he is selling the property because he hasn't been able to spend

much time there.

Laleh and Niloo Monshizadeh of Coldwell Banker Residential Brokerage have the listing.

Beyoncé and Jay-Z's one-time Malibu home sells. M8

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Christopher Foglia, 631.288.1050  
c.631.831.2515



**Smithtown, NY – Custom-Built Post Modern**  
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Dee Donovan, 631.754.3400 ext.210  
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**West Islip, NY – Waterfront**  
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**Sonequa Martin-Green,  
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Photo Credit: Matt Sayles  
Stand Up To Cancer is a division of the Entertainment Industry Foundation,  
a 501(c)(3) charitable organization.



## MANSION



## POOLSIDE

Amantea Architects, based in Toronto, designed a modern Douglas fir-and-steel pavilion for a family's backyard that features a pool and a pool house. It has a concrete wall that holds a fire pit, planter, bar area, wood-burning pizza oven and grill, plus extra seating. The area is illuminated by six linear LED lights that are 8 feet long and dimmable. "The owners can see it from their house, reminding them of the summer during the middle of the winter," says principal architect Michael Amantea.

**Price:** About \$61,000

## ELEMENTS

## THEY'VE GOT YOU COVERED

Pavilions are often added to a landscaped outdoor area to provide a place to entertain, to dine or to get some fresh air—even in the pouring rain

Pavilions—also known as summerhouses, gazebos or belvederes—are architects' more free-spirited counterpoints to a house. "Pavilions are more about pure structure rather than having to focus on the technical details of a house," says Steve Hoedemaker of Seattle-based Hoedemaker Pfeiffer. For homeowners, these open-

air structures are focal points in the landscape, a place to entertain, enjoy outdoor dining or just to take in warm nights.

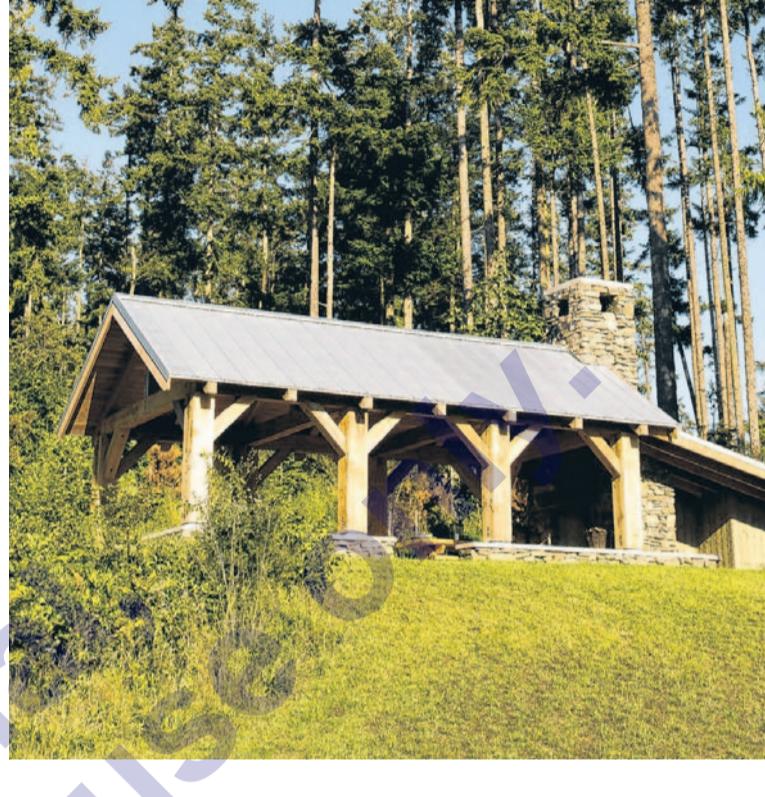
Some of these structures have a reputation of their own. Thomas Jefferson's Garden Pavilion at Monticello was his favorite place for reading and reflection. Philip Johnson's Pavilion in the Pond, made of pre-fabricated

concrete, was meant to fool the eye of partying visitors, with its scaled-down size and 5-foot-4-inch ceiling.

The pavilions shown here are perfect places for a picnic, and can be loaded with amenities.

Whether simple or more elaborate, the goal is the same: a way to shelter while in the outdoors.

—Karen Bruno



## GIVING SHELTER

"We wanted to evoke a public park shelter or forest service shelter," says Steve Hoedemaker of Hoedemaker Pfeiffer in Seattle, "something with both a sense of design and permanence." On Washington's San Juan Islands, this pavilion is built from fir trees felled on site during construction of the main house. It has a zinc standing-seam roof and is made of Montana Ledge stone and Huckleberry basalt, with a poured concrete floor.

**Price:** \$270,000 for the pavilion, including a shower and sink



## SAILBOAT MEETS HUT

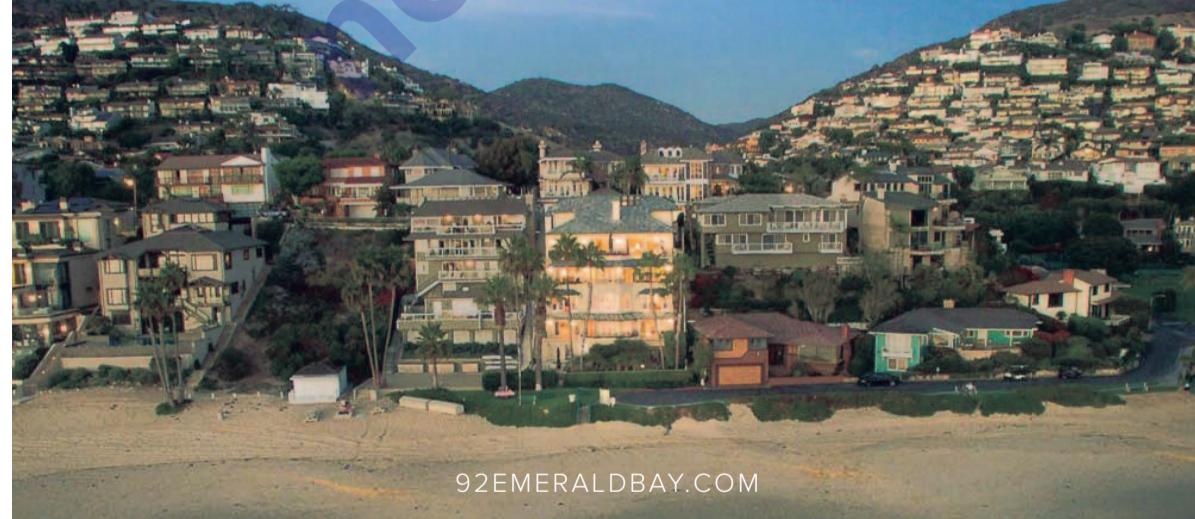
The owners of this off-the-grid pavilion on Great Barrier Island, New Zealand, wanted a place for socializing away from their beach house. Inspired by an African boma, or hut, architects Lance and Nicola Herbst used polycarbonate panels and a rigging system adapted from sailboats that raises and lowers the windows for changing weather conditions. The pine frame is topped with manuka sticks and polycarbonate sheets. North and south walls feature Cedartech panels—band-sawn gaboon, a tropical hardwood, pressed onto radiata ply. The walls can slide open.

**Price:** \$27,000 to \$34,000

## CUSTOM FIT

The PH1 pavilion by Spain-based Kettal Studio can be customized, in part for transparency and wind resistance. Its powder-coated aluminum frame comes in 30 colors, from gunmetal black to lilac. A hidden control panel adjusts lighting and can open and close one of the eight ceiling options. Some 16 different side panels allow for roller shades, curtains, slats, shelves or siding glass doors. One back wall choice is white marble. A kitchen unit is sold separately.

**Price:** Starting at \$100,000, including installation



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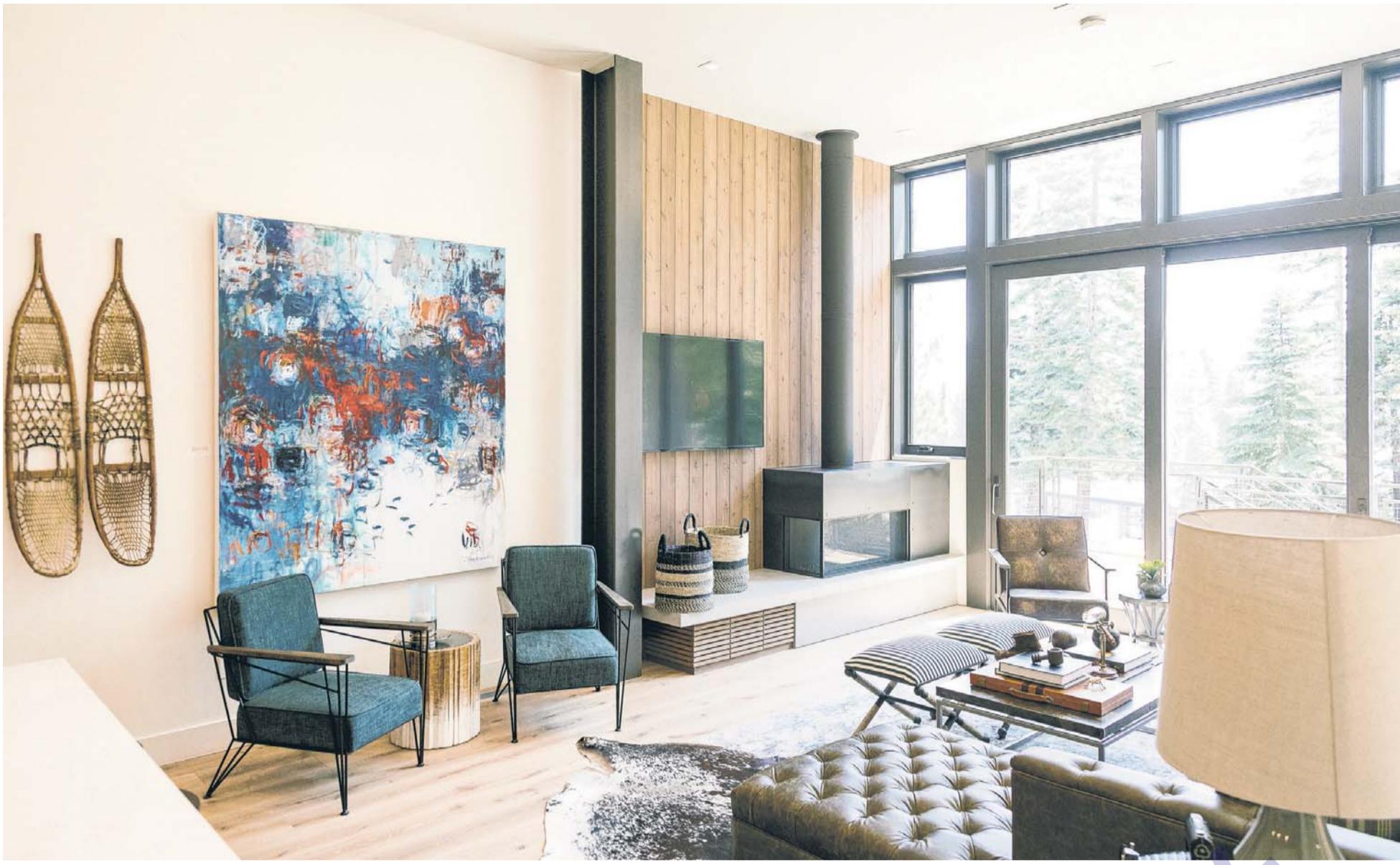


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## MANSION



## Resorts Say 'Try Me Out'

*Continued from page M1*  
did everything from temple-ruin tours to scuba diving, to fishing, to sunset cruises, to jet-skiing."

The price of admission: a refundable \$10,000 deposit, which Ms. Cady, a Gyrotonic studio owner, and her husband Steve, a retired sales executive, paid last June. The deposit also secured a spot on Caye Chapel's Founders List, giving them dibs on one of its first-available oceanfront homesites. There are 15 homesites currently for sale, ranging in price from \$2.1 million to \$4 million. So far, the resort has hosted 33 visits, and taken deposits from 37 buyers.

High-end resorts still in the build-out stage are offering no-strings-attached stays in handsomely appointed cabanas, tiny houses and glamping tents designed to lure prescreened prospective buyers. Visits—which can range anywhere from one night to three or four—are carefully curated, with staff on hand to serve meals, or to arrange a day of skeet-shooting, mountain biking or shark-watching.

Although the Cadys covered their own travel costs to Belize City, the resort developers paid for almost everything else: transport to the island, cocktails and meals, massages, snorkeling, paddleboarding and boat excursions. Once the development's 50 oceanfront homesites have sold, the tents may be moved to a nature preserve on the 280-acre island, to serve as a glamping destination for residents and guests.

Developers say the try-before-you-buy approach works better than a glossy sales brochure, giving prescreened prospects a chance to experience the place and some of its amenities before a resort is fully developed—which can translate into more sales.

While Caye Chapel relies on its sales staff to vet potential buyers—some of whom have been courted at private lunches and dinners—other resort developers require an online application or a financial statement before rolling out the welcome mat.

"We limit this to only qualified prospective owners...who appreciate what we are creating," said Ron Barnes, a senior partner in the Mountainside at Northstar development, a new resort community in Truckee, Calif., that has invested \$500,000 in three glass-walled "rendezvous cabins" for temporary stays.

The 400-square-foot tiny houses—which have floor-to-ceiling windows, rough-hewed pine floors and showers with river-rock floors—sit within walking distance of a yoga studio and a central lodge and fitness center. Resident concierges, dubbed "outfitters," are on hand to plan day hikes, book heli-skiing outings and make dinner reservations.

Those interested in buying at Mountainside—where prices for homes start at \$1.75 million—can book a weekend in one of the cabins, provided they qualify via a financial statement and commit to a



**TRY BEFORE YOU BUY** A home at Mountainside at Northstar, top and above. Those interested in buying in the Truckee, Calif. development, where prices for homes start at \$1.75 million, can stay there for a free weekend, provided they qualify via financial statement and commit to a tour of the community.



**MINI-BREAK** At Snake River Sporting Club in Jackson, Wyo., visitors can stay in one of four tiny homes for a high-season fee of \$325 a night. Paul Strong, seated below right with wife Sandy Strong, spent over \$2 million on a house in the community after several visits there.



## MANSION



**FANCY FREEBIE** The Four Seasons Caye Chapel Resort and Residences in Belize has created four beach tents to host mini-getaways for potential buyers. Sara Cady, above left with husband Steve and children Jaxon and Sofia, has visited the property twice; the beach, above right.



**COMING SOON** The oceanfront homesites for sale range in price from \$2.1 million to \$4 million; the resort has hosted 33 visits so far. A rendering of a view from a private estate, top; a view from one of the guest tents, above left; exterior of a tent, above right; rendering of the finished development, below.

tour of the community. There is no charge for the stay, other than a nominal cleaning fee.

Resorts with extensive amenities already in place are more likely to charge prospective home buyers for a trial visit. Whitetail Club, a 1,300-acre private club and community in McCall, Idaho, charges \$295 in high season for a night in one of its five Discovery Cottages: 750-square-foot homes with pitched roofs, white oak floors and fieldstone fireplaces that are reserved for owners and prospective buyers. The cottages have the same exterior and interior finishes as larger homes now being built across the street—called Shore Lodge Cottages—that are priced between \$739,000 and \$949,000.

Snake River Sporting Club—an 800-acre resort about 20 miles south of Jackson, Wyo., where 62 homes sites cost between \$695,000 and \$3.2 million—unveiled its “discovery village” of four tiny homes, kitted out with Restoration Hardware furnishings and homey touches like vintage Scrabble boards. (The houses, like the ones at Mountaintop, were built by Wheelhaus, a Jackson-based firm, and will eventually be removed.) Guests are welcomed with a handwritten note from the club’s professional angler and a set of hand-tied flies. Visitors pay a

**Visits are carefully curated, with staff on hand to serve meals, or to arrange a day of skeet-shooting, mountain biking or shark-watching.**

high-season fee of \$325 per night, plus a \$50 daily club fee.

Paul Strong, a 60-year-old North Carolina resident who is retired from the oil industry, spent over \$2 million on a house at Snake River Sporting Club last August after several visits there—the first for a golf tournament in 2016. “Two of my friends were visiting with me to play in the golf tournament, and each of us had a tiny house. We would have dinner at the club, and then go back and smoke a cigar and have a glass of wine at the fire pit,” Mr. Strong said.

Real-life glitches can disrupt even the most painstakingly staged trial vacation. Visitors who try out Snake River Sporting Club’s Discovery Village this summer may be in for a less tranquil experience, due to construction at the club—a fact reflected in the sharp reduction of fees from last summer’s peak rate of \$500 per night.

Noisy earthmovers aren’t the only liability encountered by adventuresome resort beta-testers. Ms. Cady’s most recent trip to Caye Chapel in April was marred by a storm with high winds.

“We had to vacate our tents early in the morning,” she said. “Our tent was flooded and torn in spots—but the staff took care of it as if nothing had happened.”



## MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

## BUT FIRST, LET ME EXPLAIN

Borrowers may be asked to write letters to their lenders to clarify questions about income, employment and other matters



**IN APPLYING** for a mortgage, few home-buyers expect to become pen pals with their lender. But when the underwriting department has specific questions that aren't answered by asset, credit or employment documentation already in the file, borrowers may be asked to write a letter of explanation, sometimes called a "comfort letter."

"We try to connect the dots using data, and we think that makes the application process more robust," says Bill Banfield, executive vice president of capital markets for Quicken Loans in Detroit. "But when you need a little help from the client to connect those dots, letters of explanation are a way to help an underwriter interpret something."

For example, a borrower planning to purchase a new home far away from his current place of employment may be asked to explain if he has a new job or intends to telecommute. This assures the lender that the applicant's income will continue after the move.

Another time a borrower letter may be required is an unusually large deposit that shows up on bank statements. While the explanation may simply be that the borrower deposited wedding gifts or sold her car, the underwriter needs to understand the source of the money to ensure it wasn't a loan the borrower received to help pay for the house that the borrower couldn't otherwise afford.

A gap in the borrower's



consider if your lender requests a letter of explanation:

**Don't panic**

Letters of explanation are a common part of the mortgage-application process. If you're asked to provide one, it doesn't mean there's a problem with your application or that your loan will be denied. In fact, a request for an explanation simply means that the underwriter is trying to clear up open questions in an effort to get your application approved.

**Address the issue**

Make sure you understand the underwriter's concern—and then provide the information he or she needs to approve your loan. The letter should be concise, accurate and to the point. Don't forget to date and sign it and include any necessary receipts or canceled checks that support your explanation. And, if the letter requested is related to a negative event, such as a late payment on your credit report, consider not only explaining why it happened but detailing what changes you've made to ensure it doesn't happen again.

**What's not allowed**

While it's perfectly OK for lenders to ask for explanations related to an application, there are certain topics they can't broach. "By law, we cannot ask our borrowers anything that is prohibited bias, such as medical privacy, gender, age, religious or racial discrimination," Mr. White says. Steer clear of those questions if presented.

employment can also call for a letter. "It could be as simple as somebody had a child, and they left the workplace for a period of time," Mr. Banfield says. "What the underwriter is trying to get at is the stability and continuity of the income they're using to qualify the client to ensure that they can actually afford the payments."

Letters of explanation

help lenders cover themselves if a mortgage application is ever audited, either by internal bank auditors or federal examiners, who periodically audit mortgage files to ensure that the lender did its due diligence during the application process. But experts say the epistles are generally not enforceable and that the letter-writer can't be sued if the explana-

tion later turns out to be inaccurate.

"It's all about the borrower's intent at the time of underwriting," says Allen White, senior vice president of mortgage lending at South State Bank in Seneca, S.C. "It's not something we trace back."

The letters are just a way for lenders to "tighten up" their underwriting," says at-

torney James W. Brody, chairman of the mortgage-banking practice group at Johnston Thomas in Santa Rosa, Calif. "I don't see anything enforceable about these letters," he says. "Certainly there is a need to provide honest and truthful information, but you can't guarantee you're going to remain employed, for example."

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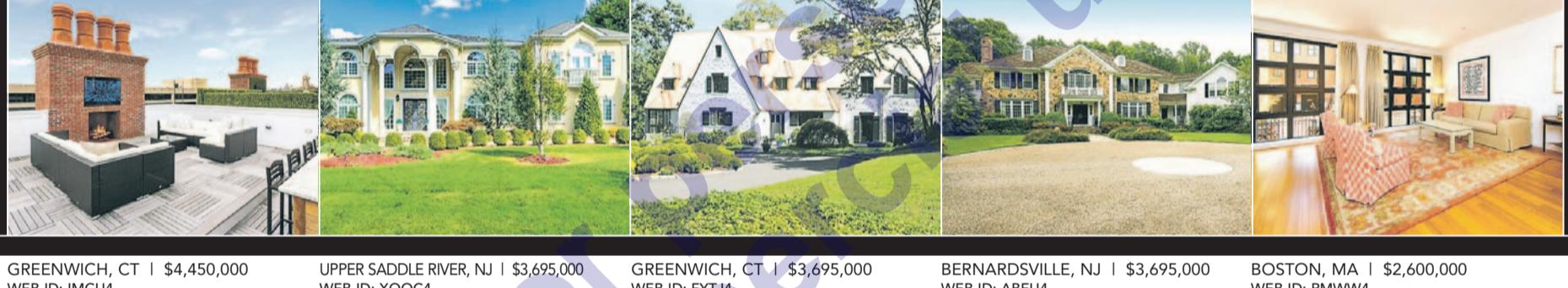
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## MANSION

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# Beyoncé and Jay-Z's Onetime Malibu Estate Sells



FROM LEFT: SIMON BERIN; KEVIN MAZUR/GETTY IMAGES  
An elaborate Malibu, Calif., compound once rented by entertainment power couple Beyoncé and Jay-Z has sold for roughly \$50 million, according to people familiar with the deal.

The property had been asking \$54.5 million last year, people familiar with the transaction said. It wasn't formally on the market at the time of the deal.

The gated property, known as La Villa Contenta, sits on roughly 6.3 acres and has landscaped gardens overlooking the ocean. The main villa has hand-laid mosaic floors, carved limestone ceilings and a 2,500-year-old lion's head sculpture found at the base of Mount Vesuvius, according to the listing from last year.

There is also a guesthouse and a ballroom on site. A pool pavilion constructed from carved marble has changing rooms paneled in onyx and decorated with shells.

The seller is investor Richard

Weintraub, records show. The buyer is a company linked to Behdad Eghbali, a partner at a private investment firm based in Santa Monica, Calif.

Beyoncé and Jay-Z rented the property last year following the birth of their twins, according to people familiar with that deal. It couldn't be determined what the couple paid; the monthly rent was most recently advertised to be as high as \$400,000 a month during the peak summer season, according to the listing. A spokesperson for the couple wasn't immediately available for comment.

Aaron Kirman and Maya Hazen Manshel of Pacific Union and Chris Cortazzo of Coldwell Banker Residential Brokerage brokered the deal.

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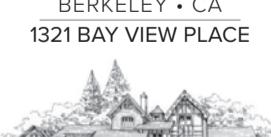
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## FROM MY PERSPECTIVE

### What's That They're Saying?

Not so long ago in this space, I offered thoughts about an ongoing trend in American business: office speak that mixes contemporary language with traditional business adages to create a vernacular all its own.

I said that this distinctive brand of verbiage is often entertaining and imaginative — and somewhat like fingernails on a chalkboard. But while the best jargonauts out there — the ones who speak the office speak — may be a source of annoyance for some, for me they are a source of amusement.

And who couldn't use a good laugh at work, once or twice a day?

Even for the staunchest traditionalists, the temptation to participate in the growing festival of business buzzwords is difficult to resist.

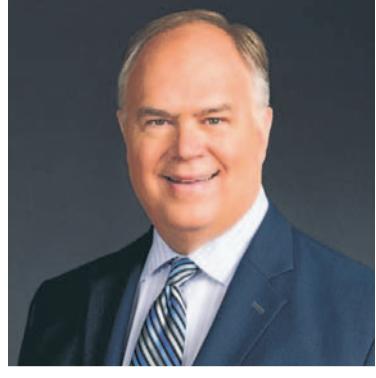
Dr. Travis Bradberry has co-authored the bestseller, *Emotional Intelligence 2.0*, which is touted as "the world's most popular emotional intelligence test." He has said that the infiltration of these terms into our lives has made our everyday conversations start to sound "like they're taking place on another planet."

Dr. Bradberry has also offered some examples of the more memorable office buzzwords that have proliferated over the years. ("See if you can catch yourself *before* you use them again," he writes on [huffingtonpost.com](http://huffingtonpost.com).) Here goes:

Think outside the box. Drill down. Get the ball rolling. Hit the ground running. Low-hanging fruit. Elephant in the room. I don't have the bandwidth. Take this offline. Thrown under the bus. At the end of the day.

Bradberry suggests that euphemisms in business first surfaced to help deal with touchy subjects in the workplace that were difficult to discuss — so they did come in handy. Over time, though, they've hung around. But, says Bradberry, "if you think that you can use these phrases without consequence, you're kidding yourself. Just pay close attention to how other people react to your using them, and you'll see that these phrases don't cast you in a favorable light."

Still, workplace gobbledegook is a fixture in American business, though that doesn't diminish any irritation factor — despite the relative inventiveness of the terms. It's a classic *mixed bag*. So, before we *move this down the road*, then *circle back* and celebrate our *synergy* on the subject, here is a salute to the jargonauts among us: Long may you use — and abuse — the language of business!



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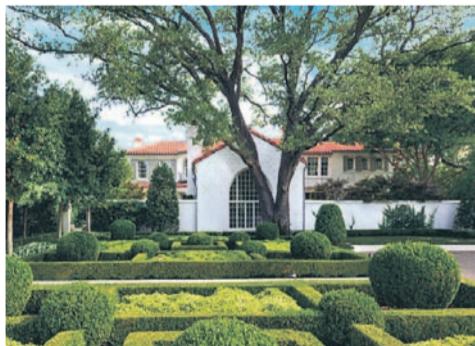
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## MANSION



**NEW HOME** Aldo and Mario Andretti, above, 4th and 5th from left, building a stock car with friends in Nazareth, Pa., in 1959. Mr. Andretti, right, in one of two garages at the home he and his late wife, Dee Ann, built in the same area.

## Andretti's Fast Lane To America

Continued from page M1

crowded. For seven years, we were housed in an old college dormitory. For the first four, we shared a room with nine families. Each family's space was separated by hanging blankets.

Then my uncle pulled strings to get us two rooms in the classrooms above. Even though we were in a refugee camp, my brother and sister and I still went to school. My father worked hard landing odd jobs to make ends meet.

While living in the camp, my brother and I spotted a parking garage across the square. We befriended the owners and hung out there after school. When we were 12, we learned to drive by offering to help them park cars in the garage.

An uncle on my mother's side who had settled in America years earlier invited us to live with his family in Nazareth, Pa. He was a foreman at a cement factory and said he had a job for my father.

My father applied for visas in 1952. While we waited, the garage owners took Aldo and me to auto

races, including the 1954 Italian Grand Prix at Monza and the 1955 Mille Miglia. As the cars flew past, we were electrified.

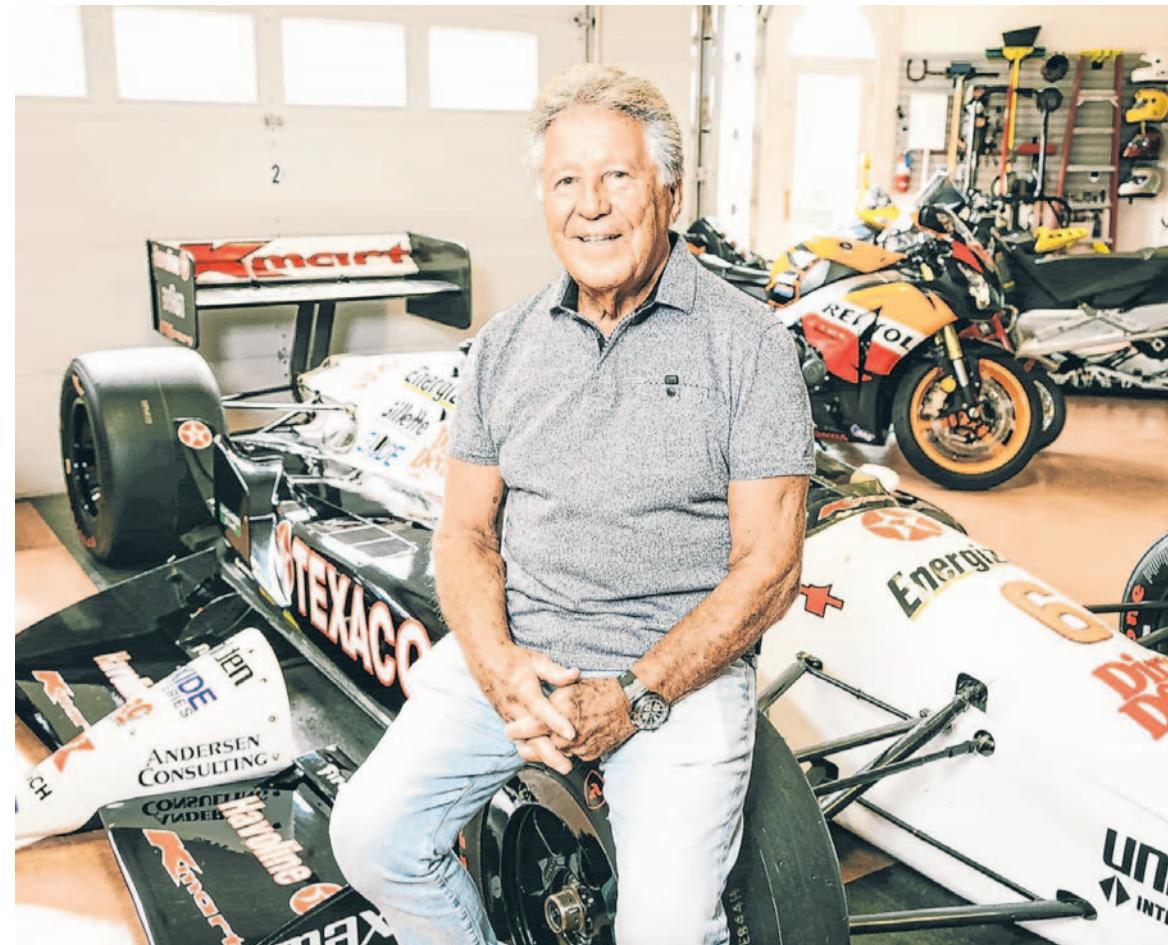
The visas came through in 1955, when I was 15. That June, we sailed for New York aboard the Conte Biancamano. When we passed the Statue of Liberty, Anna Maria tried to sing "The Star-Spangled Banner."

In Nazareth, we stayed at my uncle's two-story house. It was tight. Two weeks later, my father took a job at the cement plant and rented a duplex on South Whitfield Street. Eventually, he bought a house and a '57 Chevy with the help of our restitution check.

One night, after dinner at my uncle's house, my brother and I were outside and saw bright lights in the distance. Then we heard the roaring explosion of car engines.

Aldo and I look at each other. We ran about a mile toward the lights. It was a racetrack. We looked through the fence and saw modified stock cars. They weren't Formula 1 cars, like in Italy. But we agreed they were pretty doable.

We set to work with four buddies building a stock car. It took us two years. In March 1959, when we arrived at the track with our car for the first time, we fibbed like crazy. We said we were 21, even though we were 19. We also said we had raced in Italy. We wore



AXEL DUPEUX FOR THE WALL STREET JOURNAL (TOP RIGHT); ANDRETTI FAMILY (3)



**STARTING POSITION** The Andretti family home, center left, in what is today Motovun, Croatia. They fled in 1948 and lived in a refugee camp in Lucca, Italy, for years. Above, Mario and his twin, Aldo, on right, in their village, then known as Montona, Italy.

Lamborghini and a Corvette.

I'm the honorary mayor of Montona, which is now Motovun, Croatia. I still dream about my childhood there.

When we left, I took only my rosary made of brown beads. I still have it, along with our ship tickets. The beads are faded orange now.

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