

THE WALL STREET JOURNAL.

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What's News

Business & Finance

Berkshire Hathaway is facing pressure to raise its Oncor bid amid pushback by Elliott Management, a move that would be highly unusual for Buffett's firm. **A1**

◆ An emerging-markets rally is losing steam as major central banks signal they are winding down easy-money policies. **B1**

◆ The Bank of Canada is expected Wednesday to raise its benchmark rate for the first time in seven years. **A9**

◆ Crop damage from a herbicide is spreading across the Southern U.S., spurring complaints and sowing division among farmers. **B1**

◆ A new online retailer started selling generic, health- and environmentally conscious consumer staples for \$3 apiece. **B1**

◆ China's Dalian Wanda is helping the buyer of its theme parks and hotels finance almost half the deal. **B1**

◆ PepsiCo's quarterly earnings rose as the firm offset weak North American demand with higher prices. **B3**

◆ Snap's rough week continued, as a bank that led the Snapchat parent's IPO cut its price target for the stock. **B15**

◆ The Dow eked out a slight gain to end at 21409.07 after a bout of selling sent it down over 100 points. **B15**

◆ Tesla plans to triple its capacity to repair vehicles as it begins a launch of its first mass-market car. **B2**

◆ Time Inc. senior executives recently met to discuss a potential rebranding of the media company. **B7**

World-Wide

◆ Trump's eldest son and campaign aides attended a meeting to discuss allegedly incriminating information about Clinton they were told was being offered by Russia in support of Trump's candidacy, according to emails Donald Trump Jr. released. **A1, A4**

◆ McConnell set a vote for next week on the Senate GOP health-care bill, which is expected to retain taxes on high-income households, while also delaying the chamber's August recess. **A1**

◆ European diplomats say they are concerned the Trump administration will stretch out its review of the Iran nuclear deal. **A6**

◆ North Korea's missile test didn't show Pyongyang is able to arm the device with a warhead that can survive re-entry, South Korea's intelligence agency said. **A7**

◆ Iraqis turned to the challenges of rebuilding Mosul after announcing Islamic State's defeat in the city. **A6**

◆ The U.S. and Qatar signed a deal to crack down on terror financing, part of efforts to resolve a conflict between four Arab states and Qatar. **A6**

◆ Germany asked European governments for help in finding those who rioted during the G-20 summit. **A7**

◆ The military plane that crashed in Mississippi, killing all 16 aboard, was carrying a group of elite Marines and a Navy corpsman. **A3**

◆ The postponement of a ballet based on dancer Nureyev's life has set Russia's cultural observers on edge. **A7**

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Trump Jr. Welcomed Russia Help

Emails show president's son eager for Moscow's aid in boosting father by undercutting Clinton

By PAUL SONNE
AND REBECCA BALLHAUS

WASHINGTON—The president's eldest son and senior campaign aides attended a meeting last year to discuss allegedly incriminating information about Hillary Clinton they were told was being offered by the Russian government in support of Donald Trump's candidacy, according to emails Donald Trump Jr. released Tuesday.

The release of the emails, following days of news reports about the June 2016 meeting, offers evidence that senior officials in the Trump camp entertained offers of Russia's help in last year's election. That appears to contradict longtime statements by members of the campaign that they were unaware of a Russian effort to support Mr. Trump last year.

During the campaign and since his election victory, Mr. Trump repeatedly praised President Vladimir Putin and cast doubt on the U.S. intelligence community's conclusion that Russia sought to interfere in the election. Last week, he said in Warsaw: "Nobody knows for sure."

The meeting last June was

CLOCKWISE: RICHARD DREW/AP; ADRIEL REBOH/PATRICK MULLIN; ALEXANDER ZEMLYANICHENKO/AP



Donald Trump Jr. speaks on Fox News Channel about a meeting with Russian lawyer Natalia Veselnitskaya set up by publicist Rob Goldstone.

also attended by Jared Kushner, Mr. Trump's son-in-law, who was a senior campaign aide at the time and is now a top White House official, and Paul Manafort, then the campaign chairman.

The email release is likely to pull the younger Mr. Trump

further into the center of the matter being investigated by special counsel Robert Mueller. President Trump has said little about the episode, aside from a tweet late Tuesday in which he called his son a "great person who loves our country." But he has been closely following the

reports, aides said, and in private, the president has been consulting with his eldest son and giving him advice, a person familiar with the matter said.

In a statement read to reporters by a White House spokeswoman on Tuesday, Pres-

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Email Connection

- ◆ Gerald F. Seib: Release sparks uproar, extends woes..... A4
- ◆ Legal problems may await president's son..... A4
- ◆ Demand for Russia sanctions intensifies..... A4

GOOGLE PAYS SCHOLARS TO INFLUENCE POLICY

Search giant has given \$5,000 to \$400,000 to professors whose research supports business practices that face regulatory scrutiny

By BRODY MULLINS
AND JACK NICAS

Google operates a little-known program to harness the brain power of university researchers to help sway opinion and public policy, cultivating financial relationships with professors at campuses from Harvard University to the University of California, Berkeley.

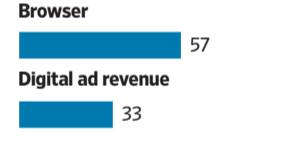
Over the past decade, Google has helped finance hundreds of research papers to defend against regulatory challenges of its market dominance, paying \$5,000 to \$400,000 for the work, The Wall Street Journal found.

Some researchers share their papers before publication and let Google give suggestions, according to thousands of pages of emails obtained by the Journal in public-records requests of more than a dozen university professors. The professors don't always reveal Google's backing in their papers, and few disclosed the financial ties in later articles on the same or similar topics, the Journal found.

University of Illinois law professor Paul

A Big Slice

Google's global market share by sector



Note: Ad revenue as of March 2017. Other three as of May 2017

Sources: StatCounter (browser, search, mobile), eMarketer (ad revenue)

THE WALL STREET JOURNAL.

HIDDEN INFLUENCE

A Wall Street Journal series revealing the secret ways companies work the levers of power in Washington

Heald pitched an idea on copyrights he thought would be useful to Google, and he received \$18,830 in funding. The paper, published in 2012, didn't mention Google. "Oh, wow. No, I didn't. That's really bad," he said in an interview. "That's purely oversight."

The money didn't influence his work, Mr. Heald said, and Google issued no conditions: "They said, 'If you take this \$20,000 and open up a doughnut shop with it—we'll never give you any more money—but that's fine.'"

In some years, Google officials in Washington compiled wish lists of academic papers that included working titles, abstracts and budgets for each proposed paper—then they searched for willing authors, according to a former employee and a former Google lobbyist.

Google promotes the research papers to government officials, and sometimes pays travel expenses for professors to meet with congressional aides and administration officials, according to the former lobbyist. The research has been used, for in-

Please see GOOGLE page A10

search papers to government officials, and sometimes pays travel expenses for professors to meet with congressional aides and administration officials, according to the former lobbyist. The research has been used, for in-

Please see GOOGLE page A10

his roommates are members of New York's latest exclusive club: Spireworks, a much whispered-about free app that allows users to change the colors of the spires atop two of New York's tallest buildings.

The only way to join is to be invited by a current user, so access has spread through an unlikely network of colleagues, friends and denizens of the city's rooftop bars. Among fans, invites remain a precious commodity, creating a new class of haves and have-nots.

The have-nots plead their case on social media, and a black market for invitations has opened up on Craigslist.org and other web-

Please see SPIRE page A9

Please see ONCOR page A9

With a few taps, spires atop two Midtown skyscrapers flicker blue, red and orange.

"It doesn't feel like something I should have access to at all," said Mr. Francis, who turns 23 on Wednesday. The consultant sleeps in the former kitchen of a converted two-bedroom apartment.

Yet he does. Mr. Francis and

4 Times Square

Times Square

Pushback On Bid Tests Buffett's Resolve

By NICOLE FRIEDMAN

Warren Buffett's Berkshire Hathaway Inc. is under pressure to do something it usually doesn't do: raise its bid.

Berkshire's subsidiary Berkshire Hathaway Energy struck a deal last week to buy bankrupt Energy Future Holdings Corp., including Texas electricity-transmission business Oncor, for \$9 billion in cash.

Paul Singer's Elliott Management Corp., a major Energy Future creditor, said Berkshire's bid doesn't value Oncor highly enough and that it is working on a rival offer. "It is quite likely that the Berkshire transaction will not close, given the lack of support from the debtors' creditors," a lawyer for Elliott wrote in a Tuesday letter that was publicly released by

Please see ONCOR page A9

GOP Sets Health Vote for Next Week

KRISTINA PETERSON
AND RICHARD RUBIN

WASHINGTON—Senate Majority Leader Mitch McConnell, ratcheting up the pressure on fellow Republicans, set a vote on the GOP health-care bill for next week and delayed the chamber's August recess to give the party time to seek other legislative wins, even if the health plan stalls.

Senate GOP leaders, still working to corral support for the health legislation, are now expected to retain the Affordable Care Act's two taxes on high-income households, law-

makers and aides said Tuesday—an unusual move for the tax-averse GOP.

But while that would give Republicans more money to sweeten the bill to win over GOP holdouts, 10 Senate Republicans still remain publicly opposed to the legislation. With Democrats unlikely to support the bill, Mr. McConnell (R, Ky.) can lose no more than two GOP votes to pass it. Vice President Mike Pence could break a potential 50-50 tie.

"We're going to do health care next week," Mr. McConnell told reporters Tuesday. "And

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INSIDE



THE LAST PICTURE SHOW

LIFE & ARTS, A11

WEEDKILLER SPILLOVER HITS CROPS

BUSINESS & FINANCE, B1

Cloud is winning. RingCentral is winning in the cloud.

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¹Synergy Research Unified Communications as a Service (UCaaS) Revenue Tracker, Q1 2017. ²RingCentral Office ARR Growth, Q1 2017.

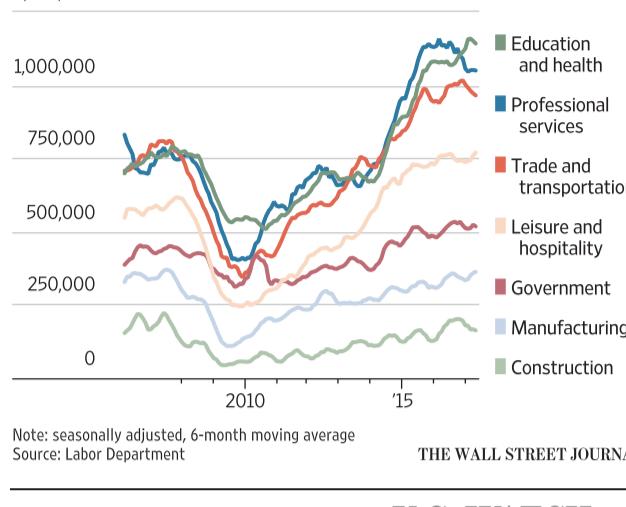
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U.S. NEWS

Jobs Survey Showed Strength in May

Now Hiring

Number of job openings per industry



Note: seasonally adjusted, 6-month moving average

Source: Labor Department

THE WALL STREET JOURNAL

By JOSH ZUMBRUN

The pace of hiring rose in May while the number of job openings dropped but remained near a record level, the latest sign that the labor market continued to exhibit signs of strength in the second quarter of the year.

The hiring rate climbed to 3.7% in May from 3.5% the prior month, according to the Labor Department's monthly Job Openings and Labor Turnover Survey, known as Jolts. May's figure remained below the hiring rates that were reached in late 2015 and early 2016.

The hiring rate is the number of hires in a month, as a share of the total number of

employed people.

There were about 5.7 million job openings at the end of May, down from about six million at the end of April. About 5.3 million people left a job, and 5.5 million people were hired in May. Both numbers were up from April.

The Jolts report was once a widely watched labor-market indicator but has generated less interest in recent years.

The rates in the report haven't changed much since 2015.

The report is also released with a lag; this month's release only provides data through May. The primary jobs report for June, which showed a robust pace of hiring, has already been released. That report

showed that employers added 222,000 positions in June. Most economists consider the rates in the Jolts report healthy but not spectacular.

Among major industries, employers were looking especially to fill jobs in health care and education. Job openings in professional services were down somewhat from a year ago.

Manufacturing job openings have been on the rise, but construction job openings have been dwindling.

The high level of job openings shows employers still have substantial hunger for new employees and therefore suggests there is plenty of room for the economy to continue adding jobs later in the

year.

The rate of layoffs has remained at or near a record low for nearly the past year. Just 1.1% of workers were laid off last month. In the industries of health care, finance, manufacturing and wholesale trade, the layoff rate was less than 1%.

The rate at which workers quit their jobs was little changed in May.

In general, a higher rate of job quitting is a sign of economic health, as workers are more likely to quit jobs when they sense better opportunities elsewhere and cling to jobs in bad times.

The quitting rate, however, has been mostly flat since late 2015.

U.S. WATCH

OLYMPICS

IOC Clears Path for L.A. Games in 2028

The International Olympic Committee voted to award the 2024 and 2028 Summer Games simultaneously, a dramatic move to lock down two sites at a time when cities are no longer lining up to host the iconic global sporting competitions.

The move, which all but guarantees those events will take place in Paris and Los Angeles, is just one flank in battle the IOC faces to position itself for the future amid softening TV ratings and stress with sponsors. It is likely that Paris will get 2024. The French have explained that land needed for their proposed Olympic Village won't be available for 2028. Los Angeles Mayor Eric Garcetti said the city would relish hosting the Games "in two months, if we were asked, or in two decades."

—Matthew Futterman

IN THE COURTS

Judge Stops Iraqis From Being Deported

A federal judge Tuesday halted the deportation of 1,400 Iraqi nationals, including many Christians fearing persecution, while courts review the orders to remove them from the U.S.

Judge Mark Goldsmith issued a 24-page opinion asserting jurisdiction in the case over the objection of the Justice Department, which argued U.S. district judges don't have jurisdiction.

Judge Goldsmith earlier blocked the deportations while he considered whether he had jurisdiction over the case.

Many of the Iraqis, including 114 rounded up in the Detroit area last month who are mostly Christians, fear attacks over their religion if returned to Iraq. The government says they face deportation because they committed crimes in the U.S.

—Associated Press

PENNSYLVANIA

Search Continues For 4 Missing Men

Police used cadaver dogs, a backhoe and other construction equipment Tuesday to help search a sprawling farm for four missing men believed to be victims of foul play.

A prosecutor, meanwhile, described a man held on an unrelated gun charge as a person of interest in the investigation.

District Attorney Matthew Weintraub said bail was set at \$1 million Monday for Cosmo DiNardo, whose family owns the farmland and another property that was searched, because he was considered a flight risk. But Mr. Weintraub didn't call him a suspect.

A busload of police cadets also took part in the third day of the search of farmland in Solebury Township, about 30 miles north of Philadelphia.

—Associated Press

HEALTH

Continued from Page One

then we're going to turn to other issues," he said, citing the annual defense policy bill, confirmation of President Donald Trump's nominees and raising the federal government's borrowing limit among the summer's goals.

Such a strategy could help Senate Republicans avoid returning to their home states empty-handed in August if the health bill flops, an outcome that would likely anger Mr. Trump, conservative voters and House Republicans, who passed their version of the bill in May.

Mr. McConnell has struggled for days to win over the dissidents in his party. In a move that runs contrary to GOP or-

thodoxy, the revised bill expected to be released Thursday likely will keep ACA taxes on affluent households that Republicans have criticized for years: a 3.8% tax on net investment income and a 0.9% payroll tax. The bill's details, sent to the Congressional Budget Office for an official assessment, assumes the taxes remain in place, one GOP aide said.

Both taxes only apply to individuals with incomes above \$200,000 and married couples making over \$250,000.

Keeping the taxes would retain about \$230 billion in revenue over 10 years that Republicans could spend to address concerns of GOP senators wary of the bill. "I assume the rationale for that was to have more money to spend," said Sen. Roy Blunt (R., Mo.).

Sen. John Cornyn (R., Texas) said the money could go to a fund that states could use to shore up their individual-insurance market, and potentially to allow insurers to bring down premiums.

Keeping the taxes would also blunt the arguments of some Democrats, who say the earlier bill reduces taxes for the wealthy while cutting spending on Medicaid for low-income people. Some Republicans—including Bob Corker of Tennessee, Mike Rounds of South Dakota and Susan Collins of Maine—have questioned that trade-off.

Conservatives have sharply criticized the idea of retaining any of the ACA's taxes, saying they were among the most objectionable parts of the law often called Obamacare. It also isn't clear whether House Republicans would accept maintaining the levies; the House bill would repeal the 3.8% investment tax retroactively for 2017 and end the 0.9% payroll tax starting in 2023.

Democrats say the move to maintain the taxes highlights Republicans' unease over a bill that, in an earlier version, would repeal taxes on wealthy households while cutting federal funding for Medicaid by \$772 billion over a decade.

"It's obviously an acknowledgment that it's not particularly easy to take away health care for millions, to go ahead and take away the most vulner-

able [people's] health insurance, and then give tax breaks to the wealthiest," said Sen. Robert Menendez (D., N.J.).

Mr. McConnell had reason to delay the Senate recess. Leaving Washington for a five-week break without a victory on health care or other matters would be politically perilous.

"I cannot imagine that Congress would dare to leave Washington without a beautiful new HealthCare bill fully approved and ready to go!" Mr. Trump tweeted Monday.

Such comments from Mr.

Alaska to Shore Up Health Marketplace

The Trump administration on Tuesday approved a plan letting Alaska set up a federally funded reinsurance program to shore up the state's Affordable Care Act marketplace, a model that other states will likely emulate.

The state sought a waiver to use ACA money to reimburse insurers for their costliest customers. Customers receiving the subsidies wouldn't know the government is footing the bill.

Alaska says the program would prevent insurers from passing costs to other consumers through higher premiums. That, in turn, would save the

government money in premium subsidies.

The Centers for Medicare and Medicaid Services, which administers the ACA, has pointed to Alaska's request as an innovative solution other states could embrace. Minnesota has enacted a similar reinsurance program and several other states, including Idaho and Oklahoma, are weighing the idea.

The Trump administration has suggested it would be open to other states' proposals that would remake ACA markets by waiving some of the health law's rules to offer cheaper coverage options.

In announcing the approval of Alaska's plan, CMS Administrator Seema Verma framed it as a temporary solution while Republicans rewrite the ACA.

—Michelle Hackman

Senate Republicans also remained mired in debate Tuesday over a proposal from Sen. Ted Cruz (R., Texas) to allow insurers that sell plans complying with ACA regulations to also sell policies that don't.

Health analysts say that would likely lower premiums for younger, healthier people, who would buy more limited plans, while causing premiums to rise for people with existing conditions, who would buy the more comprehensive plans that comply with the ACA.

To address those concerns, a group of GOP senators is urging Mr. Cruz to alter his proposal to establish a "ratio" that would limit the price difference between the two sets of plans, Mr. Rounds said Tuesday.

It wasn't clear if the tweak would ease the concerns centrist Republicans have voiced about the Cruz plan, or whether it would be accepted by conservatives who back it. Although Mr. McConnell said the CBO will complete its estimate of the impact of the latest version of the bill by Monday, its analysis of Mr. Cruz's measure may not be ready by then, GOP aides said.

That may be problematic, since some conservatives are unlikely to vote for the bill to clear a procedural hurdle next week if Mr. Cruz's measure isn't included in it.

—Michelle Hackman
and Louise Radnofsky
contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Bill Miller and his fellow portfolio manager, Samantha McLemore, no longer have an affiliation with their former employer, Legg Mason. An Investing in Funds & ETFs report article Monday about the duo's **Miller Opportunity Trust** incorrectly said they still provide investment services to the firm. Also, the fund had a total return of 11.8% in the second quarter, and another fund in the article, **Baron Discovery Fund**, returned 11.6%. The article incorrectly said 6.43% and 10%, respectively, which are the annualized three-year returns.

The expense ratio for iShares Core MSCI EAFE Index (IEFA) is 0.08%. The expense ratio was incorrectly stated as

0.8% in an article about choosing exchange-traded funds that appeared in Monday's Investing in Funds & ETFs report.

Iraq is the largest Arab country with a Shi'ite majority. A World News article Tuesday about the fall of Mosul incorrectly stated that Iraq is the only Arab country with a Shi'ite majority.

Arconic Inc. was formerly part of Alcoa Inc. A U.S. News article on Tuesday about fire safety at a Marriott hotel in Baltimore incorrectly said Arconic was formerly part of Alcoa Corp., which is the name of a spinoff from Alcoa Inc.

In some editions Tuesday, North Korean leader Kim Jong

Un's name was misspelled as Kim Jung Un in a Page One article about the U.S. response to North Korea.

The wholesale price of a Krugerrand gold coin on Friday was \$1,259.86; the Maple Leaf price was \$1,271.97; the American Eagle price was \$1,271.97; the Mexican peso price was \$1,468.58; the Austria crown price was \$1,190.41; and the Austria Philharmonic price was \$1,271.97. Because of incorrect data from Manfra, Tordella & Brookes, the prices of the gold coins incorrectly were given as \$1,343.06; \$1,355.97; \$1,355.97; \$1,565.04; \$1,268.83; and \$1,355.97, respectively, in the Cash Prices table in Saturday's Business & Finance section.

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U.S. NEWS

Student Debt Gets Attention Of States

BY MELISSA KORN

Studies show college students are terrible at keeping track of how much debt they are racking up in school, so states are working to make the cost of higher education clear—and there are signs the moves are slowing borrowing.

This month, Florida joined Indiana and Nebraska in requiring that colleges and universities provide detailed information about student debt and projected loan payments.

Under a law that went into effect July 1, Florida's institutions of higher education will have to provide students a yearly report detailing how much they have borrowed so far, their expected loan total and estimated monthly payments. The law applies only to federal loans, and disclosures will be required of all schools that disburse state financial aid.

"Our students need to be as informed about this debt and what it will cost over the life of the loan as they would be when they buy a car or a house," said Dorothy Hukill, the Republican chairwoman of Florida's Senate education committee and the bill's sponsor.

Federal Reserve data show Americans had almost \$1.44 trillion in student loans outstanding at the end of the first quarter this year, up by nearly \$100 million in the past year.

Other initiatives to better inform students about borrowing to attend college have shown early promise.

Indiana University in 2012 began sending students annual letters estimating their total loan debt and future monthly payments, leading to a 23% drop in federal borrowing by students between the 2011-12 and 2015-16 academic years. A Federal Reserve study in 2015 found similar results at Montana State University.

Indiana's General Assembly passed a bill in 2015 expanding the requirement to all colleges and universities in that state, and Nebraska lawmakers followed suit last year.

In April, Washington's governor signed a similar bill that goes into effect next summer.

As of now, students have a poor understanding of just how much college will cost and there is no federal disclosure requirement at the level these states have introduced.

However, there are continued efforts to improve college-cost transparency.

A bill introduced by Sen. Chuck Grassley (R., Iowa) in April would require that financial-aid offer letters include significantly more information about college costs, including a reminder that students can take out less than the maximum loan amount, projected monthly payments and assumed lifetime payments under 10-year repayment plans. The letter would also need to include information about whether students can expect to receive the same amount of aid in subsequent academic periods, as many schools front-load financial aid.

A 2014 Brookings Institution report found about half of all first-year students in the U.S. "seriously underestimate" how much debt they have and less than one-third can estimate their debt loads within a reasonable margin of error. Many also don't understand that their financial aid is in the form of a loan. More than one-quarter of students with federal loans reported having no federal debt and 14% said they didn't have any student debt.

Airport Awaits Funding Takeoff

West Virginia hub's wish list is a big ask given the overall U.S. infrastructure needs

BY KRIS MAHER

CHARLESTON, W.Va.—Two years ago, a safety area at the end of a runway designed to mitigate emergencies at Yeager Airport caused one instead when it broke free and slid down a hillside, crushing a church and forcing more than 100 people from their homes.

The accident prompted airport officials to develop a far-reaching emergency infrastructure project to improve safety, as well as bring the airport, opened in 1947 amid hilly terrain outside this city of 50,000, into the 21st century. Airport officials have a wish list of 15 items totaling \$395 million, including a runway extension, new lighting systems and the replacement of the 67-year-old terminal.

That's a big ask, even spread over multiple years, considering the current level of airport infrastructure spending nationally.

The federal program that funds most airport projects gave \$3.2 billion in grants for 1,768 projects nationwide last year, according to the Federal Aviation Administration, which administers the program. The agency estimates that level of spending is about half the \$6.5 billion in capital needs that airports will have in each of the next five years because of increasing passenger levels and aging facilities.

So far this year, the FAA announced grants totaling about \$863 million. That includes \$904,000 for Yeager Airport, which officials said would pay for studying parts of the facility's infrastructure plan. Other grants included nearly \$13 million to reconstruct taxiways at Charlotte/Douglas International, a large hub in North Carolina, and \$2 million to build a terminal at a small airport in Rock Springs, Wyo.

Airport officials say such funding, however, is generally failing to keep pace with infrastructure needs. They want Congress to eliminate the cap on fees that airports charge passengers to pay for capital



A March 2015 landslide at Yeager Airport in Charleston, W.Va., broke off the end of its runway.

improvements—a move opposed by airlines.

The fees are now capped at \$4.50 per flight segment.

"By any measure, airports need additional resources to upgrade aging facilities, accommodate rising demand, and to keep pace with evolving safety and security standards," Todd Hauptli, CEO of the American Association of Airport Executives, testified at a Senate hearing in March to argue for lifting the cap.

Officials here are keenly aware of President Donald Trump's pledges to improve the nation's infrastructure, including upgrading its airports.

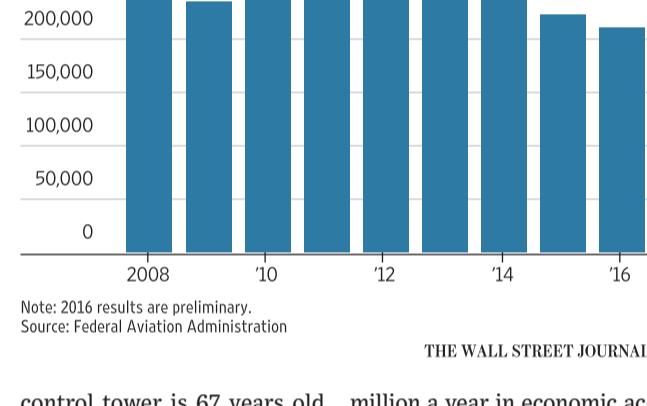
He carried West Virginia with nearly 69% of the vote.

"We watched the national election very closely and saw where President Trump was saying he wanted to do things for airports," said Terry Sayre, executive director of the airport. "He won West Virginia big. It's time to give back."

Airports across the country are beset by congestion and delays and often rank poorly in comparisons with facilities in other countries. Yeager is a prime example. Its air-traffic-

Losing Altitude

Annual boardings at Yeager Airport, where the local economy has been hit by the decline in coal.



Note: 2016 results are preliminary.

Source: Federal Aviation Administration

[boon] for the whole state," said Kent Carper, president of the Kanawha County Commission. "If they're going to fix anybody's airport, why not this one?"

The most pressing safety issue at Yeager is repairing the runway safety area that broke away in March 2015. Since then, the airport has removed 540,000 cubic yards of collapsed earth at a cost of \$9.6 million. A lawsuit filed by the airport against the engineering firm and contractors that built the extension is pending.

The plan's biggest changes would involve extending the end of the runway opposite the proposed safety area. The longer runway would allow bigger planes and additional carriers to fly out of the airport and eliminate weight restrictions.

Mr. Sayre, the airport's executive director, sees the project as a way to help the state reinvent itself.

"West Virginia has been married to coal forever," he said. "In order to be able to expand businesses in our region, we need access to the global economy."

Plane Crash Kills 15 Elite Marines, Sailor

BY GORDON LUBOLD

WASHINGTON—The military plane that crashed in Mississippi and killed all 16 aboard was carrying a group of elite Marine troops headed to California for specialized training, U.S. defense officials said.

The crash late Monday evening took the lives of 15 Marines and one Navy sailor. The plane was carrying a group of Marines from what's known as the Marine Corps Forces Special Operations Command.

Those 15 and a Navy corpsman who were killed in the crash came from a variety of active duty and reserve units around the nation, an official said.

Marine Corps officials said the flight began from Marine Corps Air Station Cherry Point in North Carolina and was making its way to a naval air facility in El Centro, Calif., to transport personnel and equipment there.

The plane contained weapons and ammunition that could have contributed to additional explosions after the crash, which occurred in a soybean field in rural Mississippi, officials said.



A special team of explosives technicians is examining the site to ensure it remains safe, according to officials.

Officials said they don't know what caused the plane to plummet from about 20,000 feet into the field.

Investigators are examining the pallets of ammunition and other cargo on board, and how the material was loaded, for clues.

There were no indications of terrorism or foul play, officials said.

The identities of the service members were being withheld pending notification of relatives, the officials said.

On Monday evening, officials from the Federal Aviation Administration contacted the Marine Corps when the KC-130

aircraft disappeared from air-traffic control radar over Mississippi, according to Marine officials.

"While the details of the incident are being investigated, our focus remains on providing the necessary resources and support to the family and friends of these service members as they go through this extremely difficult time," Marine Corps officials said in a statement.

Mississippi Gov. Phil Bryant posted his condolences on Facebook.

"Please join Deborah and me in praying for those hurting after this tragedy. Our men and women in uniform risk themselves every day to secure our freedom," he wrote Monday evening.

The KC-130, a turboprop plane, is considered a workhorse for the military.

It is a refueler and is also commonly used as a troop and cargo transport plane.

On Tuesday morning, President Donald Trump offered his and first lady Melania Trump's condolences, writing on Twitter, "Marine Plane crash in Mississippi is heartbreaking. Melania and I send our deepest condolences to all!"

Drug's Expedited Path Suggests FDA Policy Shift

BY PETER LOFTUS

A biotechnology company said the U.S. Food and Drug Administration allowed it to submit an experimental drug for approval without running an additional clinical study that the agency previously demanded—a sign the FDA's new leadership may be pursuing its goal of speeding drug development by easing up on its requirements.

Amicus Therapeutics of Cranbury, N.J., said it plans to file by the end of this year an

application for FDA approval to market the drug, migalastat, to treat Fabry disease, a rare genetic disorder. The new submission date is about two years earlier than Amicus had planned previously.

Last year, under the Obama administration, the FDA asked Amicus to run an additional clinical trial to assess the drug's effect on gastrointestinal symptoms in Fabry patients before applying for marketing approval. Amicus said in November it planned to conduct the study, and that results

weren't expected until 2019.

But Amicus had subsequent discussions with the FDA starting late last year, and in recent days the agency told the company it would allow it to submit its marketing application based on clinical data from prior studies, Amicus Chief Executive John Crowley said in an interview. An FDA spokeswoman declined to comment.

The submission of a new-drug application doesn't guarantee FDA will approve the drug.

In May, Scott Gottlieb was sworn in as the FDA's new com-

missioner after being nominated by President Donald Trump. Dr. Gottlieb, a health-care investor and physician, has vowed to speed up a drug-approval process that in the past he has criticized as slow and burdensome, though some experts noted the agency cleared a relatively high number of new drugs in recent years.

The Amicus news Tuesday suggests Dr. Gottlieb is bringing "a much more pragmatic and practical approach to drug development, something less rigid, a little more holistic than

previous" FDA practices, Cowen & Co. biotechnology analyst Ritu Baral said in an interview.

Ms. Baral said there is already solid clinical-trial data supporting the safety and efficacy of the Amicus drug, which was approved by European regulators last year.

Mr. Crowley said Tuesday the FDA's decision to allow Amicus to submit its application shows the agency is "listening to the voice and experience of patients." He said this is "how drug development, and regulatory reviews, should be."



ZACH GIBSON/GETTY IMAGES

Food and Drug Administration Commissioner Scott Gottlieb

U.S. NEWS

Trump Jr. Emails Spark Uproar, Extend Woes



CAPITAL JOURNAL

By Gerald F. Seib

For months, the hope in President Donald Trump's world—sometimes realistic, sometimes strained—was that the story of Russia's role in the 2016 presidential election would quickly shrivel up and blow away.

That dream died Tuesday.

Whatever else the stunning

email chain released by Donald Trump Jr. did or didn't show, it undermined the argument that the idea of Russian collusion with the Trump campaign is so ludicrous that it shouldn't be taken seriously. Instead, in black and white, were messages showing that someone offered help from the top of the Russian government to distribute damaging information about Hillary Clinton—and that the president's son, in his own words, was eager to get it. Indeed, he scheduled a meeting to receive it.

As a result, government investigations and media inquiries

ries of 2016 election maneuvering just got a load of new fuel. The stakes now seem higher, and previous responses more suspect. The prospect that all of this will go away soon has grown dim, if not extinguished entirely.

Moreover, the disclosure of the emails raises the prospect of divisions breaking out within Trump world. The president's son released them on his own, but only after it was clear that they were about to become public. That suggests someone else had put them in circulation, possibly to point a finger of blame for a questionable decision at Donald Trump Jr.

In sum, it is now more clear that the Trump White House has a long-term rather than a short-term problem on its hands. Moving forward, it likely will need a clearer way to separate its handling of investigations from the daily task of conducting presidential business.

To be sure, while the disclosure shook Trump world, it didn't change the White House's basic line of argument, which is that collusion with the Russians remains a myth. Essentially, Trump aides are arguing that Donald Trump Jr. was showing a willingness to accept opposition research from Russians, not to coordinate with them in hacking into the emails of



Donald Trump Jr.'s email disclosure makes it clear the White House has a long-term problem on its hands.

RICK WILKING/PRESS POOL

Mrs. Clinton and other Democrats, which is the truly explosive idea at the heart of the election-year inquiries. The former, they argue, is a far cry from the latter.

Moreover, Trump aides say nothing of substance was produced or handed over in the meeting with a Russian lawyer arranged by those emails—an account the lawyer corroborates. They believe the revelation has created more a perception problem than a legal one.

In a normal and fully formed presidential campaign, it is likely that such a meeting never would have happened. There would have been a system to set off alarm bells over such a suspicious offer of help from the fringes of the political world, and it would have been rejected outright or shuffled off to some lower level for vetting.

But the Trump campaign wasn't a normal campaign. It clinched the nomination with only a skeletal organization in

place. In June 2016, when the emails were sent, the Trump campaign, seemingly stunned by that success, was tiny.

Indeed, the campaign inner circle consisted of essentially a handful of family members and loyalists—a circle certainly including Donald Trump Jr.—minus the legal, political and fundraising apparatus that is the norm for modern campaigns. There was a lot of winging it going on—including, apparently, by the president's elder son.

Now, of course, the key question is what the new shock does to the course of the inquiries now under way, as well as the White House's handling of them. The silver lining in the election-controversy clouds remains the fact that the American people seem far less fascinated with the election-collusion question than do those in the nation's capital. Whether that will continue to be the case remains to be seen, of course.

The second key question, as it has been all along, involves the attitude of Republicans in Congress. They have remained largely supportive of President Trump. But their willingness to stand with the president on tough policy questions inevitably is affected by their perception of his standing and strength.

What the president really needs now are some policy successes. That means, in the first instance, making progress on health care, taxes and funding the government.

Keeping Republicans on board on those topics may require convincing them that there won't be more nasty surprises on the question of Russia's role in the 2016 election. And that may require the White House to be less dismissive of questions on that topic, and more transparent in answering them.

Demand For Russia Sanctions Intensifies

BY NATALIE ANDREWS

WASHINGTON—The release of emails purporting to show Russia offered help to President Donald Trump's election campaign is ramping up calls for Congress to pass a bill sanctioning Moscow for its interference in the election, although House Democrats continued to object to newly added text.

Donald Trump Jr. published emails Tuesday showing he attended a meeting in June 2016 with a Russian attorney to discuss allegedly incriminating information about Democratic candidate Hillary Clinton he was told was being offered as part of the Russian government's support of his father's candidacy.

The bill to sanction Russia as well as Iran cleared the Senate in June in an unusually bipartisan vote of 98-2.

The legislation would make it tougher for Mr. Trump to lift sanctions on Russia, impose new sanctions and insert a congressional review provision of such measures.

The bill is now stalled in the House over legislative procedural issues.

"Congress has a responsibility to act, they need to act and they need to act now," said Sen. Ben Cardin (D., Md.), one of the bill's sponsors.

"This is a very important bill. My guess is those who are trying to weaken and defeat the bill are using every opportunity they can to do that."

White House officials have criticized the congressional review provision, saying they support the sanctions but that the measure as written would erode the president's power to conduct diplomacy.

If unchanged, the bill would require the president to seek Congress's permission to relax the present set of sanctions against Russia.

Without the legislation, the executive branch can decide to reverse the sanctions on its own.

The oversight provision applies to existing sanctions the Obama administration imposed through executive order.

Another portion of the bill would prohibit U.S. citizens and entities from exporting goods, nonfinancial services and technology in support of deep-water, Arctic offshore or shale-exploration projects involving Russian concerns. It also would tighten restrictions on the extension of credit to Russian entities.

Louise Radnofsky contributed to this article.

Legal Problems May Await President's Son

BY JACOB GERSHMAN
AND NICOLE HONG

information from the Russian government about Democratic challenger Hillary Clinton.

The emails reveal two key pieces of information that had been obscured or contradicted by Donald Trump Jr.'s previous accounts of his June 9 meeting in New York City with Russian defense lawyer Natalia Veselnitskaya, who represents Russian state-owned corporations.

The president's son knew that he would be meeting with a foreign national and that she was essentially a messenger for the Russian government.

Federal election law makes it a felony to accept or solicit a campaign donation from a

foreign national or foreign government. Prosecutions related to foreign-national donations have generally dealt with charges of funneling cash. However, a donation can be "anything of value."

The new emails don't amount to a slam-dunk indictment of Mr. Trump Jr., the legal experts say, but could help build a criminal or civil-enforcement case.

"There is a serious issue here for the special counsel to investigate," said election-law scholar Richard Hasen at the University of California, Irvine, referring to special counsel Robert Mueller's investigation

into alleged Russian meddling in the 2016 election.

Mr. Trump Jr. said he realized soon after meeting with Ms. Veselnitskaya that she "had no information to provide" but said she mostly railed against the Magnitsky Act, a federal law that places sanctions on Russian human-rights abusers.

"I have never acted on behalf of the Russian government and have never discussed any of these matters with any representative of the Russian government," Ms. Veselnitskaya said.

That the president's son came away empty-handed may be a mitigating factor, but as a

defense, it is limited. Soliciting a foreign campaign contribution can be illegal even if the donation doesn't pan out. What matters is that there was an expectation of getting something valuable.

Opposition research on a political foe could be considered something of value, particularly if the supplier of the information spent money to obtain it, election-law experts say.

The Federal Election Commission has said the definition can encompass goods or services, like air travel or food, provided free or at below-market rates. Information can be a gift too, like polling data or donor lists.

MEET

Continued from Page One
ident Trump said: "My son is a high quality person and I applaud his transparency."

After reading the statement, Sarah Huckabee Sanders, the White House principal deputy press secretary, said: "Beyond that I'm going to have to refer everything on this matter" to Donald Trump Jr.'s attorney.

Richard Painter, White House ethics attorney in the George W. Bush administration, said it is illegal for a political campaign to accept "foreign contributions of money or services," which he said would include the information apparently described in Mr. Trump's email exchange. The younger Mr. Trump has said information about Mrs. Clinton was offered but was of little value.

Still, Mr. Painter said the extent to which the Trump campaign entangled itself in Russian meddling wasn't clear from the correspondence. The Russian government has denied trying to influence the campaign, and the president and his operatives have long said there was no collusion.

An email to the younger Mr. Trump dated June 3, 2016, a British publicist said a top Russian prosecutor had "offered to provide the Trump campaign with some official documents and information that would incriminate Hillary and her dealings with Russia and would be very useful to your father."

The publicist said the prosecutor had communicated this offer to Azerbaijani-Russian billionaire Aras Agalarov, who along with his son, pop star Emin Agalarov, organized the 2013 Miss Universe pageant in Moscow with the president and developed a relationship with the Trump family.

"This is obviously very high level and sensitive information but is part of Russia and its government's support for Mr. Trump—helped along by Aras and Emin," the publicist, Rob Goldstone, who was working for the Agalarovs, wrote in the



Sen. John Cornyn called for Donald Trump Jr. to testify before the Senate Intelligence Committee.

email to the younger Mr. Trump. "What do you think is the best way to handle this information and would you be able to speak to Emin about it directly?"

Donald Trump Jr. responded by offering to speak to Emin Agalarov about the matter. "[If] it's what you say I love it," the younger Mr. Trump wrote,

appearing to suggest the information would be good to release "later in the summer."

The correspondence appears to show he forwarded the chain and meeting plans to Messrs. Kushner and Manafort. Over the weekend, the younger Mr. Trump said he told them

"nothing of the substance" of the meeting before it occurred.

In a statement Tuesday, the younger Mr. Trump said he believed the Agalarovs had political opposition research about Mrs. Clinton and wanted him to meet with a Russian lawyer.

In an interview Tuesday night on Fox News, he said it was common for people to act on an interesting email. "I didn't know if there was any credibility, I didn't know if there was anything behind it, I can't vouch for the information," he said. "Someone sends me an email—I can't help what someone sends me. You know, I read it, I responded accord-

ingly."

Donald Trump Jr. said he didn't tell his father about the meeting because it was "such a nothing." He said he probably had met with other Russians but not in the context of a "formalized meeting." He was also asked if anyone else came to him offering information about Mrs. Clinton that he remembered, and he said, "No."

The younger Mr. Trump hired a private attorney Monday and said he would work with congressional investigators. On Tuesday, Sen. John Cornyn (R., Texas), a member of the Senate Intelligence Committee, called for him to testify.

By virtue of his work for the Agalarovs, Mr. Goldstone developed a relationship with the Trump organization. He first emailed Donald Trump Jr. on June 3, 2016, with hopes of setting up a meeting for Natalia

U.K. Publicist Thrust Into Spotlight

Rob Goldstone, a British-born publicist and music promoter who arranged a June 2016 meeting between Donald Trump Jr. and a Russian attorney allegedly linked to the Kremlin, is suddenly at the center of the investigation into Moscow's attempts to influence the U.S. election.

Mr. Goldstone has spent 13 years representing Emin Agalarov, an aspiring Russian pop star whose billionaire father, Aras, brought President Donald Trump's Miss Universe pageant to Moscow in 2013. Mr. Trump even appeared in a music video with Emin.

Born in Britain, Mr. Goldstone studied as a journalist and "worked for daily newspapers and radio stations in London," according to the website of his firm, Oui 2 Entertainment.

Mr. Goldstone founded Oui 2 with David Wilson in 1988 after years of work in the music marketing business. The company has partnered with EMI Music Publishing, Best Buy and the Friar's Club, according to its website.

By virtue of his work for the Agalarovs, Mr. Goldstone developed a relationship with the Trump organization. He first emailed Donald Trump Jr. on June 3, 2016, with hopes of setting up a meeting for Natalia

Veselnitskaya, an attorney who is alleged to have close ties to President Vladimir Putin.

The meeting took place six days later. Mr. Goldstone "checked in" at Trump Tower on his Facebook page on June 9 just before the 4 p.m. meeting.

Mr. Goldstone referred all questions about his emails with the younger Mr. Trump to his attorney after their release Tuesday.

Eli Stokols and Jason Douglas

and Louise Radnofsky contributed to this article.

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WORLD NEWS

Iraq Begins to Rebuild a Shattered Mosul

Parts of the western side of the city were flattened in the fight to oust Islamic State

By KAREN LEIGH
AND ASA FITCH

ERBIL, Iraq—The day after announcing Islamic State's defeat in Mosul, Iraqis turned to the enormous challenges of rebuilding and resettling the country's second-largest city.

The municipal government worked Tuesday to repair and open roads in the western side of the city, where the terror group made its last stand in Mosul. Swaths of that half of the city were largely flattened in months of fighting, with streets impassable and basic services nonexistent.

"Our priority now is getting people home," said Abdulsattar Alhabbu, head of the Mosul municipality. "Our focus is on west Mosul, where most of the damage from the fight happened. Our priority is bringing back the water supply. There is no life without water."

Iraqi Prime Minister Haider al-Abadi proclaimed victory over Islamic State in Mosul on Monday. The government declared a holiday on Tuesday and a week of official celebrations. But even amid the festive atmosphere, Mr. Abadi referenced the tremendous



Airstrikes targeted Islamic State positions on the edge of Mosul's Old City on Tuesday, a day after Iraq declared victory in the city.

FELIPE DANA/ASSOCIATED PRESS

economic and security challenges ahead. An Iraqi counter-terrorism forces commander said the fight to clean up the last remaining pockets of Islamic State resistance in Mosul was continuing on Tuesday.

Nearly nine months of fighting

from the city displaced more than 800,000 residents, according to the International Organization for Migration. Many say they won't return home until water and other basic services are restored—a task that will take at least six weeks, according to Hussameldin al-Abbar, an

official of Nineveh province, where Mosul is located.

"Nearly every building on the western side of Mosul was completely destroyed. With this level of devastation, it's very unlikely that the hundreds of thousands of displaced families will be going

home anytime soon," said Arnaud Quemin, interim Iraq country director for aid group Mercy Corps. "This is a critical moment for Mosul."

That lack of basic services is keeping thousands of residents like Ahmed Suleiman Abdullah staying put in desert camps for

displaced people near Mosul, even as scorching summer temperatures soar above 110 degrees. Mr. Abdullah fled in March with his two wives and nine children after his house in western Mosul was damaged by fighting.

Part of his house could be repaired quickly if he had money to do it, Mr. Abdullah said.

"We had no jobs for three years under Daesh," he said, using an Arabic acronym for Islamic State. "We spent all our savings, and now there is no work and we have nothing."

Khalid Muhammed, 32, a stationery and cosmetics shop owner in western Mosul, said last week that he reopened last month as people started to return. But a lack of city-supplied water was limiting customers.

"We are getting water tankers from NGOs, but we need the state-supplied water to be back so all the people will come back to their homes," he said, referring to aid organizations.

The government will need hundreds of millions of dollars to rebuild and compensate residents who lost homes, businesses and factories in Mosul. But Iraq's economy has been battered in three years of war against Islamic State and the government has a fraction of what it needs to repair the city.

—Ali A. Nabhan in Erbil
and Ghassan Adnan
in Baghdad
contributed to this article.

Europe Wary of Iran-Deal Review

BY LAURENCE NORMAN

BRUSSELS—European diplomats say they are increasingly concerned the Trump administration will stretch out its review of the Iranian nuclear deal, undermining the agreement by curbing the economic benefits designed to ensure Iran's compliance.

President Donald Trump has attacked the agreement, reached in 2015, as a "terrible deal" for the U.S.

European officials have been publicly upbeat about the U.S. remaining a party to the deal, but diplomats privately voice serious concerns about where the U.S. review is headed. They say Washington is providing little feedback, has given no firm end-date for the review and hasn't made clear who is shaping the process.

European officials still believe the Trump administration won't abandon the nuclear deal, but many fear Washington will keep it under a rolling review. That, they say, would crimp economic benefits Iran expected from the agreement by persuading already cautious Western banks and investors to stay away—whereas President Barack Obama's top officials urged engagement with Tehran.

European diplomats also worry that if the U.S. commitment remains uncertain, Iran may respond by attempting limited violations.

Trump administration officials have raised concerns—echoed in some European capi-



Iran's Supreme Leader Ayatollah Ali Khamenei in June. The U.S. has been studying the 2015 nuclear accord.

tals—that the deal doesn't curtail Iran's nuclear activities once its key commitments expire over the next 15 years. Washington has also repeatedly criticized the deal for not committing Iran to change its behavior in the region, where it has intervened to support the regime of Syrian President Bashar al-Assad and moved to increase its influence elsewhere through proxy forces such as Hezbollah.

While Obama administration officials toured Europe to encourage companies to take advantage of the lifting of most sanctions, the new administration has taken the opposite approach. White House deputy spokeswoman Sarah Huckabee Sanders said Monday that Mr.

Trump used last weekend's Group of 20 leaders meeting in Germany to press his counterparts "to stop doing business with nations that sponsor terrorism, especially Iran."

The limbo over the deal could strain U.S. ties with Europe, where the governments of France, Germany, and the U.K., as well as the European Union, helped negotiate the deal and strongly support it. They argue the deal averted a military conflict over Iran's nuclear program and is now allowing the continent to start rebuilding investment ties with Tehran.

"I think a situation where the new administration will just keep things under review—I would not say forever,

but on and on and on—I don't think that is unrealistic," a senior European diplomat said. "Nobody has any guarantee of the outcome."

U.S. officials said Washington has informed allies about the basic parameters of the review. A senior administration official said the U.S. had "numerous bilateral meetings with different European allies" to solicit feedback.

The official said the review's timetable is being driven by the substance of the work. "There's no set date for its completion," the official said. "I don't think it's going to take forever."

—Felicia Schwartz
in Washington
contributed to this article.

U.S., Qatar Sign Pact To Fight Terror Funding

BY FELICIA SCHWARTZ

WASHINGTON—The U.S. and Qatar signed an agreement in Doha to crack down on terrorist financing, part of efforts by Secretary of State Rex Tillerson to resolve a weeklong conflict between four Arab states and Qatar.

Under the agreement, the two countries will step up efforts to track down terrorist funding sources and will do more to collaborate and share information.

The pact lays out steps both sides will take in coming months and years to "interrupt and disable terror financing flows and intensify counterterrorism activities globally," Mr. Tillerson said after meetings with senior Qatari officials.

Mr. Tillerson and his Qatari counterpart said the accord isn't directly related to the feud between Qatar and the bloc of Saudi Arabia, the United Arab Emirates, Bahrain and Egypt.

"The agreement in which we both have signed on behalf of our governments represents weeks of intensive discussions between experts and reinvigorates the spirit of the Riyadh summit," Mr. Tillerson said in reference to meetings in May in Riyadh among the leaders of the U.S. and Arab countries.

Qatar's Foreign Minister Sheikh Mohammed bin Abdulrahman Al-Thani, said, "The blocking countries have accused Qatar of financing terrorism; now the state of Qatar is

the first country to sign this memorandum of understanding with the United States. We invite the other blocking countries to join."

The four countries cut diplomatic ties and imposed a travel ban on June 5 in response to allegations Qatar funds terrorist groups. U.S. officials have said they fear the conflict could drag on for months. Qatar denies the allegations and has accused the bloc of waging a smear campaign.

The four Arab countries rejected Qatar's response to a list of demands to try to resolve the crisis, including curbing diplomatic ties with Iran, severing links with the Muslim Brotherhood, and closing the Al Jazeera television network.

In a statement, they said the agreement between Washington and Doha "is not enough," and they would "closely monitor the seriousness of Qatar in combating all forms of funding, supporting and fostering of terrorism," according to Emirati state news agency WAM.

At the start of the conflict in June, President Donald Trump sided with Saudi Arabia and the other countries, criticizing Qatar's alleged support to terrorist groups and taking credit for the decision to crack down on Doha as evidence of the success of his visit to Riyadh in May. Mr. Tillerson, on the other hand, has been sympathetic to Qatar and has urged calm and moderation.

—Nicolas Parasie in Dubai
contributed to this article.

Talks Led Venezuela To Move Prisoner

BY SANTIAGO PÉREZ

An international team led by a former Spanish prime minister met secretly for months with leading Venezuelan officials to persuade them to move the country's most prominent political prisoner to house arrest from jail, people involved in the talks told The Wall Street Journal on Tuesday.

President Nicolás Maduro's government, buffeted by more than 100 days of protests and growing international condemnation, on Saturday commuted Leopoldo López's nearly 14-year sentence, transferring him from the Ramo Verde stockade to his home in Caracas.

"We've been telling Maduro for a very, very long time that he has to give a signal, and the signal has to be the release of the political prisoners," said one of those close to the talks on Tuesday.

The person said the mediators—led by former Spanish leader José Luis Rodríguez Za-

patero and including two former presidents, Leonel Fernández of the Dominican Republic and Martín Torrijos of Panama—believe Mr. López's release is a sign that the government and an opposition coalition could hold talks to dial down the unrest, which has led to 93 deaths, mostly of antigovernment demonstrators.

"The antagonism and challenges are huge, and the only way is to look for basic agreements to avoid confrontation," said a second person involved in the talks.

"You need to make an effort so one party recognizes the legitimacy of the other."

Mr. López, 46 years old, was convicted in 2015 of inciting violence. He has been demonized by the government, with some officials referring to him in official pronouncements as "the Monster of Ramo Verde."

—Juan Forero and Kejal Vyas
contributed to this article.

GREECE Bank Chief Defends Equity Over Debt

The central bank governor said the country didn't need to return to bond markets this year, and said Athens should privatize some enterprises as a way to win investors' confidence.

"I think it's a bit early" to tap public markets, Yannis Stournas said in his first comments on the issue since Greece reached a deal with its international creditors in mid-June.

"I think it would be even better, for instance, if Greece proceeds with two or three emblematic privatizations in the period to come. That would be more helpful to tap markets later," he said.

—Tom Fairless and Nektaria Stamouli

BRAZIL Senate Approves New Labor Bill

Brazil's Senate approved a bill to make extensive changes to

labor laws, cheering investors and giving embattled President Michel Temer some good news.

The bill, which passed on a vote of 50 to 26, will permit more flexible employment rules.

Brazil's economy contracted in 2015 and 2016. The new law will help spur growth, said Rafael Sabadell, a fund manager at São Paulo-based GGR Investimentos.

Labor unions have held multiple protests to oppose the changes. The bill would "remove

all the rights of the working class, to the benefit of financial, agricultural and business" interests, Brazilian union organization CUT said.

—Jeffrey T. Lewis

INDIA Court Stays Ban on Cattle Sales for Meat

The country's top court suspended for three months a ban introduced by the Hindu nation-

alist government on the sale of cattle and buffaloes for slaughter.

The Supreme Court on Tuesday approved a lower court's ruling that said people have a basic right to choose their food.

The court is expected to give a final ruling after the federal government reconsiders the issue in view of widespread criticism of its decision, announced in May.

Under the May rules, buyers and sellers at cattle markets or animal fairs would be required to pledge in writing that cows and other animals considered holy by Hindus wouldn't be slaughtered for food or any other purpose. Cattle for slaughter would have to be bought directly from farmers.

The Supreme Court decision is a reprieve for state governments that criticized the proscription as a blow for beef and leather exports, one that would leave hundreds of thousands of people jobless and deprive millions of Christians, Muslims and poor Hindus of a cheap source of protein.

—Associated Press

GRIEF: People mourn relatives newly identified as victims of the 1995 Srebrenica massacre in Potocari, Bosnia and Herzegovina.

DADO RUVIC/REUTERS

WORLD WATCH

GREECE

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—Associated Press

WORLD NEWS

Germany Casts Net For G-20 Rioters

BY ANDREA THOMAS

BERLIN—Germany asked European governments for help in finding and prosecuting rioters who left a trail of destruction in Hamburg during the weekend's Group of 20 summit.

The violence took political Berlin by surprise and sparked calls this week for a crackdown on organized left-wing radicals—who had largely fallen off the radar as security officials concentrated on neo-Nazis and Islamists.

Politicians warned that failure to prevent escalations would mean high-level international gatherings could take place only in autocratic regimes, where not even peaceful protest is tolerated.

"Many photos and video recordings are currently getting assessed to identify the perpetrators. For this, we rely on support from our foreign partners," Justice Minister Heiko Maas wrote in a letter dated Monday to his colleagues from the European Union seen by The Wall Street Journal.

"We must stop this brutal riot tourism in Europe," Mr. Maas wrote, asking his European counterparts to swiftly execute German arrest warrants.

Among huge numbers of peaceful demonstrators, a smaller core fought street battles with riot police and set cars and barricades ablaze during the two-day summit.

On Friday night, hundreds

of masked, black-clad hooligans unleashed devastation rarely seen in Germany.

Police said on Tuesday that 186 people had been arrested and 228 temporarily detained. Among them were suspects from France, Italy, Spain, Russia, the Netherlands, Switzerland and Austria, a Hamburg prosecutor said.

Mr. Maas and Interior Minister Thomas de Maizière on Monday called for an EU-wide database of far-left extremists. Mr. de Maizière said some extremists were stopped at the German border, but others had to be let go because no evidence could be found that they were planning crimes.

"The events surrounding the G-20 summit must be a turning point for our view of the extreme left-wing scene and its willingness to commit violence," Mr. de Maizière said.

In its annual report published last week, Germany's domestic intelligence agency said the number of left-wing extremists in Germany had increased to 28,500, from 26,700 last year, the highest level since 2012.

The agency had warned that Hamburg's hard-left scene could be a magnet for radicals from abroad during the G-20. Far-left and anarchist militants have bases in Hamburg, Berlin and Leipzig.

Several politicians and security officials said last weekend's events meant tolerance of such groups had to stop.



Bolshoi Theater director Vladimir Urin, right, with ballet director Makhar Vaziev at the theater in Moscow on Monday, said a new ballet about the life of dancer Rudolf Nureyev is being delayed because it isn't ready for prime time, not due to censorship.

Culture Clash Snags Bolshoi

BY NATHAN HODGE

MOSCOW—It was supposed to be the hottest ticket of Moscow's theater season: A ballet based on the life of legendary dancer Rudolf Nureyev.

Instead, critics say it has become a casualty of Russia's culture wars.

Days before a scheduled Tuesday premiere at the landmark Bolshoi theater, the management postponed the show about the dancer, who led an extravagant, unconventional life, had affairs with men and women, and died of AIDS-related complications.

Saying the show wasn't ready to go public, the theater now plans to stage the ballet in May—but the decision has set Russia's cultural observers on edge.

The Bolshoi is one of Russia's cultural treasures, and a source of immense national pride. The ballet's controversial subject matter has highlighted a debate within Russia about cultural identity and artistic freedom as the country

has grown increasingly conservative and politically isolated.

Mr. Nureyev, who defected from the Soviet Union in 1961, had a reputation as a rebel and a nonconformist. Postponement of the performance is raising questions about official censorship and homophobia.

"The Bolshoi ballet is vodka, a nesting doll, a bear and a balalaika in one festive candy wrapper, and any spots on its reputation are particularly sensitive," wrote ballet critic Leila Guchmazova in Russia's Theater magazine, describing the uproar over the cancellation. "It's impossible to take the Nureyev out of 'Nureyev.'

In a briefing on Monday, theater general director Vladimir Urin acknowledged that the story of Mr. Nureyev is "ambiguous, with a complex fate," and that presenting his character would be challenging, Russian news agencies reported. But he denied the theater had come under official pressure.

In videotaped remarks Saturday posted by the independent TV channel Dozhd, Mr. Urin explained the postponement, saying that "in the state the performance is currently in, it is impossible to show it on the stage of the Bolshoi."

Russia's powerful Ministry of Culture, which holds sway over the state-funded Bolshoi, told news agency RIA-Novosti that Russia's top cultural official applied no pressure to pull the performance. "Censorship and bans are not the style of our organization," it said.

Ballet critic Natalia Zvenigorodskaya, however, said few observers were convinced by the official version of events.

The reaction among people interested in high culture, she said, "reflects an unhealthy atmosphere in culture and society" that is deeply skeptical of official motives.

"We are returning to a very familiar situation," she said. "I lived in the U.S.S.R. and I don't want to go back to that."

Russian President Vladimir Putin has cast himself as a defender of traditional family values, allying closely with the

Russian Orthodox Church.

The Russian government has clashed with the European Court of Human Rights over a 2013 law and other legislation that banned the promotion of homosexuality.

Mr. Putin has come under direct criticism from Western leaders over reports that dozens of gay men have been targeted for arbitrary detention and extrajudicial killing in the southern republic of Chechnya.

Natalia Antonova, a Moscow-based writer and playwright, said the intense debate stoked by the cancellation of the premiere reflected an "identity crisis" in Russian political and cultural life.

Russian officialdom, she said, "wants the prestige that's associated with something like this ballet, but at the same time they have to please the religious hard-liners that they've encouraged."

The director of the new ballet, Kirill Serebrennikov, didn't respond to a request to comment on the investigation and the postponement of the ballet.



A protester threw a bike into a barricade fire in Hamburg last week.

South Korea Doubts Success of North's Missile Trial

BY ALASTAIR GALE

North Korea's recent long-range missile test didn't show Pyongyang is able to arm the device with a warhead that can survive the intense heat and vibration of re-entering the atmosphere, South Korea's intelligence agency said.

The assessment, given to South Korean lawmakers on Tuesday, contradicts an assertion by North Korea and suggests the isolated state may still have a significant technical hurdle to overcome in its quest for a missile that can threaten major U.S. cities.

Governments and private-

sector analysts are still analyzing data from the July 4 test launch of a missile North Korea called the Hwasong-14. Most agree the flight path indicates the missile would be able to reach Alaska and possibly farther in a conflict.

More specific details are largely dependent on images released by North Korea and guesswork. The tip of the missile, where the warhead, or re-entry vehicle, would be located, has drawn attention from experts because it appears to consist of a simple hollow fairing.

The fairing looks too small to fit the re-entry vehicle that North Korea has shown on

other missiles, John Schilling,

an aerospace engineer, wrote in an analysis of the Hwasong-14 published Monday on the North Korea-focused website 38North.

Yi Wan-young, a South Korean lawmaker who attended a briefing by the National Intelligence Service, said in televised comments that the spy agency assessed that North Korea hasn't developed re-entry technology for the Hwasong-14.

The agency reached the assessment because it wasn't able to confirm a successful re-entry of the missile, and because North Korea doesn't have testing facilities for re-

entry vehicles, Mr. Yi said.

Following the Hwasong-14 launch, North Korea said through its state media that the test verified all the technical features of the missile "including the heat-resisting features and structural safety of the warhead tip of (the) ICBM made of (a) newly developed domestic carbon compound material."

American officials have stated that the latest North Korean missile appeared to have intercontinental range but haven't commented publicly on whether it has a viable warhead.

—Min Sun Lee
and Charles Hutzler
contributed to this article.



North Korean leader Kim Jong Un inspecting the Hwasong-14.

China Fails Critical Test as Pyongyang Makes Nuclear Strides



By Andrew Browne

SHANGHAI—Not for the first time, the specter of nuclear proliferation hangs over North Asia.

In the 1970s, South Korea was secretly pursuing a nuclear-weapons program. Taiwan was running a similar clandestine operation. Japan sat on a stockpile of plutonium from its civilian nuclear program and then, as now, had all the technology it needed to build a bomb.

Only strong U.S. pressure, combined with strategic reassurance to its allies, managed to head off an arms race.

Today, a nuclear-arms race is one of the nightmare scenarios as China's ally Pyongyang terrorizes its neighbors.



Soldiers applauded Kim Jong Un in this image from a bulletin aired Monday by North Korea's KRT.

Beijing appears to believe that living with a nuclear North Korea is preferable to the alternatives: the collapse of its socialist ally spilling refugees into its industrial heartland and bringing U.S. troops to its border.

This is likely a terrible miscalculation. It may well be true that North Korea's youthful dictator, Kim Jong Un, isn't driven by a death wish, but it would be unwise to count on restraint from a leader who reportedly had his own uncle blown to bits with an antiaircraft gun. He already has the capability to wipe out Seoul

or Tokyo, and a missile that can reach Alaska.

A nuclear arms race might itself be a trigger for war. How would Beijing respond if Taiwan reactivated its nuclear program?

Right-wing politicians in Seoul are openly debating the nuclear option. Public opposition in Japan makes it unlikely that Tokyo would ever build its own arsenal.

But then, the unthinkable is now reality: President Trump talks about a "major, major conflict."

Back in the 1970s, South Korea attempted a nuclear

breakout when it feared U.S. abandonment. Seoul didn't drop the effort until 1980—after the U.S. suspended a plan to pull out troops, according to Seung-Young Kim, a senior lecturer at the University of Sheffield.

North Korea capable of hitting the U.S. with a nuclear-tipped ballistic missile would, once again, raise questions about U.S. willingness to come to the rescue. Would Washington risk Seattle for Seoul? That, in turn, might spur demands for a homegrown nuclear deterrent.

White House officials have signaled in recent days that the U.S. is ready to act unilaterally by targeting Chinese banks and companies that Washington says are funneling cash to Pyongyang's weapons program.

Hawks in the U.S. call for tougher action on North Korea, although the regime seems impervious to the effects of sanctions on its own impoverished people and military strikes would risk retaliation and millions of casualties, including among U.S. forces in South Korea and Japan. Others press for Washington to open direct dialogue with Pyongyang.

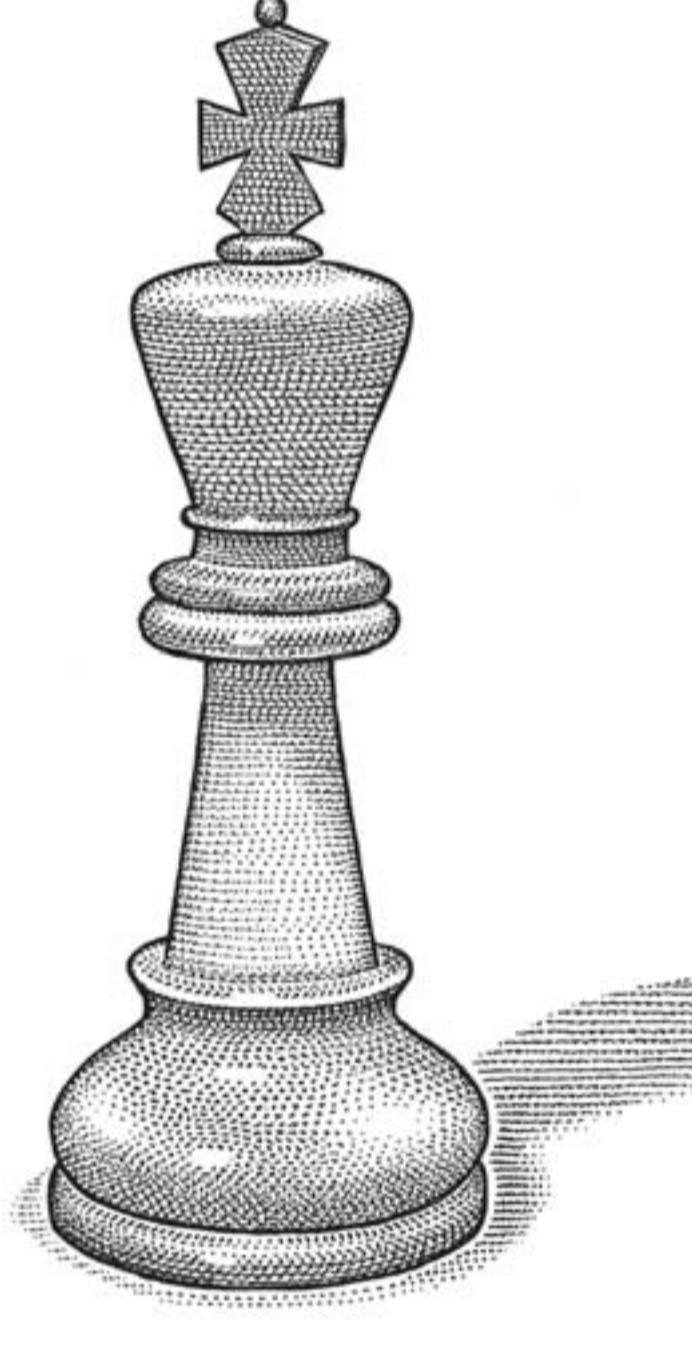
One thing is clear, however: China's passivity doesn't jibe with its quest for international respect as a great power capable of solving big problems.

The world looks at North Asia as an almost invincible economic powerhouse. It is now the most dangerous corner of the planet. The question now is whether China will come to see that its rogue ally imperils everything—it's past victories against poverty, its dreams of future wealth and power. And whether that will inspire it to lead.

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WORLD NEWS

Bank of Canada Seen Raising Key Rate

First increase in seven years would signal economy is poised for quicker expansion

By PAUL VIEIRA

OTTAWA—The Bank of Canada is widely expected on Wednesday to raise its benchmark policy rate for the first time in seven years, signaling the Canadian economy is on the path to recovery after years of tepid growth following the global slump in commodities.

Canada's central bank, led by Gov. Stephen Poloz, is joining peers at the Federal Reserve, the Bank of England and the European Central Bank as they dial back on the extraordinary run of ultralow interest rates aimed at jump-starting the global economy in the aftermath of the recession of 2008-09.

In Canada, which was hit with an income shock after the downturn in prices of oil and other commodities, low rates have resulted in an extended period of loose money that has fueled a housing boom in pockets of the country. Some ana-

lysts say soaring real-estate prices, which have stretched affordability and forced official measures to curb investing, could be a factor driving Wednesday's expected increase.

Canadian housing starts rose 9.1% to a seasonally adjusted annual rate of 212,695 units in June, Canada Mortgage and Housing Corp. said on Tuesday.

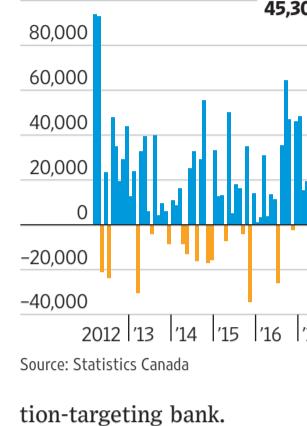
Amid recent growth in gross domestic product and robust job creation, Mr. Poloz has signaled he will remove stimulus this week, monetary-policy analysts said. That is even though inflation—at an annualized 1.3% rate in May—remains well below the central bank's 2% target, and wage growth remains stubbornly low.

Nine of the 10 primary dealers of Canadian government securities dealers surveyed by The Wall Street Journal predicted a Bank of Canada rate rise on Wednesday, from its near-record low of 0.5% to 0.75%. One firm, TD Securities, said it believed the central bank would hold off until October, arguing a rate rise now could hurt the Bank of Canada's reputation as an infla-

Looking Up

Hiring and economic growth in Canada have exceeded expectations in recent months amid low rates. But debt has also risen.

Change from previous month in employment

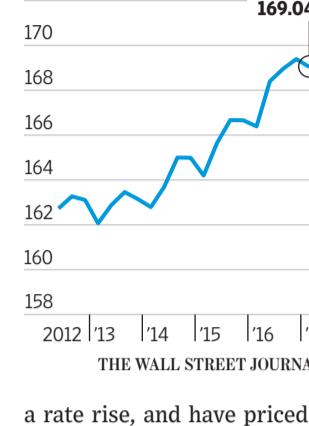


Source: Statistics Canada

Quarterly GDP growth/decline on annualized basis



Ratio of consumer debt to after-tax income, quarterly



THE WALL STREET JOURNAL.

tion-targeting bank.

The majority who expect a rate increase mostly cite two factors: a marked bullish shift in central bank communications about the outlook; and data signaling Canadian output is expanding at its fastest pace in nearly three years, or since the onset of the commodity-price downturn.

Six of the dealers surveyed

added they expect Canada's benchmark interest rate to hit 1% by the fall.

"Inflation isn't pressing, but the economy is showing that it can easily live with interest rates a bit higher than they are at present and still generate solid growth," said Avery Shenfeld, chief economist at CIBC World Markets.

Traders are also banking on

a rate rise, and have priced a roughly 90% possibility of an increase on Wednesday based on the overnight index-swap market. The Canadian dollar has surged to a 10-month high in recent days, while Canadian government bonds have sold off aggressively alongside their global peers.

Much has changed about Canadian rate expectations in

just a matter of weeks. In the last Journal survey before the Bank of Canada's May 24 rate decision, no economist envisaged a rate rise before the end of 2017. This was based on the cautious tone Mr. Poloz had embraced, which opted to emphasize downside risks over encouraging data, especially on the hiring front.

Forecasts changed starkly following a June 12 speech from the Bank of Canada's second-highest-ranking official, Carolyn Wilkins. She said economic activity was broadening on a regional and industrial sector, and that required central bank officials to assess whether ultralow rates were still necessary.

And in two broadcast interviews in June, Mr. Poloz said rate cuts delivered in 2015 have worked in helping the economy adjust to the income shock from lower energy prices, and that spare labor and production capacity in the economy was being "steadily" absorbed. Those factors needed to be taken into account when officials gathered to make their Wednesday rate call, he said.

—David George-Cosh contributed to this article.

FROM PAGE ONE

SPIRE

Continued from Page One

sites, where they sell for \$100 and up. The app owners recently asked Tinder, the dating app, to take down a profile hawking a Spireworks invite for \$1,000.

Anthony Papavasiliou, a 38-year-old owner of a Fort Lee, N.J., Greek restaurant, has been posting on social-media sites seeking access since a friend showed him the app in action two years ago. He donated \$250 to Creative Time, a New York nonprofit that supports artists that was giving out invites, but he didn't nab one.

"I just have to have it," he said, describing himself as "the kind of guy who wakes up at 3 a.m. to get the latest iPhone."

The app lets users control the colors of spires atop two buildings: One Bryant Park, dubbed the Bank of America Tower after its main tenant, and 4 Times Square, home to law firm Skadden, Arps, Slate, Meagher & Flom LLP and distinguished by a large neon logo of fashion label H&M.

The app is the brainchild of Mark Domino, a digital-media artist who built "multisensory musical instruments" while a student at Brown University. He is the son-in-law of Douglas Durst, the real-estate tycoon whose family company, the Durst Organization, owns the two midtown office towers. Mr. Domino works as director of digital media at Durst.

After sunset each night, app users can log in, choose a building and select from a palette of



TIM CLAYTON/CORBIS/GETTY IMAGES

A night view of New York City, showing the colored spires of Bank of America Tower and 4 Times Square.

colors during a two-minute session. Options for sparkles add pizazz. Cloud-hosted software sorts the requests and instructs the lights that line the two spires, a combined 716 feet tall.

Usually only five users are allowed to actively change the colors at a time. So, on busy nights, a digital queue forms. Waits approached half an hour on July 4th this year. Red, white and blue were the only colors available that night.

"What is more powerful than getting control of the city?" asked Vincent Bruneau, the 36-year-old CEO of a company that runs a corporate-meeting app who scored an invite. "It's kind

of supernatural."

Last year on a trip to Paris, Mr. Bruneau received a 6 a.m. call from a friend back in New York begging him to change the color of the spires so he could impress guests at a party. Bleary-eyed, Mr. Bruneau obliged.

Durst has added One World Trade Center, which it manages, to the app on special occasions, including the U.S. Open tennis tournament, the NYC Marathon and World AIDS Day.

Seven years ago, Mr. Domino wrote the code to control the spire lights. At the Durst holiday party in 2010, his father-in-law hit the button for the inau-

gural color change. Durst employees invited a few friends and tenants, who each got a few invites to give away.

The app's community grew slowly and by word-of-mouth. In the past year, it has increased dramatically and the number of users is now approaching 10,000, Mr. Domino said. Each user can offer five invites.

Earlier this year one couple turned Durst's Times Square spire blue to reveal the gender of the baby they were expecting, and a handful of men have used it in marriage proposals, Mr. Domino said. One user hid his phone in his pocket and bet tourists near Times Square that

he could change the spire's color as a magic trick, Mr. Domino said.

At a 2015 party celebrating the listing of a posh Tribeca penthouse with clear views to Midtown, a broker with the app wowed potential buyers as they played rooftop croquet while being serenaded by a string quartet. "Talk about being king of the castle," said Elizabeth Kee of Core, the listing agent. The apartment sold for \$8.3 million.

When Natalia Krasnobebska got a Spireworks invitation from her friend Ashley Zelinskie, she said she fired off a thank-you tweet. Almost imme-

diately, Ms. Zelinskie, an artist currently showing at Sotheby's, was flooded with dozens of requests for invitations from strangers. She said she declined them all.

Mr. Domino said he didn't like the velvet-rope vibe that has grown around the app. He said he wanted Spireworks to be an "open system to share in moments of discovery and play."

He said he is looking for ways to cut down on "bootlegging," perhaps by doing away with the invitation system in favor of one unlocked by charitable donations. Durst said it has had preliminary discussions with charity partners but declined to name them.

Mr. Domino also said he was dismayed how many of the app's most ardent fans are young men who want to use it to pick up women.

He said that in a recent survey of Spireworks users, bartenders at the Boom Boom Room, a millennial hot spot atop the Meatpacking District's Standard Hotel, complained the club was saturated with men using the app to try to seduce women.

James Geraci, a recent college graduate from the Boston area, tweeted to the official Spireworks account during a Memorial Day visit to New York seeking an invite. Some women were coming by his hotel room, which faced the spires, and he said he thought the app would be "a power move of a pickup line."

No one ever responded. Mr. Geraci said he "ended up having to try to impress the girls the old-fashioned way."

Burlington Northern Santa Fe. Regulated businesses can yield steady returns, while stock investments are more volatile but can produce bigger wins. Berkshire also operates less-regulated businesses including retailers and manufacturers.

The energy and railroad businesses accounted for 24% of Berkshire's 2016 net earnings, up from 8% a decade ago.

Berkshire's utility investments mark a different strategy than how Mr. Buffett built his firm decades ago, when he sought to buy companies like See's Candies that required little capital investment.

As Berkshire has grown into a behemoth, Mr. Buffett has turned to acquiring regulated businesses that require consistent maintenance. The downside is these businesses require continuing capital investments, but that helps use up some of Berkshire's massive cash pile.

"It is probably a different act to maintain this company than it was to build it," said Lawrence Cunningham, a law professor at George Washington University who has written about Berkshire. "Warren wasn't doing this when Berkshire was much smaller, but nowadays, in the last 10 years, they've got so much capital."

Mr. Buffett didn't respond to a request for comment.

—Nicole Friedman

ONCOR

Continued from Page One

the hedge fund.

For decades, Mr. Buffett has included in his company's annual report a list of criteria for companies that might want to sell businesses to Berkshire. Berkshire is looking for large companies with little debt, the list says—and it isn't interested in bidding wars or hostile takeovers.

"We don't participate in auctions," Mr. Buffett wrote in the latest annual report. "A line from a country song expresses our feeling about new ventures, turnarounds, or auction-like sales: 'When the phone don't ring, you'll know it's me.'"

If the Oncor deal doesn't go through, Energy Future would pay Berkshire Hathaway Energy a \$270 million fee, according to a filing. The fee would have to be approved by the bankruptcy court.

The potential Berkshire deal would need permission from a bankruptcy court and from Texas regulators. Regulators already have indicated they would support Berkshire as a buyer.

Berkshire Hathaway Energy declined to comment.

Berkshire watchers said the company is unlikely to raise its initial bid. "His trump card is his willingness to walk away," said David Rolfe, chief invest-

ment officer at Wedgewood Partners, which manages about \$6 billion and holds Berkshire shares, referring to Mr. Buffett. "He does not have a history of bidding-type competitions, and he typically has played a pretty strong hand."

Mr. Buffett has long been known for quickly negotiating deals and sticking with his initial price offer.

"His playbook is not to negotiate," said Robert Miles, who has written books on Berkshire. "Buffett would take the \$270 million and move on to the next deal, which is what they did with Constellation."

Berkshire's energy unit reached deal in 2008 to buy Constellation Energy Group Inc. but withdrew the offer after state-controlled Electricité de France SA agreed to buy a stake in Constellation. Berkshire received a \$175 million breakup fee.

To be sure, many potential Berkshire deals that fall through never become public. In 2012, Mr. Buffett told shareholders that Berkshire almost spent \$22 billion buying a company but couldn't reach an agreement. He didn't name the potential target.

A recent withdrawal occurred earlier this year when Kraft Heinz Co., which is partly owned by Berkshire and Brazilian private-equity firm 3G Capital, backed away from a \$143 billion approach to take over Unilever PLC in February

after Unilever declined. Mr. Buffett revealed at his company's May annual meeting that Berkshire would have invested \$15 billion if the deal were reached.

"If it's unwelcome, there is no offer," Mr. Buffett told CNBC in February.

Mr. Buffett famously participated in one hostile deal decades ago—the takeover of Berkshire itself. Mr. Buffett bought shares in Berkshire, which was a New England textile company, starting in 1962.

In 1965, he appeared at a board meeting to take control of the company formally and replace the management.

In retrospect, he has said, the deal was a mistake. "I found myself...invested in a terrible business about which I knew very little," he wrote in

Mr. Buffett did raise the offer price in 1999 when he bought a majority stake in Mid-American Energy Holdings Co., now called Berkshire Hathaway Energy. But he made the switch before the deal was announced, as he explained in his 2007 letter to shareholders.

Mr. Buffett originally offered \$35 a share for Mid-American, but after pressure from investment bankers, he raised it to \$35.05, he said in the letter. "With that, I explained, they could tell their client they had wrung the last nickel out of me," he wrote. "At the time, it hurt."

But given Mid-American's growth since then, he said in the same letter, "I'm glad I wilted and offered the extra nickel."

With its latest energy bid, Warren Buffett's Berkshire Hathaway Inc. is looking to extend its shift away from stock picking to power its growth.

Last week, the billionaire investor's firm offered to buy bankrupt power-transmission firm Energy Future Holdings Corp. for \$9 billion in cash. Should the deal go through, Berkshire would expand its reliance on running stable and highly regulated industries.

Mr. Buffett rose to fame as a stock picker and continues to invest tens of billions in equities and other securities for Berkshire's portfolio.

But today, those investments are "de-emphasized," as Berkshire earns significantly more income from its operating businesses, Mr. Buffett said in his February letter to shareholders. Berkshire has undergone a "gradual shift from a company obtaining most of its gains from investment activities to one that grows in value by owning businesses," he wrote.

The conglomerate's move toward regulated businesses began in 1999, when Berkshire announced an agreement to buy its first utility business, and accelerated with the 2009 agreement to acquire railroad

With its latest energy bid, Warren Buffett's Berkshire Hathaway Inc. is looking to extend its shift away from stock picking to power its growth.

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IN DEPTH

GOOGLE

Continued from Page One
stance, to deflect antitrust accusations against Google by the Federal Trade Commission in 2012, according to a letter Google attorneys sent to the FTC chairman and viewed by the Journal.

Last month, European regulators issued a \$2.71 billion fine against Google for unfairly favoring its services over rivals' in its search results. Google has denied the charge.

The funding of favorable campus research to support Google's Washington, D.C.-based lobbying operation is part of a behind-the-scenes push in Silicon Valley to influence decision makers. The operation is an example of how lobbying has escaped the confines of Washington's regulated environment and is increasingly difficult to spot.

"Ever since Google was born out of Stanford's Computer Science department, we've maintained strong relations with universities and research institutes, and have always valued their independence and integrity," the company said. "We're happy to support academic researchers across computer science and policy topics, including copyright, free expression and surveillance, and to help amplify voices that support the principles of an open internet."

Google receives nearly \$80 billion a year in ad sales drawn mostly from seven products that each attract more than a billion global users a month, including Gmail, YouTube and Google maps. Its search engine handles more than 90% of online searches globally, according to StatCounter; its Android software will run 1.3 billion of the 1.5 billion smartphones expected to be sold this year, according to Strategy Analytics.

Consumer profiles

Through its various enterprises, Google collects information that reaches deep into daily life—recording everything from users' search history to whom they know to where they are—consumer profiles so rich that not even Google knows their full potential.

Google has paid professors whose papers, for instance, declared that the collection of consumer data was a fair exchange for its free services; that the company didn't use its market dominance to improperly steer users to Google's commercial sites or its advertisers; and that it hasn't unfairly quashed competitors.

Google funds favorable research that it promotes to government officials.

Several papers argued that Google's search engine should be allowed to link to books and other intellectual property that authors and publishers say should be paid for—a group that includes News Corp, which owns the Journal. News Corp formally complained to European regulators about Google's handling of news articles in search results.

Google has funded roughly 100 academic papers on public-policy matters since 2009, according to a Journal analysis of data compiled by the Campaign for Accountability, an advocacy group that has campaigned against Google and receives funds from Google's rivals, including Oracle Corp. Most mentioned Google's funding.

Another 100 or so research papers were written by authors with financing by think tanks or university research centers funded by Google and other tech firms, the data show. Most of those papers didn't disclose the financial support by the companies, the Campaign for Accountability data show.

Google said in some of its funding letters that it would "appreciate receiving attribution or acknowledgment of our award in applicable university publications." There are no professional standards on such disclosures in the research papers, which are mostly published in law journals at the universities.

Money spent on the research measures in the low millions of dollars—according to the former employee and former lobbyist—a small expense for the search-and-advertising giant. Some in academia say professors pay too high a price. Such



University of Washington law professor Ryan Calo wrote a research paper that in 2010 drew a \$400,000 Google research grant.

corporate funding runs the risk of creating the impression "that academics are lobbyists rather than scholars," Robin Feldman, of the University of California Hastings College of the Law, said in a Harvard University law journal article she co-wrote last year.

Ms. Feldman and others say even disclosing money received from a company that has benefited from the research can give the appearance of a conflict of interest and undermine academic credibility.

"Yeah, the money is good but it does get in the way of objective academic research," said Daniel Crane, a University of Michigan law professor. He said he turned down Google's offers to fund research opposing antitrust regulation of internet search engines. "If I am reading an academic paper, and they disclose an interest with a party with an interest in the outcome," he said, "you take that with a grain of salt."

Paying for favorable academic research has long been a tool of influence by U.S. corporations in food, drug and oil industries. Scandals involving conflicts of interest in medical research have spurred many medical schools, scientific researchers and journals to require disclosure of corporate funding and to prohibit corporate sponsors from meddling with findings.

The tech industry now includes the world's top five companies by market value: Apple Inc., Google parent Alphabet Inc., Microsoft Corp., Amazon.com Inc. and Facebook Inc.

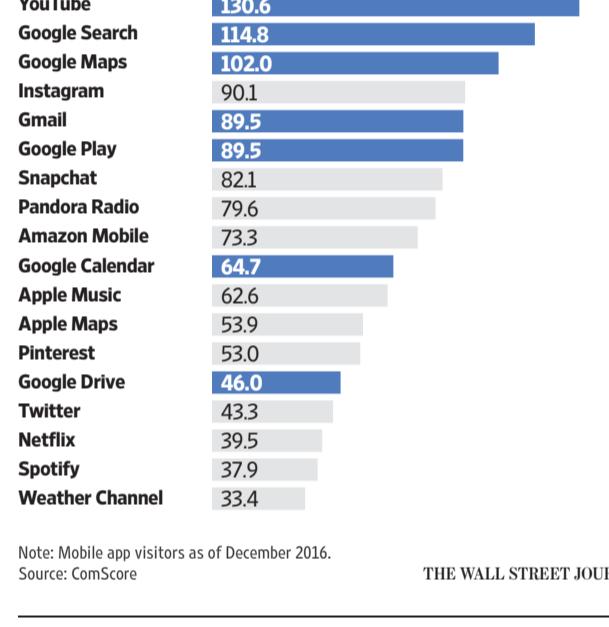
Several of the companies also are active in funding academic research. Microsoft has paid Harvard business professor Ben Edelman, the author of papers saying Google abuses its market dominance. Chip maker Qualcomm Inc. funded papers supporting its side of a fight against Google over patents.

And telecommunication giants Verizon Communications Inc. and AT&T Inc. have funded various papers against Google. The companies either declined to comment or didn't respond to requests for comment.

Google's strategic recruitment of like-minded professors is one of the tech industry's most sophisticated programs, and includes funding of conferences and research by trade groups, think tanks and consulting firms, according to documents and interviews with ac-

Google's Mobile Mastery

Most popular U.S. mobile apps, by unique monthly visitors



Note: Mobile app visitors as of December 2016.
Source: ComScore

for an online symposium on patents. Mr. Shaw sent Mr. Sokol a list of a dozen law professors along with specific topics for their papers. None was paid to participate. Mr. Shaw deferred comment to a company spokesman. Mr. Sokol submitted a \$5,000 invoice to Google after the conference.

In September 2013, Mr. Sokol worked with Rob Mahini, a senior Google lawyer, to plan an online conference on a separate patent issue. Mr. Mahini identified professors to participate, and he asked Mr. Sokol to invite them.

After running into difficulty persuading professors to write papers for the conference, Mr. Sokol asked Mr. Mahini if Google could provide "some encouragement" to them to participate, the emails show. Mr. Sokol declined to explain what he meant. Google said it didn't pay professors to participate. Mr. Mahini didn't respond to requests for comment.

When the symposium ended, a Google assistant emailed Mr. Sokol about his bill. Mr. Sokol replied: "\$5,000, like last time."

Asked for comment, Mr. Sokol wrote in an email: "For the symposia that I organized, I should have disclosed the sponsorship for such organization and have now done so. I disclose any financial support for the articles that I write."

Patent pending

Google and companies that make smartphones backed by its Android software have for years fought allegations of patent infringements by Oracle, Apple and Microsoft. The legal dispute has drawn academic cover on both sides.

Google sought help from Jorge Contreras, a University of Utah law professor who has also argued for a looser interpretation of U.S. patent laws.

Since 2013, Mr. Contreras has written numerous papers on patents. Google helped fund two of those papers, which each disclosed the financial support. The other papers didn't mention his relationship with Google.

Google funded a Washington, D.C., symposium in June 2015, organized by Mr. Contreras, that showcased how Google and other companies had pledged not to enforce some of their patents, allowing others to use their technology.

Around that time, Mr. Contreras forwarded his research paper on the topic to Google policy officials and lawyers: "I would also welcome your feedback and comments," he wrote in the email.

"It's in really great shape!" a Google lawyer responded. "Would be good to discuss a couple of things briefly...that are somewhat related." They set up a phone appointment, according to the emails.

Mr. Contreras said in an interview that he sent the paper as a courtesy because Google sponsored the conference. He said it was common among academics to ask for feedback on papers, including from officials at companies the papers discuss: "They're experts and in the trenches, and I'm writing about what these people do. So, it's good to get feedback."

A month before the symposium, Google hosted a private

patent-law briefing at the Washington law office of Wilson Sonsini for several dozen influential public-policy advocates it hoped to win over. Google paid travel expenses for Mr. Contreras to speak about how companies share their intellectual property.

Mr. Contreras said Google doesn't pay professors to change their positions; it simply funds research that supports the company.

"I don't think there's any dishonesty here," he said, "but they pick the right people who they know are going to say the right thing."

Trusted allies

In 2010, Google hired Deven Desai, then a researcher in law and technology at Princeton University, to find academics to write research papers helpful to the company. Over the next two years, Mr. Desai said, he spent more than \$2 million of Google's money on conferences and research papers that paid authors \$20,000 to \$150,000.

In September 2012, the FTC was nearing a decision on whether to charge Google with antitrust violations, including its practice of favoring its shopping and travel services in search results. Google's law firm, Wilson Sonsini, sent the FTC chairman an 8-page letter in the company's defense and attached Google-funded research papers supporting its arguments.

Mr. Desai, now a law professor at Georgia Institute of Technology after leaving Google in 2012, said part of his job was to compile a list of "all the major policy academics in intellectual property so" Google lobbyists could know whom to follow and potentially target for papers.

He said Google made clear the checks carried no requirements: "It was a gift. Recipients can do what they want."

Among the largest were \$400,000 gifts that in 2010 went to several researchers investigating ways to improve users' online privacy.

Google and other tech companies collect personal information, including data some users would rather not share. The firms usually give notice on a privacy policies page about what is collected, and they often ask for users' consent to keep the information.

Some privacy advocates say the policies are long and confusing, and few people read them. The advocates seek instead rules limiting the use of personal data.

Ryan Calo, then at Stanford University, received one of the \$400,000 awards in 2010, though he didn't disclose the funding in one of the two papers he later published on privacy protection.

That paper suggested finding better ways to alert consumers about exposing their personal data "before we give in to calls to abandon notice as a regulatory strategy."

He said in an interview that the Google money was paid to Stanford. Nonetheless, he said, he should have disclosed the financial support in both papers.

After publication, Mr. Calo kept in touch with Google and shared his papers before publication, emails show.

"I'll be following up with a draft of that paper I mentioned on how cyberlaw is changing, and look forward to any examples or thoughts," Mr. Calo wrote on Dec. 20, 2013, to Google officials about an idea he had on artificial intelligence.

Betsy Masiello, a Google official at the time, was copied on the email and responded: "Also let me know if you have a draft on surveillance! =)"

Later, after seeing Mr. Calo's research on government surveillance, Dorothy Chou, a Google spokeswoman at the time, tried unsuccessfully to arrange for Mr. Calo to discuss his conclusions on National Public Radio. "I'm really hoping NPR reaches out so you can get on air to make those points," she wrote on Jan. 21, 2014.

Ms. Chou declined to comment, and Ms. Masiello didn't respond to requests for comment.

Mr. Calo, now a professor at the University of Washington, said it was common practice to discuss research with companies to ensure accuracy: "If you want to have impact as a scholar, you absolutely need to solicit input from the very entities you're talking about."

Google officials, he said, "identify work that resonates with a position they have already, and then they amplify that work."



University of Illinois law professor Paul Heald was one professor who didn't disclose Google funds.

MICHELLE KAMAR FOR THE WALL STREET JOURNAL

GREATER NEW YORK

Fallen Detective Mourned by Thousands

Miosotis Familia hailed for her service to city and devotion to family; 'My mother lived for us'

BY ZOLAN KANNO-YOUNGS
AND MELANIE GRAYCE WEST

Thousands of uniformed officers filled the Grand Concourse in the Bronx on Tuesday to remember New York City Detective Miosotis Familia, a single mother of three who was fatally shot in a police vehicle.

Officers from as far away as San Francisco and the United Arab Emirates gathered at the World Changers Church to hear of Detective Familia's deep dedication to her blood family and her blue family.

Detective Familia, promoted to that rank posthumously, "wanted with all of her heart to be a New York City police officer," Mayor Bill de Blasio told mourners.

"She was strong but kind, resourceful and energetic. She embodied the American dream," Mr. de Blasio said. "She loved this city and this country because she understood its magic."

The 12-year veteran was praised as a hero who had an infectious smile and always a word of inspiration for colleagues. She loved shopping with her mother and filled her home with colorful hearts on Valentine's Day, her favorite holiday, to show her children how deeply they were loved.

Through tears, Detective Familia's eldest child, Genesis, 20 years old, recalled her mother's last warm embrace, her dark brown eyes and soft skin. "My mother lived for us. She went to work every day for us," she said. Detective Familia also leaves behind 12-year-old twins, a boy and a girl.



Thousands of officers stood outside World Changers Church in the Bronx on Tuesday for the funeral service for NYPD Detective Miosotis Familia, who was killed on duty.

JUSTIN LANE/EUROPEAN PRESSPHOTO AGENCY; RICHARD DREW/ASSOCIATED PRESS (BELOW)

In the July 5 attack, Detective Familia, 48 years old, was sitting in a mobile-command center vehicle located in Fordham Heights, a high crime area of the Bronx. Shortly after midnight, Alexander Bonds walked up to the vehicle and shot her once in the head, killing her, officials said.

Bonds, 34, who acted paranoid for about two weeks before the shooting and thought police were following him, was shot and killed by officers who had chased him from the crime scene, authorities said. Bonds pointed his gun at the officers, they said.

Detective Familia is the sixth member of the NYPD killed since 2014. She is the third female officer to be murdered on the job, New York Police Department Commissioner James O'Neill said.

Mr. O'Neill, who became emotional during his eulogy Tuesday, said Detective Familia was a kind and authentic woman, serious and sharp-witted. The youngest of 10 children born to Dominican immigrants, she was "the glue that held her large family together," and the sibling responsible for mediating disputes among six sisters, he said.

Raised in Manhattan's Washington Heights neighborhood, Detective Familia later moved to the Bronx; she joined the force when she was 36 years old.

"She epitomized why many people choose to become police officers," said Mr. O'Neill, addressing her children. "Your mom believed in the possibility of being part of something larger than herself."

In his remarks, Mr. O'Neill stressed that Detective Familia was assassinated because of what she represented, and that violence against police "is a dishonor to civilized society."

"All her killer could see was a uniform, even though Miosotis was so much more," he added.

Bonds' criminal history and social-media presence indicate animosity toward police. In 2001, he was arrested for the assault of a police officer in Queens with brass knuckles, police officials said. A video posted on Bonds' Facebook page last year criticized police treatment of residents, referring to officers in derogatory terms.

On Tuesday outside the World Changers Church, dozens of officers watched the fu-

neral service on their smartphones, some wiping tears from their eyes and embracing colleagues.

"It's like a sister died," said Brett Woodard, an NYPD officer assigned to the 73rd Precinct in Brooklyn. "That's why we all come together."

Stella Vesga, a sergeant at the city's Parks Enforcement Patrol, said Detective Familia's death struck a chord. "The fact that she was doing her job and she was ambushed and the fact that she was a mother and the children are left without her," she said, "it's heartbreaking."



The three children of Detective Miosotis Familia gathered around a photo of their mother at her funeral.

Funeral Exposes New Rift Between Mayor and NYPD

The funeral Tuesday for slain New York Police Department Detective Miosotis Familia put on display new rifts in the relationship between Mayor Bill de Blasio and the city's police force.

Some officers appeared to turn their backs on the mayor as he eulogized Detective Familia, who was fatally shot on July 5, harking back to a demonstration in late 2014 and again in early 2015 when hundreds of officers turned their backs on him when he spoke at the funerals of two officers.

"They simply do not have faith in his leadership," said Ed Mullins, the leader of the Sergeants Benevolent Association, following the funeral.

Mr. de Blasio, a Democrat, came under criticism by police union leaders for traveling to Germany last weekend, days after Detective Familia's death, and not staying in the city in sympathy. The blowback followed months in which the often-troubled relationship had improved after the city hired more officers and completed a union contract.

"What he should have done is demonstrated his words by being here with us," said Patrick Lynch, the president of the city's biggest police union, the Patrolmen's Benevolent Association, outside the funeral.

Douglas Muzzio, a professor of public affairs at Baruch College, said the latest dust-up added fuel to a longstanding narrative the mayor has sought to change, particularly as he is seeking re-election. "The message will be that Bill de Blasio is antipolice," he said. "It's that simple."

A spokesman for the mayor,

Austin Finan, played down the idea that there is widespread discontent among the city's 36,000-member force with the mayor's leadership. "A couple dozen people showed up to partake in a bogus controversy ginned up by the media and those looking to politicize Detective Familia's death. That's unfortunate," he said.

Mr. de Blasio has defended his trip to Germany, where he spoke at a protest rally outside the G-20 summit, saying he was with Detective Familia's family and at her precinct the night of the shooting and the day after. He also has said it is in the best interest of New Yorkers for him to work with mayors around the world.

In his eulogy for Detective Familia on Tuesday, Mr. de Blasio said, "We're here to lay a hero to rest."

—Mike Vilensky
and Mara Gay

Two Toddlers' Deaths Are Ruled Homicides

BY ZOLAN KANNO-YOUNGS

New York City's medical examiner ruled Tuesday that the deaths of two Bronx toddlers this week were homicides, according to city officials.

Olivia Gee, 2 years old, and her brother Micah Gee, 3, each died of "blunt impact" to the torso, said a spokeswoman for the city's Office of Chief Medical Examiner.

"Our city is mourning the loss of two young children in a tragedy Monday in the Bronx," Mayor Bill de Blasio said in a statement, adding that the New York Police Department and the Administration for Children's Services were investigating the incident.

"As a parent, it's very painful for me to think about the death of these two children and what the family is going through right now," he added.

The boyfriend of the toddlers' mother saw the children weren't breathing in the early hours of Monday, law-enforcement officials said. He informed the children's mother, and they called police.

Police found both children lying face up in the same bed

unconscious in the home on Van Cortlandt Park South in the Bronx at about 1:20 a.m., law-enforcement officials said.

Authorities initially considered asthma as the reason for their deaths, law-enforcement officials said, because both children suffered from the condition.

Police on Monday night questioned the boyfriend, who requested a lawyer.

However, the boyfriend, who police declined to identify, was released and not charged.

As of Tuesday afternoon, no one had been charged in the case.

Homicide is the second leading cause of child injury deaths in New York, according to data from the New York City Department of Health and Mental Hygiene.

Almost a third of the 195 children who died of injuries between 2010 and 2014 were homicides, according to a recent city report, and the majority of those deaths were children four years and younger.

—Melanie Grayce West contributed to this article.

'Bridgegate' Probation Recommended

BY CORINNE RAMÉY

Federal prosecutors recommended that David Wildstein, the confessed architect of politically motivated lane closures at the George Washington Bridge, not be sent to prison because of his "extraordinary cooperation" in the case.

In a sentencing memo made public Tuesday, prosecutors said: "Put simply, were it not for Wildstein's decision to cooperate and disclose the true nature of the lane reductions, there likely would have been no prosecutions related to the Bridge Scheme."

Alan Zegas, an attorney for Mr. Wildstein, agreed that probation is an appropriate penalty. In his sentencing memo, he noted his client's good works, remorse and hundreds of hours cooperating with the government. Mr. Wildstein, he said, provided knowledge about not only those convicted, but "there were many other persons about whom David had provided information to the government."

Mr. Wildstein, who pleaded guilty in 2015 to two felony counts for his role in the 2013 lane closures, is scheduled to

be sentenced Wednesday in U.S. District Court in Newark.

He was the key witness during the trial that led to the convictions last year of Bill Baroni, a former executive at the Port Authority of New York and New Jersey, and Bridget Kelly, a former aide to New Jersey Gov. Chris Christie.

The three onetime Christie allies conspired to close lanes at the bridge, creating gridlocked traffic designed to punish Democratic Fort Lee Mayor Mark Sokolich because he didn't endorse the Republican governor's re-election bid, prosecutors said.

Mr. Baroni, who was sentenced to two years in prison, and Ms. Kelly, sentenced to 18 months, are appealing their convictions. Mr. Christie was never accused of wrongdoing, although the resulting political scandal derailed his national political ambitions, and the trial exposed what witnesses described as distasteful inner workings of his administration.

In the sentencing memo, prosecutors outlined Mr. Wildstein's cooperation, which they said included turning over emails, texts, his iPad and computers. He also met with prosecutors on 14 occasions to

prepare for his grand jury testimony and was on the stand for eight days during the 2016 trial.

"His cooperation led directly to the indictment and convictions of Baroni and Kelly," prosecutors wrote in the document. They said Mr. Wildstein took complete responsibility for his actions, which included devising, implementing and covering up the lane closures and their political motivation.

Under sentencing guidelines outlined in his plea agreement,

Mr. Wildstein faced from 21 to 27 months in prison. Prosecutors recommend he receive probation, a lenient sentence that might encourage others in public-corruption cases to cooperate with the government.

"The interests of justice are served because it sends a message to current and future subjects of criminal prosecution that timely, complete, and truthful cooperation can have a meaningful impact on the eventual penalties for their crimes," prosecutors wrote.

JULIO CORTEZ/ASSOCIATED PRESS



David Wildstein should be spared a prison term, prosecutors say.

GREATER NEW YORK

METRO MONEY | By Anne Kadet

Local Grocers Have Own Strategy to Compete

When I moved to Brooklyn Heights this past spring, I was delighted by the Key Food around the corner on Montague Street. It's a nice little neighborhood supermarket—newly renovated and well organized. There's even a strange mannequin named Gregory greeting shoppers at the door, and a stuffed orangutan overseeing the bananas.

But the prices! My grocery bills suddenly were 20% higher than I'd been paying at the Key Food I'd left behind in Cobble Hill, Brooklyn.

Still, it beats the nearby Gristedes three blocks north on Henry Street. The prices there—\$4 for a quart of half-and-half, \$3.50 for an avocado—are what you'd expect to find on a remote island inhabited by billionaires. And the store is a scruffy maze.

Being a lazy daisy who prefers to shop local, I started walking, with great reluctance, the extra half-mile to Trader Joe's. It's worth it. My typical grocery haul, which costs \$59.16 at Gristedes and \$48.40 at the Key Food, runs just \$35.12 at



National grocery store chains, such as Trader Joe's, are taking business away from local markets.

the national chain.

Surveying my neighbors, I discovered I'm far from alone. One woman told me she avoids Traders Joe's only because everyone else is going: "The lines freak me out!"

It's a mystery. Local markets clearly are losing business to national outfits such as Whole Foods Market, Trader Joe's and Target. So

why don't they up their game?

To my surprise, Enrico Palazio, who co-owns the Montague Street Key Food with his uncle, says he doesn't view Trader Joe's as competition. It doesn't have a deli, butcher or even a respectable detergent section. "This is one-stop shopping," he says of his store.

The real competition, he

notes, is FreshDirect. I checked, and Mr. Palazio indeed offers lower prices than the online delivery service.

Still, wouldn't he like more business from cheap-skates like me? I never see long lines at his store.

But that's not Mr. Palazio's strategy. He spent a lot of money on last year's renovation, aiming to outdo

FreshDirect by making his store a pleasant place to shop. His markups reflect that investment, he says, but his prices are still lower than FreshDirect.

Because his 10,000-square-foot Key Food is too small to carry products at every price point, Mr. Palazio caters to neighborhood preferences. He doesn't sell the cheapest ice cream brand, for example, but he does stock McDonald's Fine Ice Cream.

"I can't believe people spend \$10 on a pint," Mr. Palazio says. "But that younger generation is really asking for more of a high-end product."

To handle more customers, Mr. Palazio says, he'd have to cram the store with more cashiers, baggers and stock clerks. The busy, hectic atmosphere wouldn't appeal to his clientele, he believes.

Burt Flickinger, managing director of retail consultancy Strategic Resource Group, says this strategy is typical of many local supermarkets. "It's the slow dollar versus the fast nickel," he says.

In a city where few people drive, supermarkets count on the fact that the typical shopper won't schlep grocer-

ies more than a few blocks, he says.

Mr. Palazio's strategy is clearly working. His sales per square foot are in the top 1% of the area's Key Food stores, he says.

But what about the Gristedes, which, aside from its super sweet clerks, doesn't even seem to be trying?

John Catsimatidis, chief executive of the Red Apple Group, which owns the Gristedes chain, blames the location's high rent—nearly \$100,000 a month. If he renovates or lowers prices, he says, "I won't be able to pay my bills next month."

Some stores get caught in a vicious cycle, Mr. Flickinger says. When they increase prices without investing back into the business, traffic falls, forcing them to raise prices even higher to cover short-term expenses.

Shoppers may console themselves with the idea that their zany grocery bills aren't making the billionaire Mr. Catsimatidis any richer.

"I'm not buying any corporate jets with Gristedes profits," he says. "I'm lucky I can buy a bicycle."

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GREATER NEW YORK WATCH

NEW YORK CITY

Public Library Gets \$25 Million Donation

New York philanthropists Marilyn and Jim Simons have donated \$25 million to the New York Public Library, officials at the institution announced Tuesday.

The gift from the couple is one of the largest contributions in the library's history. The money will be earmarked in part for capital improvements at three library branches in East Harlem.

"They see the libraries as becoming education centers in these neighborhoods," said New York Public Library President Tony Marx.

Mr. Simons is founder and nonexecutive chairman of Renaissance Technologies, an investment firm. Ms. Simons is president of the Simons Foundation, which funds scientific research. She also has been involved in educational work in underserved communities.

The gift follows other major contributions to the library in recent months. These include \$20 million from James and Merryl Tisch to support educational programs and \$15 million from Katharine Rayner for research acquisitions.

—Charles Passy

NEW JERSEY

Four Plead Guilty In ATM Skimming

Four New York residents have admitted their roles in a bank ATM skimming scheme in New Jersey that garnered them more than \$400,000.

The defendants—Marcel Peckham, of Little Neck; Silvester Florentin Papp, of Ridgewood, and Glendale residents Catalin Mihai Dragomir and Eduard Vasilescu Ticiu—all pleaded guilty Tuesday to conspiracy to commit bank fraud. Each defendant faces up to 30 years in prison and a \$1 million fine when sentenced on Oct. 23.

—Associated Press

NEW JERSEY

Christie to Reorganize Mental-Health Agency

Gov. Chris Christie wants to reorganize a \$1.2 billion agency in charge of mental health and addiction services.

The governor plans to transfer the agency from the Human Services department's jurisdiction to the Health department. The move is Mr. Christie's latest to combat opioid addiction. The changes would eliminate bureaucracy and improve health care, he said.

—Associated Press



Baristas made drinks at a Pure Leaf Tea House pop-up in Manhattan. Brands are opening these retail stores to showcase their products.

Consumer Brands Pop Up for a Buzz

By CHARLES PASSY

At the Pure Leaf Tea House, fans of the beverage can enjoy it in various ways. The emporium, which opened in New York City's SoHo neighborhood in June, offers everything from iced chai to a Japanese-style hot "popcorn" tea.

But even with prices as high as \$8 for a single serving, the goal of the pop-up store isn't necessarily about making money—at least in the traditional retail sense. Rather, the airy, 3,000-square-foot space essentially is a promotional vehicle for Pure Leaf, a tea brand created in partnership by PepsiCo and Unilever.

Pure Leaf is hardly alone, however, in taking such a mar-

keting tact. A number of nationally prominent food and drink brands have opened permanent or pop-up retail outlets in New York City.

Kellogg has its Kellogg's NYC, a cereal cafe in Times Square where bowls of the morning favorite are served all day in a wide range of preparations.

Chobani, the Greek yogurt line, has Chobani Café locations in SoHo and Tribeca,

where yogurt figures into everything from drinks to salad dressings.

Smaller brands also are getting into the act: Dirty Lemon, an upstart beverage company that specializes in elixir-oriented drinks with names such as "Sleep" and "Detox," recently opened the Drug Store,

billed as a "non-alcoholic cocktail bar," in Nolita.

Brands say they are going the open-your-own-store route as a way to tell their stories—rather than relying on other retailers to do it for them.

"You can't do this in the grocery store," said Pure Leaf senior marketing director Laraine Miller, speaking of the tea house's elaborate setup.

The shop incorporates museum-style installations featuring the history and uses of tea.

Company-branded stores also afford the opportunity to test-market new products and showcase tried-and-true favorites in unusual ways. At the Kellogg's cafe, you can have your Corn Pops paired with lemon zest.

Company-branded stores also afford the opportunity to test-market new products and showcase tried-and-true favorites in unusual ways. At the Kellogg's cafe, you can have your Corn Pops paired with lemon zest.

Not that this comes cheaply, especially given the cost of Manhattan real estate. Brands, including Pure Leaf, won't say how much they are spending to open their stores, but they emphasize they aren't looking at these sales in the standard sense.

"In terms of return on investment, that's not how we're measuring it," said Pure Leaf's Ms. Miller.

Retail experts say the approach can create buzz for a brand. And the stores can become profitable, giving a brand another income stream.

"You might stumble on a model that works," said Hamilton South, a marketing expert and co-founder of the HL Group agency.

Musician Finds Inspiration in 'Failure'

By DAVID BAMUNDO

Brooklyn-based singer-songwriter Julian Velard has found a new muse and her name is failure.

Mr. Velard, who began a 2017 residency at Manhattan's Joe's Pub this month, says the theme of failure runs through much his new work.

"Most people who are true successes will conceal all trace of failure at all times," the 37-year-old says. "I think the failure is more interesting. I love watching [rock-documentaries]; my favorite part is when they're on the way up and then when it derails. The most boring part is 'I did this and everybody liked it!'"

The Joe's Pub shows comprise "a longer, narrative piece that connects my songs," Mr. Velard explains, "kind of a cross between cabaret and a rock opera." It includes his recently released collection "Fancy Words for Failure." The songs detail personal and professional ups and downs with witty lyrics, humor and traces of thinly veiled envy.

A song called "The Night Ed Sheeran Slept on My Couch"

Mr. Velard asserts is "94% true...I don't still own the couch, but the rest of it's true."

Mr. Velard said the couch surfing occurred in 2009 when he was living in London and Mr. Sheeran was busking on the streets before he became a star.

In the song Mr. Velard be-

moans his barely working, or paid for, refrigerator, while Mr. Sheeran "plays in Paris and

wakes up in Rome."

This "chip-on-the-shoulder type response has colored a lot of my behavior," Mr. Velard says. He said he "went down this pit, exploring the idea that I am a failure—that I didn't achieve what I set out to achieve. Dealing with that sort of angst, I thought, man, I need to write about this."

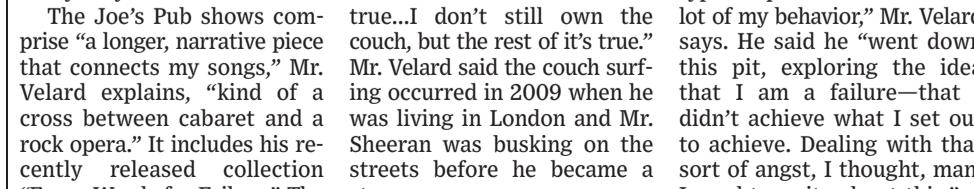
On the positive side, songs such as "Sweatpants on the Living Room Floor" celebrate his domestic bliss while his

"single friends keep buying shots at the bar."

The song continues: "Going out is what Friday night is for, that's not my Friday night anymore. I spend it with you sitting in sweatpants on the living room floor," Mr. Velard wrote of his wife, Rachel. The couple have a baby girl, Cecilia.

The native New Yorker studied at LaGuardia High School of performing arts in Manhattan.

With five albums under his belt, Mr. Velard—who says Randy Newman and Billy Joel are among his musical influences—has become a New York City music veteran with a unique perspective on today's Spotify-model music consumer. "People are craving these narratives with [musical] artists, and when they find an artist, they just go all in," he notes. "It's like your own set of clothes that you're choosing. As much as the infinite choice has done so much, it still hasn't changed the fact that people want stories and they want to relate to people telling these stories."



Julian Velard is an artist-in-residence at Joe's Pub in Manhattan.

DAMARI MCBRIDE

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LIFE & ARTS



ANALYSIS

MOVIE? WHAT'S A MOVIE?

In the age of Netflix movies, HBO TV shows and Marvel big-screen series, the 120-year-old definition of a feature film is defunct

BY BEN FRITZ

R.I.P. MOVIES.

They've had a tremendous run over the past 120 years and profoundly transformed global popular culture for the better. (The last decade or two have made it a close call).

But 2017 is the year in which we need to admit feature films, as a distinct segment of our popular culture, have really ceased to exist. No, not because the latest wave of sequels with words like "Transformers," "Mummy" and "Despicable" in the title are too mind-numbing to bear. If you prefer coherence in your big-screen entertainment, you can still see "Baby Driver" or "The Big Sick" or "Beatrix at Dinner."

The reason is Netflix. And Marvel. And HBO.

The world's most successful digital-entertainment company, movie producer, and television network are all blurring the lines between the big screen and small, between big-budget TV and mid-budget movies, and between film reboots and TV pilots to such a degree that it's tough to say what a movie really is anymore.

Is it entertainment meant to be seen on the big screen?

Netflix has answered that question with a resounding "no." After tiptoeing into the space with art-house fare and comedies from the fading box office draw Adam Sandler, Netflix has significantly upped its movie game with the \$75 million military-political-comedy "War Machine," released in May and starring Brad Pitt, and "Okja," a \$50 million modern fairy tale from South Korea's most respected director, Bong Joon Ho, starring Jake Gyllenhaal and Tilda Swinton. A nearly \$100 million Will Smith action movie called "Bright" is coming later this year.

Some of these are given perfunctory re-



A scene from 'Bright,' a Netflix film due out this year that is meant to be seen on TVs and devices.

leases in a handful of theaters, but that's just so old-school film critics will review them and old-school organizations will consider them for awards like the Oscars.

These films premiere on Netflix and are intended to be streamed on televisions, tablets and phones.

What makes them different from Netflix original programs like "House of Cards" or "Daredevil?" Just their length. You can watch "War Machine" in one evening, whereas a TV season can take even the most overcaffeinated until the sun rises to complete.

So perhaps it's the compactness of the story. Movies give you a satisfying two hours of entertainment, whereas TV always keeps you wanting more.

But that doesn't apply to one of the most popular big-screen releases of the summer:

"Spider-Man: Homecoming." The Marvel Studios-produced movie is really the best television pilot of the year.

Like a lot of hit TV shows, it features a character spinning out of a long-running hit—see the new Spider-Man's cameo in last year's Marvel blockbuster "Captain America: Civil War." "Homecoming" features a relatively insecure protagonist still learning how to be Spider-Man, an out-of-his-league love interest, a nerdy best friend, a mentor who thinks our hero still has a lot to learn, and a single mom (technically his aunt) from whom he's hiding his double life.

Between all those characters, "Homecoming" introduces a lot more questions, tensions, and conflicts than it resolves and ends on a twist that leaves you needing to find out what happens next—exactly what

the best television pilots achieve. Set a season pass on your DVR now for all the "Spider-Man: Homecoming" episodes coming in the next few years!

This is what Marvel has been doing brilliantly for years. It doesn't make self-contained movies with a beginning, middle, and end or even trilogies that eventually reach a conclusion, like "The Dark Knight."

The Marvel cinematic universe is one big ensemble television series with episodes that focus on one set of characters or another but whose overarching storylines are always expanding, not resolving.

Perhaps what differentiates movies then is the scale. You can't get the overwhelming spectacle of a big-budget visual-effects spectacle on an Imax screen at home.

Then again, have you seen "Game of Thrones?" HBO spends more than \$10 million an episode for a fantasy show with dragons and swordfights and sieges that rival the biggest and best you can see at the multiplex. No single episode approaches the nine-figure budget of a movie like "Homecoming," but a 10-episode season certainly does.

The finale of the coming season 7 of "Game of Thrones" will run an hour and 22 minutes, it was recently revealed, and episodes of the eighth and final season will regularly be the same length. Almost as long, in other words, as a movie.

You might even be able to watch some of them at a movie theater. Imax previously screened the final two episodes of the fourth season of "Game of Thrones" and in a few months, it will premiere the pilot of Marvel's "Inhumans" before it debuts on ABC.

So is that a movie or a TV show or what?

In a few years, it's doubtful anyone will care. It's all content. And if that word scares you, well, it could be worse. There could be nothing good to watch.

WORK & FAMILY | By Sue Shellenbarger

The Best Networker

A software engineer and business owner emulated the communication and dress of others to build a list of contacts

GREAT NETWORKERS

are made, not born.

Pradeep Aradhy, 48, a Boston business owner and investor, saw himself as an introvert for years, but learned to network after realizing it was essential to his success. He's now seen by colleagues, business partners and friends as a master.

Raised in India by parents who were college professors, Mr. Aradhy learned to defer to elders and others with authority. He moved to the U.S. to earn a doctoral degree in structural dynamics at North Carolina State University in 2000, and then rose through the ranks as a software engineer at several companies to become vice president of technology at Digitas in Boston in 2006.

The ad agency's flamboyant culture was a shock. "I was one of those button-down engineers who was quiet and held himself in the background," Mr. Aradhy says. At his first client pitch meeting, a colleague from the creative department



showed up in a pirate shirt. Another wore leather pants.

"They held court with clients, and they were completely respected," Mr. Aradhy says. "I thought, 'Hey, this is a new world.'

People trained in technology often have to sharpen their social skills to move into jobs that require selling, communicating or managing others. Mr. Aradhy made the shift by learning

to explain technology to non-techie and polishing his image and conversational skills.

He traded his dark suits and button-down shirts for stylish shoes and bright-colored shirts, says Tonny Wong, his supervisor at Digitas.

Please see NETWORK page A13



Boston business owner Pradeep Aradhy says dressing with confidence attracts competent people. Right, his designer shoes are conversation starters.

LIFE & ARTS

MY RIDE | By A.J. Baime

An East German Clunker U2 Turned Into Art



Tim Cunningham with his U2 Trabant in Chicago. The Trabant got famous in the rock world as part of U2's stage set during the Zoo TV tour, below. His mechanic's shirt, bottom, features the name Bono, U2's lead singer.

Tim Cunningham, 35, a Chicagoan who works in community relations, on his U2 Trabant, as told to A.J. Baime.

I have seen U2 71 times—not that I'm counting. My collection of U2 memorabilia runs from the very first-ever released recording, a three-song record from 1979 called "Three" (only 1,000 were pressed) to original Joshua Tree bedsheets (so rare, many die-hard fans do not know they even exist).

At the same time, I have been a lifelong car guy. I have two Ford Model As (a 1931 and a 1928) in my garage.

The Trabant was like a pot of gold, because it gave me a chance to combine my two passions.

Around 1990, U2 was recording the album "Achtung Baby" in Berlin. At the time, the Trabant was an East German car that had become a symbol of the failures of commun-

nism.

Millions were built in East Germany. They were utilitarian vehicles with no frills and lawn mower-like two-stroke engines. When Germany reunified, there were dead Trabants all over the streets. A famous mural had been painted on the Berlin Wall of a Trabant crashing through.

When U2 went on the Zoo TV tour in 1992, they used Trabants—stripped of their drivetrains and painted by artists—in their traveling stage set. Today, three of these Trabants hang in the atrium of the Rock and Roll Hall of Fame in Cleveland.

One U2 Trabant ended up in the hands of a New Jersey woman. I got in touch with her, and in 2011, she reached out to say she was looking for a new home for her Trabant. She would give it to me free on one condition: I was to come to New Jersey, look

her in the eye, and promise I would take care of it.

I borrowed a trailer, drove to Baltimore for a U2 show, then up to New Jersey to pick up the Trabant. It was painted by the Irish artist Catherine Owens, who collaborated a lot with U2 over the years.

There is only one direct reference on the car to the band, words on the back bumper—"one but not the same"—a reference to the song "One."

To me, the Trabant is an important piece of artwork and rock history. Very few exist, and I am honored to be the caretaker of this one.

Contact A.J. Baime at Facebook.com/ajbaime.

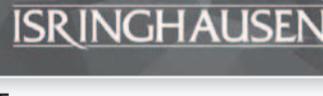


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360 MID ENGINE

03 Spider Blk/Bge 13k \$94K

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348 TS

90 Targa Red/Bge 15k \$58K

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LIFE & ARTS



ARCHITECTURE REVIEW | By Julie V. Iovine

Design Derring-Do

Long Island City, N.Y.
EACH SUMMER ushers in an architecture installation at MoMA PS1 in this Queens neighborhood—one meant to be an audacious re-thinking of how architecture may be built in the future. Lumen, the current offering by Jenny Sabin Studio, is no different. So what if it looks like Victorian bloomers ruffling on a line?

Lumen was conceived by Ms. Sabin as a cross-pollination of architecture and biology, digital fabrication and space-frame engineering, data visualization and other challenging ideas now fermenting in the minds of forward-thinking design professionals. It is part of the Young Architects Program, a much-anticipated annual competition in which the winner's project gets installed in the former public school's sun-baked courtyard.

Submissions must be aggressively innovative and provide shade and a water feature as well as places to sit. In recent years, sustainability has been added to the criteria. Tacitly, the installation had best be eye-popping: It is the setting for Warm Up, a popular summer music series and nighttime crowd magnet.

Ms. Sabin finessed the contest with a cobwebby canopy. Futuristically photogenic, the cellular-looking weave stretches across the entire courtyard (a second canopy covers a smaller courtyard), supported by rope and steel rings around two 43-foot masts and anchored to the courtyard's concrete walls—a circus tent by H.G. Wells.

If you think of architecture as a

post supporting a beam or maybe steel holding up a cantilever, fasten-



PABLO ENRIQUEZ/MOMA PS1

your seat belts. The canopy was robotically woven out of solar-active synthetic fibers with UV photo-luminescent stripes. The fabric, with an oscillating cellular pattern, droops into funnel-shaped clusters that waltz in the breeze and were inspired by ideas from biology, materials science and engineering.

During the day, sunlight gradually turns patches of the fabric pale shades of green, pink, blue and purple; at night, the photo-luminescent stripes glow. Invisible tubes sewn into the funnel seams react to body warmth; as people walk by, they are lightly misted with water. Recycled industrial spools provide seating.

It sounds out there, and it is. But it would be a mistake to dismiss Lumen as merely extreme-de-

sign high jinks. Ms. Sabin is exploring interesting ideas, and her interdisciplinary research involving engineers as well as scientists is heading in a potentially productive direction for architecture at a time when the discipline is sorely in need of a break from the ever-taller, glaringly glassy structures now overpopulating the skyline.

Ms. Sabin argues that new technologies—especially robotics, digital fabrication and computational design—allow for real-time control of the design process. And that helps to put architects back in touch with building their buildings rather than turning their blueprints and computer disks, along with the reins,

over to the construction managers on site, and watching from the sidelines to see what gets built. It's ex-

citing to imagine architects operating in a high-tech translation of the way that Brunelleschi and other Renaissance designer-engineers once worked.

But it's more than the return of architects "making," as the current lingo has it. There's also an intense commitment to addressing sustainability—not so much by fulfilling a checklist of do's and don'ts (don't use exotic materials shipped from afar; do recycle gray water) as in thinking about building as an ecosystem unto itself where structure and materials are integrated and adapt to environmental changes in ways more akin to living organisms.

Ms. Sabin is at the forefront of such explorations. With funding from the National Science Foundation, she has been collaborating with engineers, cell biologists and

material scientists on something called eSkin, a dynamic film applicable to new or existing glass surfaces capable of adapting to environmental changes. She envisions a "tunable window" that office workers could customize, for instance, changing the color or degree of transparency or even porosity according to individual preference.

Right now this kind of design derring-do is limited to small-scale art galleries and special-event commissions; Ms. Sabin has designed such installations for the Cooper Hewitt, Smithsonian Design Museum (PolyThread, 2016) and for Nike (myThread Pavilion, 2012). Lumen, the largest work Ms. Sabin has completed to date, offers the public a tantalizing foretaste of things, quite possibly, to come.

Ms. Iovine reviews architecture for the Journal.

NETWORK

Continued from page A11
itas. Mr. Aradhyha also learned to talk about his complex work without making others feel intimidated, says Mr. Wong, now chief consulting officer at HackerAgency, a Seattle marketing company.

Introducing himself to strangers didn't come naturally when he began attending events. "I had to force myself," he says. Without a network, he says, "it's impossible to scale or build anything valuable."

Mr. Aradhyha founded his own consulting firm, Novus Laurus (Latin for "new success") in 2009, to develop digital marketing strategies for clients, including Staples Inc. He also began investing in consumer tech, food and indie film ventures in 2012.

Mr. Aradhyha spends six to eight hours a week going to events and following up with people. He embraced as his networking mantra a formula he'd heard from colleagues in marketing: You must "entertain, enlighten or enrich" people to attract positive attention to a brand, he says. He tries to do the same for people he meets, so they'll remember him and help when they can.



Boston business owner and investor Pradeep Aradhyha says he tries to offer helpful contacts, ideas or other resources to people he meets at networking events. He suggests people wait and listen before interjecting into a conversation. Humor is useful, he says.

Mr. Aradhyha began window shopping and researching men's fashions online to figure out how to project a confident, successful image. He swapped his dark suits for jackets of crushed silk or woven with metallic thread, and wears exotic-looking designer shoes by Zota or Fiesso. The look shows he's not

afraid of taking risks, and tends to attract people who are curious and capable, he says. At many events, "I don't even have to start a conversation," he says. "People will ask, 'Where did you get those shoes?'"

His crushed-silk jacket caught the eye of a fashion-industry speaker at a recent conference and

helped Mr. Aradhyha shoot to the front of a line waiting to meet the man.

His style makes him a standout at tech gatherings where "the men are in rumpled shorts and man buns and T-shirts, and you're tempted to ask them, 'Have you done your laundry in a month?'" says Diane Darling, author of "The Networking Survival Guide."

"He's a very memorable figure," says Lexington, Mass., public-relations executive Bobbie Carlton. She has been sharing contacts with Mr. Aradhyha since she met him at an event three years ago. He has become an investor in Innovation Women, a speakers' bureau she founded to promote diversity among conference speakers.

Mr. Aradhyha began studying how people use humor when networking. He noticed that people who interrupted a conversation with a joke were often ignored. Those who found contextual humor in their surroundings and interjected it gracefully into conver-

sations fared better.

He also says something outrageous now and then. The audience was dozing off at a late-afternoon program recently where he was a panelist. He was the last to introduce himself, and he jolted listeners awake by identifying himself as "the king of India" who also happens to run Novus Laurus. "He definitely woke everybody up" and drew a laugh, says Colleen Bradley-MacArthur, a Lexington, Mass., media-relations strategist who was present.

As he enters an event, Mr. Aradhyha looks for the power center in the room—a group of people who appear successful and prosperous, or who are deep in discussion.

A common networking mistake is to walk up to a group, change the subject and start talking about yourself, Mr. Aradhyha says. He has learned to ease in and listen for a while instead, before breaking in and turning the conversation in the direction he wants.

Still, like anyone who networks a lot, he has been shot down sometimes. A bodybuilder at 5-foot-11 and 195 pounds, he can be intimidating. If he sees a person making eye contact without approaching him, he engages the person with a friendly question.

JOSH ANDRUS FOR THE WALL STREET JOURNAL

SPORTS



MLB

DON'T BLAME THE BASEBALLS

BY JARED DIAMOND

MIAMI—Much of the first half of the baseball season has revolved around one story: the enormous rise in home runs. Teams are on pace to blast 6,126 home runs this year, which would shatter the current record set in 2000 by more than 400.

"We are in the process of trying to come to a conclusion as to what may be going on," MLB commissioner Rob Manfred said ahead of Tuesday's All-Star Game.

Theories have abounded in that regard, ranging from performance-enhancing drugs to a fundamental shift in offensive approach, an explanation Manfred cites frequently. But given MLB's publicly stated interest in increasing the league's sagging run production, the sudden timing of the home-run spike and comments from pitchers, another potential culprit has emerged: the baseball itself.

Manfred said he is "absolutely certain" that the baseball "falls within the tolerance of the specifications that have existed for many years." He added that MLB has conducted more tests on the ball than ever before, even hiring a second expert to audit the results.

That, however, doesn't tell the entire story. MLB's guidelines for its baseballs are relatively broad, and two balls manufactured at opposite ends of that spectrum could behave very differently.

Though Manfred said the league is "looking at the issue of standards," he also suggested that MLB could consider exploring the composition of another piece of equipment.

"We've kind of taken it for granted that the bats aren't different," he said.

Ultimately, Manfred said he thinks the most important factor is "dramatic changes" in the way the game is taught and played, such as a greater willingness to trade strikeouts for homers. But he doesn't seem to mind too much.

"Our research suggests that the home run is actually a popular play in baseball," Manfred said.

This week's U.S. Women's Open won't be the last major championship at a Trump-owned course

BY BRIAN COSTA

FOR MONTHS leading up to this week's U.S. Women's Open, organizers came under criticism for their decision to host the tournament at a course owned by President Donald Trump. At the men's U.S. Open last month, a women's advocacy group flew a plane banner urging the U.S. Golf Association to "dump Trump."

But the governing body isn't merely sticking with Trump's Bedminster, N.J., club as the host of this tournament—a plan it made years before his run for office. In an interview, USGA executive director Mike Davis said he also wouldn't hesitate to bring future events to Trump courses.

"As good as the Trump Organization is with their portfolio, I can't imagine if they invite us in the future that we wouldn't seriously look at it," Davis said.

That stance reflects a revival in the aspirations of the Trump Organization as a host of major golf tournaments, which just one year ago seemed imperiled by Trump's polarizing campaign.

In June 2016, the PGA Tour announced that it was moving its longtime stop at Trump's Doral, Fla., course to a Mexico City club. It cited a lack of sponsorship interest related to fears of Trump overshadowing the branding of the event. That move followed the PGA of America's 2015 decision to yank its Grand Slam of Golf from a Trump-owned course in Los Angeles, in the wake of his comments about Mexican immigrants.

There were reports that

Trump's Turnberry course in Scotland would be removed from the rotation of courses that hosts the British Open. But since the election, golf's organizing bodies have hardly run from their association with Trump and his 18 clubs.

In February, the R&A reaffirmed Turnberry's place on the rotation of courses that host the British Open, albeit with the timing of its next turn unclear. In May, the Senior PGA Championship was held as planned at a Trump course in Potomac Falls, Va. The European Tour is also considering bringing the Scottish Open to a Trump course in Aberdeen, Scotland, in 2019, according to a person familiar with the matter.

The upshot: Professional golf on the whole is finding that it doesn't need to distance itself from Trump, and doesn't particularly want to.

Last week, Phil Mickelson signed on to redesign a course in Bali that will become Trump's 19th golf property. Several other prominent golfers have joined the president for casual rounds since the election, including Tiger Woods,



Donald Trump at the World Golf Championships-Cadillac Championship at Trump National Doral Golf Club in 2016.

Rory McIlroy, Ernie Els and Lexi Thompson. "If Trump asks me to play, I'm going to play," Els said.

Critics have called on female golfers to boycott the U.S. Women's Open, citing Trump's history of disparaging comments about women. But there was no such resistance from the LPGA, whose players will compete this week for \$5 million in prize money, the highest purse in women's golf.

"We play the courses the check writer chooses," said LPGA commissioner Mike Whan.

The check writer in this case is the USGA, and the companies that fund the organization have felt no discernible backlash. Fox pays for the broadcast rights as part of a larger deal that also covers the U.S. Open. The USGA's corporate partners—American Express, Lexus, Rolex and Deloitte—sponsor the organization as a whole, not one particular event.

"We have no role in the site selection process," a Deloitte spokesman said.

In the absence of resistance from participants and major financial backers, organizers can bring tournaments to whichever sites they view as most attractive.

It would be a stretch to say they need Trump, as there are plenty of other courses that would come without the threat of protesters at the gates. But as a host, many golf bodies still like Trump.

Ted Bishop, a former president of the PGA of America, said the sheer acreage required for the infrastructure around major tournaments eliminates many otherwise fine courses from consideration. And not all owners are eager to cater to organizers' every desire on issues ranging from course preparation to ticket sales. Trump, on the other hand, has repeatedly talked about his desire to host major championships on his courses, many of which are well-equipped to host big events.

Trump, who bought the Bedminster club in 2002, became a bigger figure in the industry during the recession and the years that followed. At a time when many financiers wanted nothing to do with golf courses, Trump spent millions buying, building and renovating them.

Whether his investments prove wise remains to be seen. A Wall Street Journal analysis in April found that the value of Trump's golf properties hasn't kept pace with the

amount of money he has spent to make long-term upgrades. But what matters to tournament organizers is that Trump is willing to make those investments in the first place.

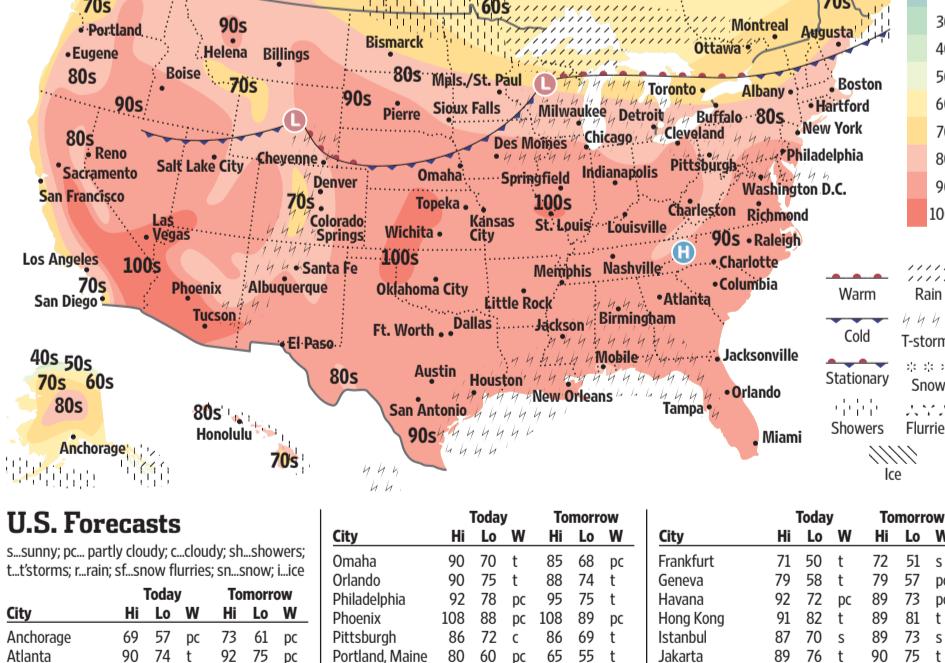
Bedminster, which has become Trump's favored summer retreat from the White House, is also set to host the PGA Championship in 2022. Eric Trump, who oversees his father's golf business, said in a statement, "We have developed terrific relationships with all of the major golf organizations."

UltraViolet, a women's advocacy group, organized a small protest at an LPGA event in March and is planning a protest at Bedminster during Sunday's final round.

Shaunna Thomas, one of the group's co-founders, said its objection is with the USGA "choosing to give millions in revenue, free advertising and branding to a self-proclaimed serial sexual predator."

But organizers seem more emboldened than cowed by the whole experience. Whan, the LPGA commissioner, pointed to the USGA's history of creating opportunities for women in the sport. By contrast, he said of protesters, "I haven't seen them spend any money to lift up women's golf."

Weather



OPINION

Trump Agonistes



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Many decisions by the Trump-for-president campaign were ill-advised. Certainly that goes for a meeting between the president's

son and a Russian lawyer who claimed to have dirt on Hillary Clinton but was really trying to get her foot in the door to lobby the Republican nominee against the Magnitsky Act.

The Washington Post celebrates the latest revelation as a "grave new set of facts." Maybe this really is the beginning of the end, but an awful lot depends on the email bluster of a former British tabloid journalist who apparently was the go-between.

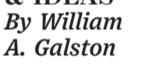
Before keeling over, remember what else was going on at the time. The U.S. media even then were getting ready to pour considerable resources into trying to corroborate lurid

"Trump Dossier" accusations explicitly attributed by the dossier's author to Russian intelligence, and assembled at the expense of Republican and Democratic opponents of Mr. Trump.

A lot of what you're seeing is just naked political warfare, at which Team Trump is failing badly, in fact getting buried.

With qualification, we might even recommend former drama critic Frank Rich's New York magazine cover story insisting on a Watergate parallel. No, Mr.

What Does Trump Mean by 'the West'?



POLITICS & IDEAS
By William A. Galston

Thirty-five years ago, Ronald Reagan addressed the British Parliament. He felt very much at home in Westminster, he began, because it is "one of democracy's shrines." He added that "here the rights of free people and the processes of representation have been debated and refined."

These opening remarks were more than routine diplomatic niceties. Democracy was the heart of the speech, one of the most notable Reagan ever gave. Despite the apparent strength of democracy's enemies, he insisted, "optimism is in order," because "regimes planted by bayonets do not take root." A democratic revolution is gaining momentum, he observed presciently. But although "democracy is not a fragile flower . . . it needs cultivating." The West must act to assist the "campaign for democracy."

Reagan spelled out the elements of this campaign: to foster the "infrastructure of democracy, the system of a free press, unions, political parties, universities, which allows a people to choose their own way." To those who objected to the promotion of democracy as "cultural imperialism," he had a forthright reply: It is "providing the

means for genuine self-determination and protection for diversity." Indeed, "it would be cultural condescension, or worse, to say that any people prefer dictatorship to democracy."

Noting that Western European nations were already engaged in this endeavor, Reagan promised to mobilize U.S. leaders across party lines to join and strengthen it. "It is time we committed ourselves as a nation—in both the public and private sectors—to assisting democratic development," he declared, and he went on to spell out how he intended to do so. "Let us ask ourselves, 'What kind of people do we think we are?'" he concluded. "Let us answer, 'Free people, worthy of freedom and determined not only to remain so but to help others gain their freedom as well.'"

Toward the beginning of his speech, Reagan observed that Poland was "at the center of European civilization" and was contributing to this civilization as he spoke by resisting oppression. Poland resisted to regain its national independence, but also "to secure the basic rights we often take for granted." The "struggle to be Poland" was inextricably tied to the struggle for democracy.

Thirty-five years later, the current U.S. president addressed a crowd in Warsaw. In his speech last week Donald Trump barely mentioned democracy. He spoke instead

of the "will to defend our civilization." Although he did not offer an explicit definition of this civilization, the basic thrust of his understanding emerged. Our civilization rests on bonds of "history, culture, and memory." It puts "faith and family" at the center of our lives. It is best summarized in the words one million Poles chanted in response to Pope John Paul II's

In Warsaw, he talked of culture, history and faith. But he barely mentioned democracy.

Warsaw sermon in 1979: "We want God." This is the heart of the matter, said Mr. Trump: "The people of Poland, the people of America, and the people of Europe still cry out, 'We want God.'"

While this may well be true for the most devoutly Catholic nation in Europe, it would come as a surprise to most other Europeans. It is an inherently—perhaps intentionally—divisive interpretation of what we allegedly share as participants in Western civilization. Freedom of religion—the right of each to worship in his own way or not at all—would have been a more accurate way of putting it. It would also have been unifying. If this is what Mr. Trump meant, he should have said so.

He is, after all, the president of a country dedicated like no other to the principle of religious liberty. But had he framed it that way, his audience might not have chanted his name. They certainly would not have done so if Mr. Trump had summoned the courage to say what many Poles and most Europeans know—that along with Hungary's Viktor Orban, the current Polish government is Europe's leading threat to liberal democracy.

There is no evidence that Donald Trump cares much about democracy, one way or the other. He regularly praises autocrats as strong leaders and reserves most of his blame for democratic leaders whose policies he doesn't like. If he had been born in an autocracy, he would not have been a dissident.

If Ronald Reagan had been asked to define the phrase "America First," his initial reaction probably would have been: Those were the people too myopic to see why the United States should oppose fascism and Nazism. To judge from his Westminster address, his deeper answer would have been that America puts itself first when it is true to itself. And being true to itself means understanding that our constitutive principles apply beyond our borders. Indifference to democratic self-determination for other peoples is not putting America first; it is a betrayal of who we are.

A Trump Disappointment for Manufacturers

By Jay Timmons

President Trump has been a vigorous and outspoken supporter of manufacturers. That's why his nomination of Scott Garrett as president of the U.S. Export-Import Bank is such a disappointment.

Manufacturers have enthusiastically supported Mr. Trump's previous nominees and his initiatives on comprehensive tax reform, infrastructure investment and regulatory reform. We were energized by his endorsement of the Ex-Im Bank. But Mr. Garrett's confirmation would be a terrible trade deal for our country. His record of aggressively undermining the Ex-Im Bank is tantamount to a vicious trade war against American manufacturing workers.

A quick look at the Garrett record as a congressman before he lost re-election last year shows his contempt for the agency he now seeks to lead. In 2012 and again in 2015, he voted against multiyear

reauthorizations of the bank and declared to his House colleagues: "We have the opportunity today to keep the Export-Import Bank out of business. We should take each of those opportunities."

Does Scott Garrett want to lead the Ex-Im Bank or kill it?

The Ex-Im Bank is an agency that returns a profit to the U.S. Treasury. Some suggest pragmatic reforms to improve its benefits to U.S. exporters. But Mr. Garrett isn't a reformer; he's a destroyer. He has worked consistently to restrict the agency's ability to support U.S. jobs through exports, voting more than a dozen times to prevent the agency from fulfilling this critical mission.

If we want to make manufacturing in the United States even greater, we cannot get

there by letting other countries take deals away—losing business with the 95% of the world's customers who live outside our borders.

The Ex-Im Bank, when fully functioning, is our most effective tool to level the playing field when trading with other countries. At least 85 foreign-government-backed export credit agencies are working aggressively to support their own domestic industries, pulverizing manufacturers in America. While the Ex-Im Bank's board has been hobbled without a quorum, countries like China and Germany are devoting hundreds of billions of dollars to their official export credit agencies and inflicting long-lasting harm on the U.S. manufacturing base.

One small energy company, FirmGreen Inc., had to take \$180 million in business for U.S. manufacturers to China because the Ex-Im Bank's board lacked a quorum to approve the deal. Elsewhere, U.S. companies

have lost foreign satellite sales because the Ex-Im Bank isn't fully operational yet. Singapore-based Kacific Broadband Satellite told U.S.-based companies not to bother bidding on its new project unless Ex-Im financing is available.

For his part, Mr. Trump understands exactly what is at stake. American manufacturers are thankful to have a president who is willing to break through all of the rhetoric and misinformation about the Ex-Im Bank in order to get it—and America—back in business. But the politician who wants to lead it, Mr. Garrett, would do exactly the opposite.

Those like Mr. Garrett who have stood in the path of a fully functioning Ex-Im Bank are responsible for moving our jobs, our wealth and our factories to other countries. The president should withdraw his nomination.

Jay Timmons is president and CEO of the National Association of Manufacturers.



BOOKSHELF | By Caitlin Fitz

Lives Lost for Their Countries

The Martyr and the Traitor

By Virginia DeJohn Anderson
(Oxford, 270 pages, \$27.95)

This is a tale of two men, two causes and two tragedies: two Connecticut farm boys who yearned for something better, two young men caught up in the fearsome tumult of revolution, two steadfast soldiers who refused to repent before they hanged. One is well-known: Nathan Hale, the American spy who regretted that he had but one life to lose for his country. The other is Moses Dunbar, a lowly Anglican Loyalist whom most of his countrymen wanted to forget.

It didn't have to turn out that way, Virginia DeJohn Anderson wisely reminds us in her dual biography of Hale and Dunbar, "The Martyr and the Traitor." If Britain had won the war, as most observers at the time expected, we'd probably remember Hale as a traitor—if we remembered him at all—and celebrate Dunbar, the Loyalist. In juxtaposing two young lives and two early deaths, Ms. Anderson, a historian at the University of Colorado, returns us to the war's uncertain early years, when betrayal—or either Britain or the colonies—was in the eyes of the beholder and perilously hard to avoid for those caught up in the conflict.

Hale's story dominates Ms. Anderson's narrative. After all, Hale—wealthier and better educated than Dunbar—left behind more archival tracks. When he arrived in New Haven, Conn., to begin college at Yale, it was his first time traveling far enough to see the sea. When he left, he was fluent in languages and literature and clever conversation.

Earnest, ambitious and outgoing, he became a schoolteacher who delighted his students by jumping out of barrels "like a cat." But when he became a spy for the Continental Army, Hale proved too gregarious for his own good. After he told a friend about his upcoming mission—an early sign, perhaps, that he lacked discretion—the friend warned that Hale was "too frank and open for deceit." In any case, the friend worried, many gentlemen considered espionage dishonorable.

Hale undertook the mission anyway, eager to serve his new country and maybe even impress George Washington. Armed with a quill pen and conveniently disguised as a schoolmaster, the 21-year-old infiltrated the British encampment in Manhattan in September 1776 for several days and gathered intelligence on the British troops. He was headed back to his superiors, sketches in shoes, when he blew his cover before managing to share his discoveries. According to one account, he was too chatty with someone who turned out to be a Loyalist ranger. He was hanged in Manhattan two days later, his limp body dangling next to an effigy of Washington.

Hale's death was heartbreaking, as young deaths always are: a tragedy of unfulfilled human potential. Dunbar's life was similarly tragic, although Ms. Anderson cannot reconstruct it in equally vivid detail owing to a paucity of sources. Unlike the privileged Hale, Dunbar was born on the economic margins, and he died there too. In between, he lived a life of hardship and heartache: an overbearing and overextended father, a dead mother, and a consuming fear that his own children were one bad harvest away from destitution, no matter how hard he hoed his little farm.

History judges the spy Nathan Hale a martyr for liberty, and the Loyalist Moses Dunbar a traitor. But what if the Revolution had failed?

Why would a poor man like Dunbar become a Loyalist? Certainly not because he had extra tax money sitting around to send to Parliament. His loyalty stemmed from his faith. Around 1764, he had left the local Congregational church, with its querulous worshipers and angry doctrinal schisms. Instead he joined the nearby Anglican Church, whose pastor breathed less hellfire and more harmony. Although Dunbar's conversion stemmed from local conditions rather than imperial politics, the political consequences proved enormous. Over the following decade, as Whig radicals readied their tar and feathers for anyone at odds with their protests of imperial policy, Anglicans in the colonies—who were part of England's state church and who tended to fear mob rule even more than parliamentary rule—became objects of suspicion.

At first the mobs came for the clergy, who had sworn loyalty to the king upon ordination. Then they came for laymen like the 29-year-old Dunbar, who had stubbornly professed his sympathy for Britain. In the winter of 1775-76, Dunbar didn't stand a chance against the 40 patriots in Farmington, Conn., who cudgeled him nearly to death near his home. Then bad got worse: Dunbar's wife died, leaving him with five young children just as patriots finally drove him from town. The brokenhearted father joined the British in New York and recruited eight others, only to be seized on a brief furlough home and hanged for treason in March 1777, six months after Hale. He couldn't afford a lawyer for his trial.

Most biographers dispense with their subjects' early years in a chapter or two before moving on to bigger things. Ms. Anderson, whose subjects died young, follows a different and revealing path. Her book explores what it was like to be young (and, it should be said, white and male) during the heady, horrifying revolutionary age. Relying on exhaustive archival research and richly informed speculation, Ms. Anderson reconstructs the fraught relationship between Dunbar and his father as well as the friendships of newly minted Yale grads who bared their feelings to one another as they navigated life, love and career after college. Although Ms. Anderson occasionally buries her narrative in extraneous detail, the overall result is a moving coming-of-age (and end-of-life) story as well as a military history and a spy thriller.

Like the Museum of the American Revolution that recently opened in Philadelphia, and indeed like much current scholarship, Ms. Anderson's book emphasizes the Revolution's messiness and, at times, its ugliness. She plays down the abstract political ideologies that led some colonists to take sides; instead, she highlights the unintended political consequences of Hale's decision to enlist alongside friends and patrons. By illuminating the divergent posthumous reputations of these two Connecticut Yankees, Ms. Anderson reminds us that posterity judges in unforeseen ways. You may have only one life to lose for your country, but you'll never know how that life—or that country—will be remembered.

Ms. Fitz, a historian at Northwestern University, is the author of "Our Sister Republics: The United States in an Age of American Revolutions."

OPINION

REVIEW & OUTLOOK

Keystone Kops Collusion

President Trump's critics claim to have uncovered proof, finally, of 2016 collusion between the campaign and the Kremlin. Another reading of the meeting between Donald Trump Jr. and a well-connected Russian lawyer is, well, political farce.

In June 2016, Mr. Trump Jr. arranged an appointment in Trump Tower with the lawyer, Natalia Veselnitskaya. He said in a statement that he hoped to acquire opposition research about Hillary Clinton, and he even pulled in Trump son-in-law Jared Kushner and then campaign manager Paul Manafort. By Mr. Trump Jr.'s account, Ms. Veselnitskaya relayed nothing to compromise Mrs. Clinton and then lobbied him about the Magnitsky Act, a 2012 U.S. law that sanctions Russian human-rights abusers.

According to the emails that Mr. Trump Jr. released Tuesday, Mr. Trump Jr. agreed to meet with Ms. Veselnitskaya after he was approached by Rob Goldstone, a publicist who offered to pass along "some official documents and information that would incriminate Hillary and her dealings with Russia and would be very useful to your father." He wrote that this information "is part of Russia and its government's support for Mr. Trump."

The appropriate response from a political competent would have been to alert the FBI if a cut-out promised material supplied by a foreign government. Mr. Trump Jr. instead replied that "if it's what you say I love it."

Then again, the Trumps knew Mr. Goldstone through the Russian pop star Emin, aka Emin Agalarov, whose father partnered with Donald Trump Sr. in bringing the Miss Universe beauty pageant to Moscow in 2013. Mr. Trump Sr. appeared in a music video with Emin the same year. Mr. Goldstone said that "Emin just called and asked me to contact you with something very interesting"—info his father got from the "Crown prosecu-

Did Don Jr., a Russian pop star and a lawyer steal the 2016 election?

tor of Russia." Russia's "Crown prosecutor" doesn't exist.

Mr. Trump Jr. responded that "perhaps I just speak to Emin first." Mr. Goldstone brokered the call, reporting that "Ok he's on stage in Moscow but should be off within 20 Minutes so I am sure can call." Subsequent messages show Emin

asked Mr. Trump Jr. to meet with Ms. Veselnitskaya, who was well-known as an anti-Magnitsky operative at the time. Mr. Goldstone publicly checked into Trump Tower on Facebook during the meeting, which isn't how a KGB man would normally conceal the hand-off of state secrets.

In the daisy chain from Russian oligarch to singer to PR go-between to lawyer to Trump scion, which is more plausible? That Don Jr. was canny enough to coordinate a global plot to rig the election but not canny enough to notice that this plot was detailed in his personal emails? Or that some Russians took advantage of a political naif named Trump in an unsuccessful bid to undermine the Magnitsky law they hated?

The problem is that President Trump has too often made the implausible plausible by undermining his own credibility on Russia. He's stocked his cabinet with Russia hawks but dallied with characters like the legendary Beltway bandit Mr. Manafort or the conspiratorialist Roger Stone. His Syrian bombing and energy policy are tough on Russia, but Mr. Trump thinks that if he says Russia interfered in 2016 he will play into the Democratic narrative that his victory is illegitimate.

Thus in retrospect the John Podesta and Democratic National Committee hacks—still so far the tangible extent of Russian meddling—did less damage to U.S. democracy than it has done to the Trump Presidency. The person who should be maddest about the Russian hacks is Mr. Trump.

Why Xi Jinping Fears Liu Xiaobo

Nobel Laureate Liu Xiaobo, who was moved two weeks ago from a prison cell to a hospital room, wants to go to Germany for treatment of late-stage liver cancer. China's most prominent dissident is fit enough to travel, according to both a German and an American doctor who examined him. The U.S. Embassy has asked China to release the pro-democracy activist, and a spokesman for German Chancellor Angela Merkel called on China to give "a signal of humanity."

The international concern over the man China calls a "criminal" and sentenced to 11 years in prison for "subversive" writings puts President Xi Jinping, who must ultimately decide how to respond, on the spot. So far he refuses to let Mr. Liu go.

While officials use the standard line that other countries should not interfere in China's internal affairs, the state-controlled media are airing video of the foreign doctors examining Mr. Liu, a gross invasion of privacy, to bolster the case that he is receiving adequate care. The German Embassy protested the video in a statement, which read in part: "It seems that security organs are steering the process, not medical experts. This behavior undermines trust in the authorities dealing with Mr. Liu's case,

which is vital to ensure maximum success of his medical treatment."

China bars his treatment overseas for cancer lest we hear his story.

Security is tight at the First Hospital of China Medical University in Shenyang, with journalists prevented from talking to Mr. Liu. Officially he received "medical parole," but the hospital has become a different prison. His family reports being pressured to issue a statement that he is unfit to travel.

There is a reason for this shameful treatment: Beijing has much to hide. If Mr. Liu goes abroad, he can describe the conditions he faced in prison and the authorities' refusal to give him adequate follow-up treatment for hepatitis, which almost certainly led to his cancer. If the condition had been detected earlier, his treatment options and life expectancy today would be much better.

The government that imprisoned Mr. Liu for his beliefs and failed to ensure his health can't ask the world to trust that it will give him the best care. Mr. Liu's request for treatment in Germany offers him the chance to spend more time with his wife Liu Xia, who has been held under house arrest for seven years. China's greatest democracy advocate deserves to spend his last days in freedom so the world can hear the final testimony to his struggle.

After Victory in Mosul

Iraqi Prime Minister Haider al-Abadi declared victory Monday over Islamic State in Mosul, and Americans can also take pride at the end of a bloody three-year campaign that would not have happened without U.S. leadership and arms. The triumph will be short-lived, however, if the Baghdad government and U.S. repeat the mistakes they made after the successful "surge" of 2007-2008.

The victory removes ISIS from the capital of the self-styled caliphate that Abu Bakr al-Baghdadi declared after routing the Iraqi army in Mosul in June 2014. It provides relief to tens of thousands of Iraqis living in fear of torture or death for even minor offenses against Sharia law, or for being a non-Muslim.

It is also a morale boost to the Iraqi military and Mr. Abadi, who has proven to be a major improvement over predecessor Nouri al-Maliki. Particular credit goes to the Kurdish peshmerga who were the main resistance to Islamic State in 2014 and prevented a larger rout.

The biggest problem with the Mosul campaign is that it took so long. Barack Obama never wanted to admit that his 2011 withdrawal of all U.S. forces was a blunder that required a U.S. military return to Iraq. He thus deployed a light footprint limited mainly to special forces and air power. New Defense Secretary Jim Mattis accelerated the pace of battle after January. But the ability of ISIS to survive in Mosul for so long gave it an elan in the Islamic world that helped recruit young radicals and spread its brand around the world.

Defeat in Mosul diminishes that appeal, a decline that will continue as the U.S. coalition closes in on Islamic State's Syrian stronghold in Raqqqa. But the threat won't vanish, as the jihadists disperse into smaller cells in towns and

cities across the Sunni heartland. The jihadists will return to their post-Saddam insurgent tactics and wait to exploit bad governance or more sectarian conflict.

"We have another mission ahead of us, to create stability, to build and clear Daesh [ISIS] cells, and that requires an intelligence and security effort, and the unity which enabled

us to fight Daesh," Mr. Abadi said Monday, and we hope he means it.

He could start by declaring his support for local Sunni government and preventing Iran-backed Shiite militias from treating Sunnis like members of Islamic State as they go door to door in Mosul. He needs to rebuild Mosul rapidly and more effectively than his government has Fallujah and other former ISIS-run cities. (See Seth Jones nearby.)

The Trump Administration can help by negotiating a modest U.S. military presence that will remain in Iraq for the long run. Mr. Mattis told the Senate in June that such a force could serve "in a training role and mentoring role in Iraq if we work that out with the government." A U.S. presence will serve as a moderating voice among the Sunni, Shiite and Kurdish factions. And it may give Mr. Abadi more courage to resist becoming a de facto subsidiary of Iran and Hezbollah-like militias in Iraq.

This will be crucial as September's Kurdish independence referendum approaches, which may threaten the Abadi government. Iran would love a fractured and diminished Baghdad to replace Mr. Abadi with an ally like Mr. Maliki. A politically stable and independent Iraq, by contrast, would improve the chances of stabilizing Syria after ISIS is swept from Raqqqa. There are no permanent victories in the Middle East, but the liberation of Mosul is an important milestone in the war against radical Islam.

How the U.S. and Iraq can prevent ISIS from rising again.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

LETTERS TO THE EDITOR

High State Debts Beget Desperate Measures

Regarding your editorial "Blue State Budget Breakdowns" (July 5): It's very easy to assail legislators when they run up huge pension bills and other expenses, but whether enacted by Democrats or Republicans those escalating expenses are a structural, inevitable feature of democracy. If a thrifty, sensible legislator refuses a pension boost, another will displace him or her at the next election. It is unreasonable for the Journal or anyone else to expect legislators to do good if they have to wreck their careers doing so. What we need is a way to relieve legislators from the personal blame for making unpopular but sensible financial choices.

One way to do this is to create an automatic feedback mechanism that ties government salaries and pension plans to reliable financial or other standard-of-living metrics such as the GDP, or a GDP for a given state or GDP per capita in any given state or city. If the metric rises or falls, pension plans and salaries would correspondingly rise and fall. That way legislators would be motivated to do everything possible to improve the standard of living or GDP per capita, rather than continually risk bankruptcy to stay in office.

JOHN BARCHILON

Los Angeles

In recent years, a number of states have failed to meet their legal, contractual and moral obligations to contribute to pension funds for their workers. In some cases, as in New Jersey, this was done to offset revenue lost due to massive tax cuts for the wealthy. The resulting "crisis" has been the predictable result.

STEPHEN P. O'DOWD

Spring Lake, N.J.

Illinois doesn't tax pension or Social Security income, which means the nonretired populace foots the bill for state retirees. Just another reason why we left.

CAROL EKDAHL

Flagstaff, Ariz.

Justice for All, Except Male College Students

KC Johnson's "Will Trump End Campus Kangaroo Courts?" (op-ed, July 5) perpetuates the assumption that colleges must gear up to create quasi-legal forums to adjudicate sexual assault claims by young adults on campus. This is based on the tradition of *in loco parentis* when the college serves as parent substitutes while the student is enrolled. That concept may work fine for disciplining minor infractions on campus but not for more serious issues such as murder, assault and larceny.

Contrary to the author's claim, almost all colleges do have a code of student conduct and due-process

statements. As a dean in a liberal arts college in Illinois over 50 years ago, I installed a student discipline board with student representation, a code of student conduct and due-process provisions. In an era when college students are accorded the rights of other nonstudents their age, it seems logical to have them subject to the same judicial system accorded to all others in society. This would free up the college to focus on teaching and learning and not spend limited resources on expensive legal fees and litigation.

DENNIS WILSON, PH.D.

Niceville, Fla.

The Senate Isn't Saving the 10th Amendment

Avik Roy's "The Senate Saves the 10th Amendment" (op-ed, June 27) extolling the Senate's health-care bill as a paragon of state "flexibility" does a disservice to federalism and the 10th Amendment. While Mr. Roy claims the bill "would liberate states from many other ObamaCare burdens," the measure keeps intact the law's Washington-centered regulatory apparatus.

Seven decades ago, Congress passed the McCarran-Ferguson Act, devolving regulation of insurance products to the states. For more than 60 years, Congress largely kept its side of the bargain, with minimal intrusions into state health-insurance markets—until ObamaCare.

That Senate Republicans have introduced legislation allowing states to waive out of some—not all, but just some—of ObamaCare's myriad mandates should give true federalists little comfort. ObamaCare's regulations would remain the default standard in all 50 states, unless and until a state acted to waive some of them—actions a future governor or state legislature could easily revoke. That's not the re-

peal Congress promised the American people—and it isn't federalism either.

Ironically, many Senate moderates who are worried about their states' Medicaid expansion also want to retain ObamaCare's federal insurance regulations—imposing their will on other states, even as they ask their colleagues to respect their states' decisions on expansion.

If states wish to impose an ObamaCare-like regulatory regime on their residents, they remain free to do so. But Congress should fulfill its promise and dismantle Washington's version of that regime. That would represent true repeal—and true federalism.

CHRIS JACOBS

Washington

Some Courts Have Trouble Counting Past Three Years

Regarding your editorial "How Long Is Three Years?" (June 30): It is a sad statement about how routine judicial activism has become if it is a cause for celebration when the Supreme Court upholds the plain meaning of "no event" and "more than three years after" in a statute when deciding whether a suit can be filed more than three years after an alleged tort.

How could Congress have written the rules more clearly?

JAMES G. RUSSELL

Midlothian, Va.

Pepper ... And Salt

THE WALL STREET JOURNAL

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OPINION

America Isn't Ready for a 'Cyber 9/11'

By H. Rodgin Cohen
And John Evangelakos

The prospect of a "cyber 9/11" grows likelier every day. In May the WannaCry ransomware attack, affecting hundreds of thousands of computers, disrupted health care and telecommunications across the world. American investigators now believe Russian hackers precipitated the continuing Gulf diplomatic crisis by planting false news stories on the Qatari state news agency's website. And late last month another ransomware outbreak, Petya, went global.

A new cabinet-level agency could help—if officials have learned the lessons of Homeland Security.

Cyberattacks have become capable of much more than stealing consumer information or embarrassing business executives and politicians. Whether conducted by lone wolves or nation-states, they can compromise the safety of medical, food and water systems, disrupt transportation, or even destabilize nuclear plants. Such attacks can undermine democratic institutions or encourage violence by spreading false information. The cyber threat has become existential.

Enhanced cybersecurity controls from private and public organizations are necessary but insufficient. The problem has not been lack of action. It is the multiplicity of programs and division of responsibility that diminish their effectiveness. At least 11 federal agencies bear significant responsibility for cybersecurity:

the Central Intelligence Agency, National Security Agency, Department of Homeland Security, Treasury Department, three branches of the military, and three federal banking agencies.

Congress should merge these disparate cybersecurity programs into one cabinet-level agency that also serves as the focal point for collaboration with the private economy. Call it the Department of Cybersecurity. This would be an extraordinary and risky measure, requiring careful implementation. But the magnitude of the danger, and the limits of America's current ability to defend against the cyber threat, compel a bold response. Some leaders in government and business say they doubt this kind of unification is feasible, but very few have questioned whether it is desirable.

Lessons from the creation of the Department of Homeland Security 15 years ago can help Congress and the president implement the idea more smoothly. What to avoid? Fragmented congressional oversight—more than 100 committees and subcommittees oversee the DHS. Constant bureaucratic turf battles have hurt the DHS's effectiveness. As did raising public anxiety while failing to provide concrete instructions for action: Initiatives like the DHS daily color codes should be avoided.

The new agency would need a clearly defined mission, consolidation of reporting into a limited number of congressional committees, and an independent, expert body providing periodic review to ensure accountability. There is also an opportunity for the new agency to be formed in a more deliberate way, drawing on leadership from the private economy to promote efficiency and cost-effectiveness.



DAVID KLEIN

Most important, the new agency should be led by someone with demonstrated management skills who is fully empowered to bring all the strands of cyberdefense together and to create a credible threat of retaliation. Leading candidates that come to mind are former NSA Chief Keith B. Alexander, former Assistant Treasury Secretary Leslie Ireland, Scott Charney of Microsoft and former Vice Chairman of the Joint Chiefs of Staff Edmund P. Giambastiani.

This leader would inherit a group of agencies that are already collaborating more effectively than before 9/11, but there is still room to improve coordination. Civilian networks are separated from military ones. Jurisdictional limitations to domestic, or homeland, concerns impede global cooperation.

Although coordination between the federal government and the private economy has improved, it is still not a substitute for a unified defense

against a global threat. In today's multi-agency environment, information and knowledge are too often isolated within individual agencies. As the DHS experience proved, agencies that have competing objectives eventually end up undermining the country's ability to address security challenges. These problems would be more effectively addressed by a single agency, if it had the authority to succeed.

Perhaps most important, talent remains dispersed. Substantial cyber expertise exists throughout government, but these experts would be far more effective working under a unified command structure. Such an agency would be likely to attract the best and brightest at a time when those minds can mean the difference between cyber catastrophe and cyber protection.

A unified federal agency would also be best suited to provide crucial coordination with state and local governments and the business community. Private companies are a critical source of technological breakthroughs and early warnings, and the states have often been laboratories for policy innovation. These efforts could be accelerated and enhanced through leadership from a single, properly structured federal authority.

A new federal office for cybersecurity can provide the unification, collaboration, coherence, skills and leadership to implement a comprehensive policy that counters the existential cyber threats America must confront. Too much is at stake to ignore the problem any longer.

Mr. Cohen, senior chairman of Sullivan & Cromwell LLP, served on the National Security Agency's Cyber Advisory Committee (2012-16). Mr. Evangelakos, a partner at Sullivan & Cromwell, leads the firm's cybersecurity practice.

Iraq Declares Victory in Mosul, but the War Is Far From Over

By Seth G. Jones

Iraqi Prime Minister Haider al-Abadi arrived in Mosul on Sunday, dressed in a black military uniform, and announced the "liberation" of the city where Islamic State declared its so-called caliphate in 2014. "The world did not imagine that Iraqis could eliminate Daesh," he remarked, using the Arabic acronym for the group.

But this war is far from over. A growing number of Iraq's Sunnis are disenchanted with the slow pace of reconstruction and frustrated with a Baghdad government they consider too friendly to Iran. The U.S. needs to shift its focus quickly from supporting military operations in cities such as Mosul to helping the Iraqi government better address political grievances. Failure risks sowing the seeds of ISIS's resurgence.

ISIS started strong in 2014, taking advantage of Sunni grievances against the Iraqi government. At its peak, according to a Rand Corp. analysis, ISIS controlled nearly 58,000 square kilometers of territory in Iraq, home to more than six million people. But beginning in 2016 the group lost significant territory in

cities like Sinjar, Fallujah, Ramadi and now most of Mosul to a combination of U.S. and allied strikes, ground assaults by the Iraqi security forces, and Sunni, Shiite and Kurdish militia advances.

Despite these successes, there are troubling signs in Iraq, particularly within the Sunni Arab community. Take the western city of Fallujah. A year after Iraqi forces liberated the city, residents are disenchanted because of the slow pace of rebuilding, the absence of government services and skyrocketing unemployment. "This area was liberated in June, and it still looks the same now," Hussein Ahmed, a Fallujah resident, told a visiting journalist earlier this year. "I speak for thousands of people when I say the government has forgotten us."

Many Sunnis also look warily at growing Iranian influence. Tehran is committed to increasing its influence in Iraq through such organizations as the Popular Mobilization Units, militias that include as many as 150,000 Shiite fighters. To the consternation of many Sunnis, Iraq's parliament passed a law in December 2016 formally integrating the Popular Mobilization Units into

Iraq's security forces. Today, such Shiite forces are nearly as large as the entire Iraqi army.

ISIS fighters are attempting to leverage these grievances in several ways. Its operatives have recruited new members who are unhappy about the pace of reconstruction in Sunni towns and cities, angry about friends or family members who have

ISIS emerged in the vacuum the U.S. created by withdrawing in 2011. Don't repeat that mistake.

been abused by pro-government militias, and nervous about Iran's growing influence in the country. Iraq's security services have noted with alarm that ISIS cells are re-establishing intelligence networks in Ramadi and Fallujah. Even after last week's defeat in Mosul, ISIS still holds nearly 10,000 square kilometers of territory in Iraq with a total population of one million, including the western city of al Qa'im. It also boasts over 15,000 fighters across

the Iraq-Syria battlefield and more than \$500 million in annual revenue through the end of 2016, though ISIS's monthly revenues have declined in 2017.

ISIS is also shifting from conventional to guerrilla operations, including ambushes, raids, suicide attacks, car bombs and assassinations. The group is relocating its personnel and battlefield supplies to mountains, caves and desert areas around the Iraqi city of Haditha, Lake Tharthar, and the Iraq-Syria border region. ISIS has also used multi-rotor and fixed wing drones for surveillance and, occasionally, strike missions. In addition, the group is restructuring its wilayahs, or provinces, and decentralizing its organizational structure in Syria and Iraq to conduct more effective guerrilla operations.

In light of these developments, the U.S. should establish a more aggressive political strategy to prevent Islamic State's revitalization. U.S. diplomats and military leaders need to encourage Iraqi leaders to better address Sunni grievances. One step would be to cut in half the number of Shiite forces under the Popular Mobilization Units and transition militia

fighters to civilian employment. U.S. officials might also press Baghdad to withdraw Shiite militias from the Iraq-Syria border, including in Nineveh, where they facilitate a regional pipeline of Shiite fighters from Iran all the way to Lebanon.

In addition, the U.S. should help coordinate international assistance coming into Iraq, with an emphasis on rapid repair of damaged infrastructure in urban centers like Mosul, Ramadi, Fallujah and Beiji. Reconstruction assistance should be openly associated with efforts to move the Iraqi government and Sunnis closer together.

Islamic State's predecessor, al Qaeda in Iraq, began to reconstitute itself in 2011 in part because of Baghdad's failure to address Sunni grievances and Washington's decision to withdraw U.S. forces and inability to influence Iraqi politics. It would be doubly tragic to make the same mistake again today.

Mr. Jones is director of the International Security and Defense Policy Center at the Rand Corp. and author of "Waging Insurgent Warfare: Lessons from the Vietcong to the Islamic State" (Oxford).

Left or Right? Thoreau Wouldn't Have Understood the Question

By Crispin Sartwell

Here's something to ponder about Henry David Thoreau, whose bicentennial birthday is July 12: Was the writer on the political right or the political left?

Thoreau certainly has some progressive credentials. A principled and active abolitionist, he participated in the Underground Railroad and defended John Brown's raid on Harpers Ferry. He spent a night in jail for refusing to pay taxes to support the Mexican-American War, which he regarded as an imperialist adventure and an attempt to extend slavery. His work, in revival half a century ago, helped inspire the modern environmental movement. He criticized many

of the signs of industrial capitalism as it emerged in the 19th century, and he reviled the sort of people who were making it happen.

Yet Thoreau was an extreme individualist. Had he lived to see the emergence of Marxist communism and other radical labor movements in the U.S., he would have skewered and dissected leftist collectivism of any and all varieties. He respected dissenters, even those he disagreed with. People in consensus—or, he might say, those incapable of producing independent thought—seemed to him slavish and not fully formed as persons. Above all, he was a consistent skeptic of and opponent of state power, the force which the left believes can cure the world.

"The merely political aspect of the land is never very cheering; men are degraded when considered as the members of a political organization," Thoreau wrote in "Natural History of Massachusetts." And in "Civil Disobedience," his classic essay: "Government never of itself furthered any enterprise, but by the alacrity with which it got out of its way." He asserted that he would hate to think he was dependent on government and one of the goals of his experiment in domestic economy at Walden Pond was to prove he wasn't. Someone who would "quietly declare war with the State" probably wouldn't be in the streets defending ObamaCare.

Thoreau argued in "Civil Disobedience" that a man must not "for a moment, or in the least degree, resign his conscience to the legislator." In his "Plea for Captain John Brown," he added: "It is of no consequence whether a man breaks the law or not." These positions would be

anathema to the state-worshipping left and the law-and-order right.

Thoreau can't be explained by the modern understanding of left and right; annexing him to either side is the worst sort of anachronism. The

In some ways he looks like a progressive—but he was also an extreme individualist.

influx of European immigrants and ideas to the U.S. in the late 19th century permanently changed politics by introducing the modern left-right spectrum, deriving in part from Karl Marx's writings. So beware contemporary thinkers who try to claim Thoreau as their own.

Not that there is anything contradictory about the thinker's views. It is precisely their consistency that

puts them at odds with today's political divisions. The modern political spectrum, embroiled in tension and contradiction, simply cannot account for many legitimate political philosophies like Thoreau's.

While the 19th-century feminist and peace movements, like radical abolitionism, were driven by individualism, today's progressives appear more committed to collective identities than to any particular position. The movement is driven by an urge to merge, to become one consciousness with members of the same class, race or gender. Right-wing nationalism displays the same collective impulse.

Thoreau insisted that collective identities ignore the reality of individual difference and can be simulated only by massive coercion. And since Thoreau's era, attempts to forge collective identities or combine many people into a single mind—think Mao's Cultural Revolution—have killed millions of actual human individuals.

Ever since the polarization of left and right in the late 19th century, the world has suffered from a series of dangerous isms: murderous communism and bloody fascism, nationalism and internationalism, rapacious capitalism and compulsory collectivism. Turn on your television and you'll see the world suffering from an extremely confused polarization. On Thoreau's 200th birthday, maybe it's time to think about political possibilities afresh.

Mr. Sartwell teaches at Dickinson College in Carlisle, Pa. His most recent book is "Entanglements: A System of Philosophy" (SUNY Press, 2017).

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From "For Trump Critics, to Follow Is to Lead" by Byron York at the Washington Examiner, July 10:

President Trump's performance at the G-20 summit in Germany produced a wave of commentary claiming the United States has abdicated its role as world leader....

The talking point quickly became conventional wisdom in Europe....

While there were disagreements in Hamburg between Trump and the other 19 nations on lots of

things, including trade, the main factor in all the end-of-American-leadership talk was the president's decision to pull out of the Paris Climate Accord.

The idea is that, by not going along with the other 19 nations... the United States is no longer leading.

The talking point quickly became conventional wisdom in Europe....

In other words: One can only lead by following the group.

It's an odd formulation, reminiscent of the old Barack Obama "leading from behind" jokes.



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CROPS

Continued from the prior page drifting onto adjacent fields that aren't planted with resistant varieties, sometimes severely damaging them.

The U.S. Environmental Protection Agency is investigating dicamba-related crop damage across multiple states and is discussing the complaints with pesticide manufacturers.

Some states are restricting how and when dicamba can be sprayed, ratcheting up fines for misuse and mandating online training courses for farmers. On Friday, Missouri Director of Agriculture Chris Chinn announced a temporary suspension of the use or sale of the herbicide in the state, after more than 120 complaints of drift damage. That same day, Arkansas lawmakers banned its use or sale for 120 days, beginning July 11.

Monsanto and German chemicals group **BASF SE**, which makes a version of the spray, criticized Arkansas for the ban, saying it deprives farmers of a critical weedkiller in the middle of growing season.

A spokeswoman for BASF said Arkansas' ban "needlessly punishes growers who have successfully and lawfully used the product, while failing to provide an effective deterrent to growers who may be willing to ignore the ban." The state also boosted fines on "egregious" dicamba violations to

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BUSINESS NEWS

PepsiCo Uses Higher Prices to Grow

Battling weak consumer demand, company has eye out for when it can 'take pricing'

BY IMANI MOISE
AND JENNIFER MALONEY

PepsiCo Inc. said its second-quarter sales and earnings rose as the beverage and snack maker continued to offset weak demand in North America with higher prices.

The company also lifted its adjusted earnings-per-share outlook for the year to \$5.13 from \$5.09, as it anticipates less of an impact from foreign-exchange effects. However, the raised outlook was a penny lower than Wall Street projections. Pepsi shares edged down 0.5% to \$113.74 on Tuesday.

The Purchase, N.Y., maker of Frito-Lay snacks, Gatorade and its namesake cola has been

hurt as consumers spend more time at the perimeter of the supermarket browsing through produce and fresh meats and less time in the center aisles, where the company's packaged foods such as Rice-A-Roni and Aunt Jemima are found.

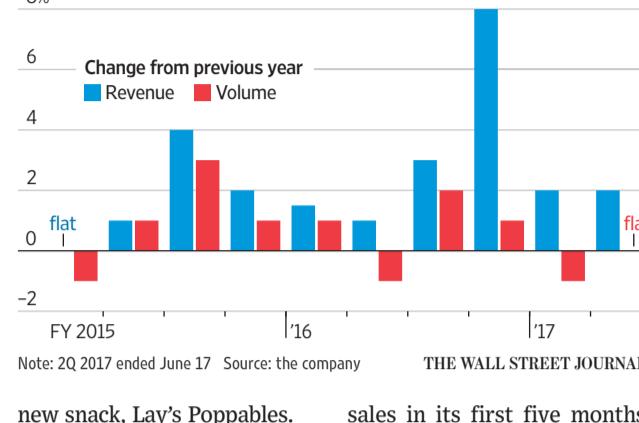
Still, the company has been able to achieve sales growth by raising prices. During a conference call, analysts raised concerns that the price increases could backfire, sending customers to competitors selling cheaper snacks and drinks.

Pepsi Chief Executive Indra Nooyi said the company watches pricing "very, very carefully on a weekly basis. I think where the market is today, when we can take pricing, we should take the pricing."

Pepsi executives added that their strategy includes not just raising prices but shifting the company's portfolio to more premium products, such as its

Sales Boost

Revenue growth in Pepsi's North American beverage unit has outpaced volume growth.



Note: 2Q 2017 ended June 17. Source: the company

new snack, Lay's Poppables.

Sales in its Frito-Lay and North American beverage units increased 3% and 2%, respectively, on flat volume growth. One of Pepsi's newest products, its LIFEWTR bottled-water brand, generated \$70 million in

sales in its first five months, Ms. Nooyi said during the call, and is on track for \$200 million a year in sales.

Sales slipped 1% in its Quaker Foods business, but volume held steady.

PepsiCo's beverage volumes

declined 2% in the latest quarter while total food and snacks volume grew 2%, driven by gains in foreign markets.

In a nod to the growing importance of online sales, Ms. Nooyi said the company's e-commerce-related efforts include developing snack packaging that travels better and the cold delivery of beverages.

In all for the quarter ended in June, PepsiCo posted earnings of \$2.11 billion, compared with \$2.01 billion a year ago. Adjusted earnings per share of \$1.50 handily topped the consensus estimate of \$1.40 as the sale of PepsiCo's minority stake in Britvic PLC, the company that produces and sells Pepsi in the U.K., added 6 cents to its bottom line.

Revenue also beat views, rising 2% to \$15.71 billion, compared with estimates of \$15.6 billion.

Janitorial Firm ABM To Acquire Rival GCA

BY EZEQUIEL MINAYA

ABM Industries Inc., one of the nation's largest providers of janitorial and building services, is near a deal to acquire privately held rival **GCA Services Group** for \$1.25 billion in cash and stock, according to people familiar with the matter.

A deal could be announced as soon as Wednesday, the people said. The tie-up, which will expand New York-based ABM's reach in the educational and commercial markets, is expected to close by September after any regulatory hurdles are cleared.

GCA, based in Ohio, has traded hands a few times in recent years. It is currently owned by Goldman Sachs Group Inc. and private-equity firm **Thomas H. Lee Partners** LP, one of the world's largest buyout firms. GCA was acquired from **Blackstone Group** LP in 2016. Terms of that deal weren't given. Blackstone bought GCA in 2012 from a group led by investment firm **Nautic Partners** LLC for an undisclosed sum.

ABM, which has a market value of about \$2.2 billion, will pay \$850 million in cash and \$400 million in common stock for GCA, the people said. ABM will incur a \$70 million charge in connection with the deal, and it is expected to add about \$1.1 billion in revenue after a year, with \$600 million coming in the education industry group.

Pearson Cuts Stake In Penguin

BY ZEKE TURNER

BERLIN—Bertelsmann SE is raising its stake in publisher **Penguin Random House** to 75%, tightening the German media company's control over one of the top prizes in the book business in a multimillion-dollar bet on the future of print.

Bertelsmann said Tuesday it was buying a 22% stake in the business from **Pearson PLC** for about \$780 million. The British education company will retain a 25% stake in the publisher.

Pearson said it would receive a total of \$968 million from the sale and associated dividend payments.

The 2013 merger of Penguin and Random House joined 250 brands that publish more than 15,000 titles a year.

The latest move comes after years of strategic reorganizing in the publishing world, with companies worried that the rising popularity of e-books and online sales would permanently cut into their margins. But lately executives have noticed overall book sales rising as consumers spend more time reading, partly thanks to heightened interest in politics.

—Olga Cotaga and Nina Trentmann in London contributed to this article.



Hondas in assembly in Wuhan, China. Among foreign makers, Japanese companies posted the biggest first-half gains, with Honda lifting its China sales by nearly 19%.

Chinese Auto Market Revived Last Month

BY TREFOR MOSS

SHANGHAI—Chinese passenger-car sales bounced back in June, raising hopes that the world's biggest auto market is gaining momentum after a tepid start to the year.

Passenger-car sales—which declined in April and May in the biggest dip in two years—increased 2.3% last month compared with a year earlier, the China Association of Automobile Manufacturers said Tuesday. The 1.83 million vehicles sold pushed the first-half total to 11.25 million, up 1.6% from a year earlier.

After last year's exceptional 16% growth in passenger-car sales, China's auto industry had expected a slowdown in 2017. Growth is still on track for 5% this year, assuming sales accelerate as expected in the second half, said Xu Haidong, the association's assistant secretary-general.

Passenger-car sales, China's auto industry had expected a slowdown in 2017. Growth is still on track for 5% this year, assuming sales accelerate as expected in the second half, said Xu Haidong, the association's assistant secretary-general.

Karen Hill pleaded guilty on Tuesday in federal court in Mobile, Ala., to violating the federal antikickback law by bribing doctors to prescribe the Insys drug, known by the brand name Subsys. According to court documents filed on Tuesday, Ms. Hill has the ability to cooperate with prosecutors as part of her plea agreement. Ms. Hill was hired by Insys in 2012 and eventually became the company's regional manager for the Southeast, which included parts of Florida and Alabama.

In a separate case, Natalie Levine, 33 years old, also pleaded guilty in federal court in Connecticut to one count of

Racing Ahead

Japanese auto makers set the pace in China in the first half of 2017.

	Sales growth, change from previous year	Number of vehicle sales
Honda	18.7%	0.64 million
Nissan	6.7	0.65
Toyota	5.4	0.62
Volkswagen	0.2	140
General Motors	-2.5	185
Ford	-7.0	0.54
Hyundai	-46.7	0.43

Source: the companies

Total Chinese vehicle sales in the first half rose 3.8% to 13.35 million, buoyed by strong demand for commercial vehicles.

Among foreign makers, Japanese companies posted the biggest first-half gains: Honda Motor Co. increased its China

sales by 18.7%, Nissan Motor Co. by 6.7% and Toyota Motor Corp. by 5.4%.

Some nimble product launches struck a chord with Chinese buyers, said Yale Zhang, managing director of Automotive Foresight. For example, in March Honda

launched the UR-V, a large sport-utility vehicle that taps into rising demand for SUVs. Other foreign auto makers struggled in the first half. General Motors Co. had a 2.5% drop in sales and Ford Motor Co. slumped 7%.

Political tensions between Beijing and Seoul over South Korea's missile-defense program contributed to a nightmare first half for Hyundai Motor Co., whose sales fell 47%.

Both GM and Ford drew encouragement from strong June sales as they look to China to compensate for weak U.S. demand. GM posted a 4.3% sales bump last month, while Ford's sales soared 15%.

"The momentum we've found in Q2 and June, we're optimistic about that rolling forward through the rest of the year," Ford's Asia-Pacific president, Peter Fleet, said in an interview, adding that the company expects high single-digit

growth in China in the third quarter.

GM plans to introduce 10 new models in China before the end of 2017, China head Matt Tsien said in a statement.

Both U.S. makers benefited from their luxury brands. Sales of GM's Cadillac increased 75% in the first six months of the year, while Ford's Lincoln doubled its sales.

Auto sales in China surged in late 2016 as consumers bought ahead of an increase in the sales tax on small-engine vehicles to 7.5% from 5%. A planned increase to 10% at the end of the year—which would complete the unwinding of a tax cut made in 2015 to buoy a slumping market—could produce a similar late-year spike in sales, said Mr. Fleet, though he added that some auto analysts think the government might put the plan on hold.

—Lilian Lin in Beijing contributed to this article.

Two Plead Guilty in Insys Cases

BY JOSEPH WALKER

Two former pharmaceutical saleswomen pleaded guilty on Tuesday to bribing doctors in exchange for prescribing a powerful fentanyl medication made by **Insys Therapeutics** Inc., the drugmaker facing multiple investigations by state and federal prosecutors.

Karen Hill pleaded guilty on

conspiring to violate the anti-kickback law as part of a Subsys-related scheme that defrauded federal health programs and resulted in \$4.5 million in losses to Medicare, the U.S. attorney's office in Connecticut said.

Ms. Levine was employed by Insys from March 2013 to October 2014, prosecutors said. She is married to Insys' former chief executive, Michael Babich, said Thomas Carson, a spokesman for the U.S. attorney's office.

Mr. Babich was arrested in December and charged by federal prosecutors in Boston with racketeering conspiracy, mail fraud conspiracy and violations of the antikickback law, among other crimes. Mr. Babich has pleaded not guilty to the charges. In addition to Mr. Babich, five other former Insys executives and managers were also charged with participating in the racketeering conspiracy and other crimes.

Ms. Levine's attorney, Thomas M. Gallagher, said by

email he wasn't available to comment immediately. Ms. Hill's attorney didn't immediately respond to a request for comment.

Ms. Hill and Ms. Levine are the latest former Insys employees to plead guilty to federal charges related to the sale of Subsys, a mouth-spray formulation of fentanyl that is approved by the U.S. Food and Drug Administration to treat extreme cancer-related pain.

Elizabeth Gurrieri, the former head of Insys' reimbursement unit, pleaded guilty in June to one count of wire fraud conspiracy as part of a cooperation agreement with federal prosecutors in Boston. Another former Insys saleswoman, Natalie Perhacs, testified in February that she participated in a kickback scheme with two Alabama pain doctors. She pleaded guilty to participating in the kickback scheme last year as part of a cooperation pact with the U.S. attorney's office in Mobile.

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TECHNOLOGY

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Facial Recognition Wears a Smile

Beijing startup that sells surveillance tools to police forces adds \$410 million in funding

BY LIZA LIN

SHANGHAI—A Chinese startup that sells facial-recognition systems to police forces secured venture-capital funding that values it at more than \$1.5 billion, underscoring the sector's emergence as one of technology's hottest areas of interest.

Beijing-based **SenseTime** Co., which provides surveillance systems using facial recognition to Chinese law-enforcement agencies, said Tuesday it raised \$410 million in new funding from investors, lifting it to so-called unicorn status with a value of more than \$1 billion.

Using artificial intelligence, facial-recognition systems from SenseTime and others identify people in a crowd by matching their features against those on file in image databases. The software breaks down a person's face into a series of measurements and uses them to create a template that can be compared with others.

Adoption has been especially swift in China, aided by a large network of surveillance cameras, a national photo-identification index and relatively few privacy concerns.

Customers include law-enforcement agencies that use the technology to identify and detain criminal suspects. It is also being used by local governments to discourage behaviors like jaywalking. In a park near Shanghai, for example, it is being used to identify race participants who take shortcuts on a running track.

But commercial uses are growing as the technology emerges as an alternative way to identify people who gain access to workplaces, board airplanes, make ATM withdrawals and check into hotels.

American tech companies are active in the sector as well.



A factory in Shanghai uses facial-recognition technology to screen its employees as they enter an assembly-line area.

OLAI SHEN/BLOOMBERG

said Chief Executive Xu Li.

SenseTime investors include Chinese private-equity fund **CDH Investments** and Sailing Capital, a VC fund linked to the Shanghai government.

"We are already seeing the early signs of how artificial intelligence is changing traditional industry," CDH Investments Chairman Wu Shangzhi said. "The time has come for AI to have a big impact."

In total, AI-focused tech startups in China raised \$500 million in the first six months of the year, preliminary data from Dow Jones VentureSource showed, compared with \$700 million for all of last year. No separate data were available for facial recognition startups.

Alibaba Group Holding Ltd.

Facebook Inc. is considered a pioneer in the field and last year Apple Inc. bought Emotient, a startup whose technology assesses emotions based on facial expressions. Los Angeles-based **FaceFirst** Inc. provides facial-recognition systems for U.S. and international airports and military bases.

SenseTime, which also provides facial and image recognition to the finance and mobile-internet sectors, was founded in 2014 and has 500 employees. Local Chinese governments are among its biggest clients. The company will use the funding raised to retain and hire talent and pay for research into other technologies that rely on artificial intelligence, including self-driving cars and medical diagnostics,

Chairman Jack Ma and Foxconn Technology Co. are investors in these kinds of startups.

Yunfeng Capital, a venture fund founded by Mr. Ma, is an investor in Shanghai-based **Yitu Technology**. Foxconn has a stake in Beijing-based **Megvii Technology Inc.**

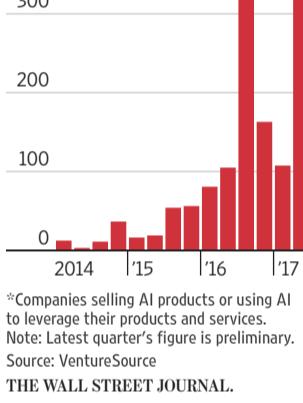
Privacy advocates worry that the technology could be used by governments to conduct random surveillance without cause.

"This is a force multiplier that takes the identification of people in public to a completely different level," said Clare Garvie, a researcher for the Center on Privacy & Technology at Georgetown University Law Center.

—Josh Chin in Beijing contributed to this article.

China's AI Explosion

Fundraising by Chinese artificial-intelligence startups



*Companies selling AI products or using AI to leverage their products and services.
Note: Latest quarter's figure is preliminary.
Source: VentureSource

THE WALL STREET JOURNAL.

In a First, Facebook Messenger Takes Ads

BY DEEPA SEETHARAMAN

Facebook Inc. has spent years developing two of the world's most popular messaging apps. Now, with slowing revenue growth in its core service, it wants to cash in.

On Tuesday, Facebook started showing advertisements inside Messenger, the chat app that Facebook says is now used by 1.2 billion people every month.

The ads are shown between users' messages, similar to the way ads are sandwiched between posts in Facebook's news feed, the main scroll of pictures, videos and posts that greets everyone who uses the service.

Facebook plans to roll out the ads "slowly and carefully" to Messenger's users, said Stan Chudnovsky, Messenger's head of product, replicating the strategy followed by its photo-sharing app, Instagram, which started showing ads to users in 2013 and took a couple of years to implement more widely.

Facebook also has been studying ways to profit from WhatsApp, the company's other messaging app. Facebook could net an extra \$11 billion in revenue from its two messaging apps by 2020, Barclays Capital estimates.

Facebook is trying to make money from Messenger as it braces for an expected slowdown in revenue growth from news feed, the primary source of Facebook's revenue today, starting in mid-2017.

Executives have told investors that Facebook would no longer increase the number of ads shown to users in the news feed. The increases helped juice revenue in prior years, but risked turning off users by jamming too many ads in their feeds.

Intel Hits Back at Rivals With New Server Chips

BY TED GREENWALD

Intel Corp. on Tuesday brought to market a new generation of chips used in the servers that run data centers, firing back at competitors that lately have moved to challenge its hegemony in its most profitable market.

The rollout of the Xeon Scalable Family, an updated line of 58 processors priced from roughly \$200 to \$10,000 each, highlighted Intel's ambition to maintain its hold over all segments of the data-center market.

Intel makes most of its revenue on processors for personal computers, but the powerful server chips bring higher prices and profit margins. The server-chip division had an operating-profit margin of 44% in fiscal 2016 compared with 32% in the segment that sells PC chips.

The server business has become more strategic lately as sales of personal computers have plateaued in recent years.

Intel holds nearly 100% of the \$16.5 billion global market for server chips that run the software instructions called x86 that form the foundation of nearly all commercial software, according

to Mercury Research.

But Intel's server business shows signs of contracting. Although the chip giant has said it expects double-digit revenue growth in its data-center division in coming years, half of that growth will come not from chips but from ancillary products like storage and networking, according to Bernstein Research analyst Stacy Rasgon. In addition, Intel has said that profit margins in its data-center segment would nar-

The company makes most of its revenue on processors for personal computers.

row as that business absorbs more of the costs of developing new manufacturing methods.

Meanwhile, the server sector has attracted a raft of rivals. Advanced Micro Devices Inc. in June started shipping its Epyc line of server chips aimed squarely at the lower-price half of Intel's offerings. Those products, AMD's first entry into the data-center market since 2013,

are giving server makers a welcome alternative to Intel's products. However, any impact on Intel won't become clear for some time.

Qualcomm Inc. and Cavium Inc. in March demonstrated chips running Microsoft Corp.'s Windows Server operating system based on technology from ARM Holdings, a division of SoftBank Group Corp. Microsoft has said it expects to use such chips in its Azure cloud service. International Business Machines Corp. has announced new server chips expected later this year.

And the boom in artificial intelligence has spurred sales of graphics processors made by Nvidia Corp., which has overshadowed Intel in the training phase of machine learning.

Intel responded to the newly competitive environment with a New York launch event Tuesday where it touted partnerships with prominent software and hardware vendors, endorsements from Amazon.com Inc. and Alphabet Inc.'s Google—an early Xeon Scalable Family customer—and boasts of its central role in three systems that are candidates for an annual list of top 500 supercomputers.

Twitter Names New Finance Chief

BY GEORGIA WELLS

Twitter Inc. tapped a former close colleague of No. 2 executive Anthony Noto to be its new finance chief, as it addresses a list of vacancies created at the social-messaging company over the past year.

Ned Segal will start as Twitter's chief financial officer in late August, the company said Tuesday. He most recently worked for financial-software producer **Intuit** Inc., where he was senior vice president of finance for the \$2.5 billion division that delivers QuickBooks to customers. Before that he was finance chief of RPX Corp., a small San Francisco-based company that helps clients manage patent-related risks.

Prior to that, Mr. Segal spent nearly 17 years at **Goldman Sachs Group** Inc., where he worked closely with Mr. Noto, whom he will replace as finance chief. Mr. Noto has held two jobs at Twitter since becoming its chief operating officer in November following the departure of longtime executive Adam Bain. Mr. Noto now will act solely as COO.

Bringing in a former colleague to fill a key role could help solidify Mr. Noto's influence. He has taken on increasing responsibility since joining Twitter three years ago, after stints including head of technology, media and telecom investment banking at Goldman and as finance chief for the National Football League.

Twitter said its entire management team participated in the search for a new finance chief, meeting with several candidates, though Chief Executive Jack Dorsey made the final decision. Mr. Segal "brings a principled, engaging and rigorous approach to the CFO role, with a track record of driving profitable growth," Mr. Dorsey said.

Twitter has struggled for years to translate its popularity into profit. For the first quarter of this year it reported declining revenue for the first time since its initial public offering in 2013, despite a series of turnaround measures announced after Mr. Dorsey, a co-founder, returned as CEO in late 2015.

A woman smiling and holding up a cocktail glass. Other people are visible in the background. Text overlay: CELEBRATING 10 YEARS! Choose From Over 80 Events. GET TICKETS NOW!

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(1) Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of end December 2016. (2) Source: Amundi and Pioneer Investments combined figures pro-forma as of end December 2016 provided for information purposes only, subject to change without prior notice.
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TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By Joanna Stern

How to Keep an Old iPhone Alive



It's mid-July, which means time for some iPhone Mad Libs.

Hey Joanna! My iPhone [number] is on its last [body part, plural]. Its [phone part] is busted. [Expletive]! Should I buy a new iPhone now, or wait for the new one?

My annual answer: Do not buy an iPhone right now. It's my iPhone No-Buy Rule™. Once summer rolls around, wait for the new iPhone, typically announced in early September.

This year, there's more reason to wait. According to my WSJ colleagues, in addition to an updated iPhone 7 and 7 Plus, an expected special iPhone model will have OLED screen, wireless charging and facial-recognition technology. Apple declined to comment on the reports.

Even if you couldn't care less about fancy schmancy new tech, there are other reasons to hold out: If iPhone history repeats itself, Apple will drop the price on current iPhone 7 models by \$100 or more. And now that carrier contracts are all but dead, you may have your phone for two to three years—or until something goes wrong with it.

Which brings us to our haggard iPhone 6 and 6s. Most of their common problems can be fixed—with money and/or time. But why sink any cash at all into a phone you're going to replace? Because it could increase your resale value, and it will definitely empower you to buy your next phone only when the time is right.

Cracked Screen

Before you walk into that new iPhone repair shop, remember: Some replacement screens are hardly better

Wait for It...

When it comes to iPhone launch timing, history may—or may not—repeat itself this year.



iPhone 6s (2015)

Announced: Sept. 9
Shipped: Sept. 25
Wait to buy: 16 days

iPhone 7 (2016)

Announced: Sept. 7
Shipped: Sept. 16
Wait to buy: 9 days

Next iPhone (2017)

Announced: N/A
Shipped: N/A
Wait to buy: N/A

Source: the company

THE WALL STREET JOURNAL

than the cracked ones. Your safest bet is an Apple-authorized service provider—not just Apple Stores but more than 4,000 locations worldwide including Best Buy and local shops. The Apple Support app can pinpoint one close to you.

I also suggest considering iCracked. It isn't an authorized service provider, but it does use high-quality screens. Available in 100 U.S. metro areas, the service sends a technician to where you are (home, office, coffee shop) and fixes the issue in under an hour.

Resale value? It's a trade-off. Send in an iPhone 6 that looks like Charlotte's web to used-phone reseller Gazelle.com, and you get \$50. Or spend \$90 to replace the screen at iCracked, and you can probably sell it for \$120. The cost of prolonging your phone's life? \$20.

Yanyan Ji, Gazelle general manager, expects prices to stay steady until after Apple unveils the new iPhones.

Draining Battery

"Everyone with an iPhone 6 should get a new battery," says repair guru and iFixit Chief Executive Kyle Wiens.

After 500 charge cycles, the iPhone battery can lose 20% or more of its original capacity. Bring an iPhone into an Apple store, and geniuses will run diagnostics on battery capacity; if it's below 80%, Apple will replace the battery for \$79—or free with AppleCare. iCracked will swap any battery for \$60.

You could try replacing the battery yourself with a \$20 kit from iFixit. Mr. Wiens said if you are "remotely tech savvy," you can do it. He should have said, "You can do it, but you'll be sweating through your shirt the whole time."

Never forget the lessons of the Galaxy Note 7: Lithium-ion batteries are flammable. Do not puncture.

If you replace the wrong screw or incorrectly reconnect a circuit, you can create



If you replace your own iPhone battery with a DIY kit, be careful.

a much bigger problem. After I got the battery inside and sealed up the phone, my screen wouldn't stop flashing. I was able to go back and fix the problem, but not everyone can be so lucky.

At the end, the euphoria is a nerd's version of summiting Mount Everest. But if you do try it, please back up your phone data and take all safety precautions. When you're done, deposit the used battery at an e-cycling depot.

Another common power issue is a Lightning port that requires cord futzing to get the phone to charge. My iCracked technician removed the equivalent of bellybutton lint, and the port worked fine. If something is really wrong, the port can be replaced for about \$60.

Resale value? Don't assume a noncosmetic issue isn't worth repairing. Gazelle said trade-in values can be lowered for shoddy batteries and phones that don't reliably charge.

Slow Performance, Low Storage

First, try some simple software fixes from the comfort of your couch: Back up photos and videos to a cloud service. Clear out hidden cached files. Delete media stored in old texts and iMessages. To boost performance further, use these tricks:

Turn off Background App Refresh. Go to Settings > General > Background App Refresh, then turn it off for apps you don't depend on.

Clear out web-browsing data. Go to Settings > Safari, then tap Clear History and Website Data.

Clear the RAM. Press the power button. When "Slide to power off" appears, hold down the home button. Ok, this one may just be a placebo. There is debate over whether clearing RAM actually speeds things up.

New Mad Lib: "My iPhone [number] is working so [adverb], I no longer [verb] that [adjective] new iPhone."

Internet Firms Tee Up Protest

BY JOHN D. MCKINNON AND DOUGLAS MACMILLAN

WASHINGTON—Major internet companies are preparing to launch online protests Wednesday over Republican efforts to roll back Obama-era net-neutrality rules, employing a tactic that influenced policy in past years.

The question is whether it will have the same impact this time. Silicon Valley and its allies don't have the same level of support in government that they enjoyed under the tech-friendly Obama administration, and the current Federal Communications Commission has already made clear its plans to significantly scale back the net-neutrality rules. The GOP-controlled Congress is unlikely to intervene.

The Republican-led FCC voted in May to begin the process of rolling back the rules, and it is expected to complete the process in the fall. The

One graphic reads: 'Keep the Internet Weird. Defend Net Neutrality.'

rules, adopted in 2015, generally require telecommunications companies that provide online access, such as AT&T Inc. and Comcast Corp., to treat all internet traffic the same and not slow or block some sites.

An online campaign helped galvanize support for the strong 2015 rules. Another protest in 2012 helped scuttle antipiracy legislation that was favored by much of the entertainment industry.

Many big internet companies, such as Amazon.com Inc., Facebook Inc. and Google parent Alphabet Inc., would like to keep the 2015 rules in place, arguing they are important to maintaining healthy competition on the internet. The companies worry, for example, that without the strong rules the providers could use internet fast lanes to push their own online services.

But the providers contend the 2015 rules—an expansion of previous versions—represent an overreach by the government that could stifle investment and innovation and ultimately competition. Many insist they want to maintain net neutrality, and AT&T said Tuesday it would join in the "day of action" as a sign of its support for open internet principles.

Republicans recently have sided with the telecommunications firms, while Democrats have been more sympathetic to the internet firms.

Major organizers, including a coalition of online activists known as Battle for the Net, as well as the Internet Association, a trade group, say much of their effort will be aimed at generating consumer calls and emails to Washington policy makers. Some sites also could run more slowly than normal, according to organizers, or at least appear to briefly.

Battle for the Net has been offering online firms sample messages that mimic slowdowns, including one it calls "spinning wheel of death."

A graphic the group offers for social media users shows a cat riding a unicorn and wielding a handgun, with the caption, "Keep the Internet Weird. Defend Net Neutrality."

Vimeo, the video streaming and sharing site owned by IAC/InterActiveCorp, plans to join the protest by promoting a two-minute video about net neutrality on its home page. The video urges users to call and write letters to the FCC to keep the internet open.

"We live in a world where the broadband carriers can decide who gets what at what speed," said Michael Cheah, general counsel at Vimeo. "There is going to be a very powerful incentive for some of them to disadvantage us and our offerings."

For his part, FCC Chairman Ajit Pai said in May: "We will not rely on hyperbolic statements about the end of the internet as we know it."



A labor union is suing London-based Roo Foods for the right to organize Deliveroo delivery workers.

U.K. 'Gig' Workers Backed

By STU WOO AND WIKTOR SZARY

LONDON—Prime Minister Theresa May welcomed an officially commissioned review recommending stronger protection for workers in the U.K.'s "gig economy," as her government seeks to address insecurities generated by new informal employment practices.

The review is a first step toward addressing the divisions between haves and have-nots in U.K. society that the government believes were exposed by last year's referendum vote to leave the European Union. It is a first step in a broader effort by governments in industrialized economies to give people more security in work to combat a backlash against globalization.

"The issues [the report] confronts go right to the heart of this government's agenda," Mrs. May said Tuesday.

The report recommended that British law should be clarified so that people working for Uber Technologies Inc.'s smartphone app and the like are regarded as workers—it suggests the term "dependent contractors"—and not as self-employed.

They should have rights to greater worker protection, including safeguards to ensure

they don't earn less than the national minimum wage plus a supplement to account for vacation pay.

Firms using their services should contribute to the U.K. state's National Insurance system like traditional employers, it said.

Mrs. May said lawmakers would consider the report's nonbinding recommendations over the summer and respond in detail this year.

Labor-market flexibility can't be one-sided, with workers bearing the brunt of it, she said.

Britain has become a battleground over the status of gig-economy workers, who are typically people who log on to smartphone apps to find short-term jobs such as chauffeuring people, delivering food or mowing lawns.

Because of its relatively large population and shared language, the U.K. is one of the largest international markets for U.S. gig-economy giants such as Uber and TaskRabbit Inc.

Tuesday's report cited an April study from the not-for-profit Chartered Institute of Personnel and Development that found that 1.3 million Britons, or 4% of working adults in the U.K. between ages 18 and 70, work in the

gig economy.

Of those gig-economy workers, the study said 58% already have a permanent job elsewhere and take gig-economy jobs to boost income.

Some major companies have argued that these workers aren't entitled to employee rights, including paid holidays and minimum wage.

Such workers have challenged that position around the world, including in the U.K., where a London tribunal ruled in October that Uber drivers should be entitled to rights typically offered to full-time employees. Uber is appealing that ruling.

A labor union is now suing London-based Roo Foods Ltd., which runs the popular food-delivery app Deliveroo, for the right to organize couriers in north London.

"We would welcome greater clarity in the law over different types of employment status," said Andrew Byrne, Uber's head of policy in the U.K.

A Deliveroo spokesman said the company welcomed the report, saying "employment law is outdated and this is a great opportunity to make it fit for the 21st century."

—Sam Schechner and Jason Douglas contributed to this article.

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BUSINESS NEWS

Time Inc. Looks At a Rebranding

Change would aim to reposition publisher as media giant with digital, video ventures

By JEFFREY A. TRACHTENBERG AND SUZANNE VRANICA

Is time running out on one of the most fabled names in media?

Senior executives at **Time** Inc. recently met to discuss a potential rebranding of the company that could include changing the publisher's corporate name, according to several people familiar with the situation.

Such a move would be aimed at Time Inc.'s business and marketing partners and would be intended to reposition the publisher as a modern media company with growing digital and video ventures.

"We're excited about our business strategy and momentum, and we are in the early stages of considering a rebranding effort to reinforce the success of our transformation from a legacy publishing company to a multiplatform consumer media company," said a Time Inc. spokesman.

Time Inc. isn't contemplating changing the names of any of its magazine titles, which include Time, People, Sports Illustrated and Fortune. Time Inc. could also launch a major rebranding campaign that

would reposition the company without changing its name, one of the people familiar with the situation said.

Although no decisions have been made, Time Inc. has held preliminary conversations with some branding firms to better understand how those companies would approach a potential rebranding.

Among the names batted around by Time Inc. is "Life," although one person briefed on the internal discussions said it is "way premature" to suggest that Time Inc. will change its name.

"Life" is the title of the now-retired magazine heavy on photojournalism, whose heyday was in the mid-20th century. Time Inc. recently revived the brand for a virtual reality platform.

Doing away with one of the iconic brands of American media would be a significant move, symbolic of how legacy publishers have been upended by the rise of digital media.

Time Inc., facing steep print advertising declines like the rest of the industry, recently ended discussions with potential buyers of the company. Time Inc. has been emphasizing digital investments, including the purchase this year of Adelphic Inc., an automated advertising-buying platform, and the launch of such social video brands as the Pretty, a beauty brand aimed at young women.

Televisa to Change Way It Charges Advertisers

By ANTHONY HARRUP

MEXICO CITY—Television broadcaster **Grupo Televisa SAB**, struggling with declining advertising sales, plans to start charging advertisers based on audiences reached rather than just selling time slots, the company said.

Televisa said Tuesday that it has been unable to take advantage of an increase this year in ratings at its flagship Channel 2 because most of the advertising is sold in the upfront market, in which spots are allocated at fixed prices based in part on the previous year's ratings.

Advertising sales fell 9.8% in the second quarter, following a 7.8% drop in the first quarter.

Some customers have cut spending on publicity, some have moved part of their budgets to lower-cost competitors and others have reduced prime-time advertising since the pricing structure allows them to reach their audience

goals while spending less, Televisa said.

Prime-time ratings on Channel 2 increased 37% in the second quarter from the fourth quarter of 2016, Executive Vice President Alfonso de Angoitia said in a conference call with analysts.

Mr. de Angoitia said Televisa is changing the way it prices advertising to "sell audiences rather than spots at a fixed price" with a system similar to that of the U.S. Televisa is already testing the audience-based pricing in the "scatter" market, in which advertisers buy time as needed and will apply it to upfront sales for 2018.

"In the last few weeks, Channel 2 has been delivering more viewers than the entire universe of paid television networks excluding Televisa's networks," he said. "A single channel is having more audience than the aggregate audience of over 100 channels."

Televisa's stock rose 1.4% on Tuesday.

BUSINESS WATCH

TAKATA

Recall Issued For More Air Bags

Takata Corp. recalled an additional 2.7 million air bags in the U.S. at risk of rupturing, adding to a safety crisis that forced the Japanese automotive supplier to seek bankruptcy protection.

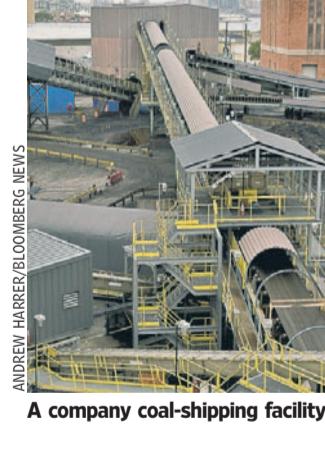
Takata flagged a subset of air bags installed in **Ford Motor Co.**, **Nissan Motor Co.** and **Mazda Motor Corp.** vehicles that use calcium sulfate as a drying agent as possible explosion risks, according to National Highway Traffic Safety Administration documents posted Tuesday.

Takata notified the agency "out of an abundance of caution" and isn't aware of any ruptures, the company said in a defect report filed with regulators.

A Ford spokesman said the company is aware of Takata's defect report. "Importantly, we aren't aware of any incidents, and test data doesn't suggest any issues," the spokesman said.

A Mazda spokeswoman said roughly 6,000 2007-2009 B-Series trucks in the U.S. are affected by the expanded recall and that there haven't been any "incidents or abnormal deployments" in them. A Nissan spokesman said the recall covered 627,000 2007-2012 Versa hatchbacks and sedans, about 515,000 of which were sold in the U.S., and that owners could expect more information in 60 days.

—Mike Spector



A company coal-shipping facility.

CONSOL ENERGY

Coal Spinoff Clears Board

Consol Energy Inc., one of the world's oldest coal-mining firms, said Tuesday its board has approved plans to spin off its coal business, cementing its identity as a natural-gas company.

Consol Energy said in December it planned to separate itself from the coal business, but the makeover for the Pennsylvania company began earlier this decade amid a boom in domestic natural-gas exploration.

The company said in filings Tuesday the coal business, called **Consol Mining Corp.**, will seek a listing on the New York Stock Exchange and distribute shares on a pro rata basis to Consol Energy shareholders.

—Ezequiel Minaya

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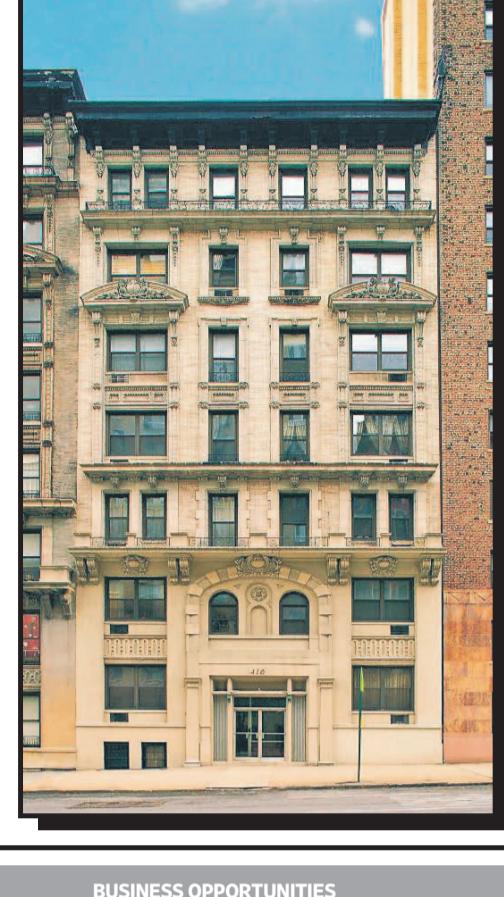
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ANNOUNCEMENTS

Cushman & Wakefield has been retained to exclusively arrange for the sale of 410 West End Avenue

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Source: WSJ. Insights Mindset of the Luxury Real Estate Buyer, Base: Plan to purchase home in next five years (2,709).

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THE PROPERTY REPORT

Coming to Your Block: Pop-Up Hotels

Startups aim to help apartment landlords convert units into short-term rentals

By LAURA KUSISTO

A handful of startups are betting they can help apartment-building owners convert empty units into hotel rooms, a controversial practice that could help landlords generate more revenue.

The rise of home-sharing services such as **Airbnb** Inc. has been a boon for owners of single-family homes looking to make extra money by renting out properties.

But the services have been met with fierce resistance by local governments and some tenants worried that large residential buildings could morph into hotel-like properties brimming with tourists and other transients.

Yet some startups contend they can navigate these potential pitfalls.

Arlington, Va.-based **WhyHotel** aims to turn apartment buildings into pop-up hotels, complete with front desks and maid services, to help owners generate revenue while they are in the midst of finding full-time tenants.

YouRent.com of Miami leases sections of apartment buildings or even entire properties, bringing in designers to transform the units into hotel rooms. A soon-to-be-launched startup Parallel similarly will rent blocks of units from landlords, decorate them and rent them out to overnight guests with an in-house hospitality team.



RAY GAVICICH/WHYHOTEL

WhyHotel transformed 50 empty units in a Pentagon City, Va., apartment building into hotel rooms, at \$179 to \$329 a night per unit.

Pillow Residential, which last month raised \$13.5 million in funding, offers a platform that allows building owners to access information about Airbnb guests and see which units in their building are being rented out and when.

The services are sprouting up just as the red-hot U.S. apartment market is beginning to cool.

In all, there are roughly 29 million apartment units in the U.S., according to the National Multifamily Housing Council. Nearly 800,000 new units have been built since the beginning of 2014, according to CoStar

Group Inc.

But the vacancy rate for apartments in downtown markets rose to 8.1% in the first quarter from 6.8% a year ago, according to CoStar.

The startups, which are expected to typically operate eight to 16 months in a building, see potential in helping the developers of those buildings wring revenue out of units that aren't yet leased.

WhyHotel piloted its concept with 50 empty units in a Pentagon City, Va., building owned by **Vornado Realty Trust**. Prices were \$179 to \$329 a night on units that otherwise wouldn't have generated revenue until they were rented to long-term tenants. The service ran from January through May, when there were enough tenants to bring the building close to full occupancy.

"They're very easy conversations to have because there's a lot of product coming online," said Jason Fudin, co-founder and chief executive of WhyHotel and a former vice president of strategic initiatives at Vornado. Mr. Fudin declined to disclose what percentage of the nightly rental fee Vornado received, saying it

is different for every deal.

While WhyHotel avoids converting apartment units permanently to hotel rooms, other companies are embracing that model.

YouRent takes control of a block of units in high-end apartment buildings and rents them as hotel rooms. Brian Ferdinand, YouRent's chief operating officer, said the company hopes to take advantage of the glut of luxury-apartment inventory and demand for hotel rooms in hip urban cores.

The company is expanding in Miami; Austin, Texas, and

Nashville, Tenn., and plans to fan out to San Diego, Denver and Boston. Mr. Ferdinand said a two- or three-bedroom unit rents for about the price of a hotel room on a nightly basis.

YouRent is aiming to provide a more structured alternative for landlords, Mr. Ferdinand said, offering detailed screening to weed out people with criminal records or sexual predators, paying applicable local taxes and obtaining permits and buying rental insurance.

These new services aim to get around an issue that Airbnb has been confronted with: Historically, landlords have been reluctant to allow tenants to rent out units because they didn't receive any of the revenue. Most apartment leases forbid tenants from subletting units without permission.

Airbnb has been trying to recruit owners of big apartment buildings, which represent a crucial growth opportunity for the company because the sleek modern buildings are likely to appeal to business travelers.

Airbnb rolled out its own program last fall that would give landlords who allow tenants to rent units a cut of the revenue. The initial reception was cool. Landlords are wary of liability, disrupting the sense of community in the building and having the risks of tenants who hadn't gone through the full screening process.

A spokesman for Airbnb said the program has expanded to about 10,000 eligible units and the program "continues to grow."

PLOTS & PLOYS

RETAIL PROPERTY

Expanding Grocers Offer Hope for Sector

Grocery chain expansions are likely to spark robust construction in coming years, analysts said, bucking the overall trend in retail development.

U.S. grocers **Publix Super Markets Inc.**, **Wegmans Food Markets Inc.**, **Kroger Co.** and **Sprouts Farmers Market Inc.** as well as German grocery chains Aldi and **Lidl** are opening new stores and will absorb an estimated 25 million square feet of space over the next five years, according to calculations from commercial real-estate brokerage and advisory firm **Marcus & Millichap Inc.**

—Esther Fung

CONSTRUCTION

Labor Shortage Eases

A labor shortage that has hampered the construction industry for most of the housing market's five-year recovery is showing signs of easing.

The number of open construction jobs fell to a seasonally adjusted 154,000 in May, down from the cyclical high of 238,000 open jobs set in July of last year, according to the most recent Labor Department data.

Job openings as a percentage of total employment were at 2.2%, down from 2.8% the previous month.

Hiring "has been expanding," said Robert Dietz, chief economist at the National Association of Home Builders. "It's just not expanding fast enough."

—Laura Kusisto

SELF-STORAGE

Industry Boom Slows

After decades of growth, the self-storage industry is poised for a slowdown, according to real-estate research firm **Green Street Advisors**.

The category has expanded as more Americans seek out places to keep their stuff. In all, 8% of the U.S. population uses a facility, up from 3% in the 1980s.

But slowing population growth and a shift from the consumption of storable goods toward services point to an industry shifting from growth to maturity.

"Advancing technologies are making some storable goods smaller and replacing others altogether," Green Street analysts Ryan Burke and Ryan Lamb said in a note.

—Esther Fung

Pinched Retailers Look to Haggle Over Leases

By ESTHER FUNG

Consultants who help store owners wring concessions from landlords are seeing brisk business these days, another ripple of the shifting retail landscape across the U.S. economy.

The rise of online shopping and changing consumer preferences are forcing retailers to rethink virtually all aspects of their operations. First on the list for many is real estate, which is typically the second-biggest cost after payroll.

As store owners scrutinize their store footprints, they are turning to professionals who can help them get better deals from landlords.

A roster of retailers, including **Bebe Stores Inc.** and **Pacific Sunwear of California Inc.**, are tapping lease-consulting firms to get landlords to agree to take less money.

"The C-suite, as well as the company's board, are more engaged in real estate than ever before," said Andrew Grasier, co-president of **A&G Realty Partners**, a real-estate advisory firm that has worked with hundreds of retailers on restructuring leases and shrinking store fleets. "Sales trends and margins aren't as predictable as in the past, which puts more pressure on



SPENCER PLATT/GETTY IMAGES

Gymboree filed for bankruptcy in June. Some stores have hired consultants to wangle better rents.

getting occupancy costs more in line with a store's performance."

Landlords say they will make their own assessments by studying the tenant sales at the stores, their rent-to-sale ratios and how they compare with the retailers' national averages and the national average of the industry. Sometimes, the retailers might be the ones trying to bully the landlord to accept their terms, asking for as little as zero dol-

lars in gross rent.

"Some retailers we're working with, some a little less, and others, we'd politely say go ahead and order the moving truck," said Ami Ziff, director of national retail for **Time Equities Inc.**, a real-estate firm with a portfolio that includes malls and open-air shopping centers across the country.

Landlords of weaker shopping centers that don't attract alternative tenants are more likely to amend leases, while

owners of stronger malls say they can ignore such requests from retailers that aren't on the brink of bankruptcy or buy out the lease from a struggling tenant and replace it with a higher-paying tenant.

When a tenant is a highly leveraged retailer facing pressure from creditors to restructure or terminate leases outright, landlords can feel pressure to make a deal.

Last week, jeans maker True Religion Apparel Inc.

filed for bankruptcy protection, following in the footsteps of apparel retailers Rue21 Inc., Wet Seal LLC and Gymboree Corp. in recent months. True Religion said it plans to use bankruptcy laws to close or consolidate underperforming stores and renegotiate leases.

Sometimes landlords are at the mercy of tenants. Spirit Realty Capital, a real-estate investment trust that owns free-standing buildings that it leases to single tenants such as electronics stores, fast-food restaurants and convenience stores, said during its first-quarter earnings call that it suffered a perfect storm when some tenants stopped paying rents.

Appliance seller Hhgregg Inc., outdoor-gear retailer Gander Mountain Co. and home décor and apparel chain Gordmans Stores Inc. filed for bankruptcy protection in March, while a movie-theater operator and two casual-dining operators defaulted on recent payments.

In April alone, the REIT failed to collect \$4 million in rents.

Spirit Realty suffered a "black eye, bloody nose and broken limbs," said Green Street Advisors in a recent research note. Spirit Realty declined to comment.

U.K. Counties Race Into Real-Estate Investments

By ART PATNAUDE

In Britain, an unlikely group is piling into commercial real-estate investments: local governments.

The central U.K. government has cut back on funding for local entities known as councils since the 2008 financial crisis. To plug the gap, local officials have been hunting for yield in property.

In all, local councils have poured £1.8 billion (\$2.32 billion) into commercial real estate in the past 12 months, up from £406 million in the previous 12-month period, according to property data firm Real Capital Analytics.

The bet is that income from renting out offices and malls will help cover costs for libraries, social services and other expenses.

But the surging activity has sparked warnings that the risks being taken with public money are too great.

"The level of demand has

taken everybody by surprise," said a property broker who has worked on more than a dozen deals with councils.

"Concerns center on the perceived lack of expertise of councils in this specialized arena, which could lead to costly errors that have consequences for taxpayers," said Tom Leahy, director of market analysis at Real Capital.

U.K. councils, ranging in size from major counties to smaller districts, often are responsible for services such as education, transportation and housing.

They typically receive funding from a combination of central-government grants and local taxes.

Ultralow interest rates at central banks around the world have pushed down yields on asset classes like bonds. In response, institutional investors have turned to commercial real estate, in which yields tend to be higher.

For U.K. councils, the gov-

ernment spending cuts have only exacerbated the need for new ways to generate revenue. The decision to invest in property "is just a function of the search for yield," the broker said. "They can't get it in the bond market. They don't trust the stock market. Property is what makes sense."

In recent months, Surrey Heath Borough Council has bought two retail properties and one industrial property in Camberley, where it is based, according to Mr. Leahy.

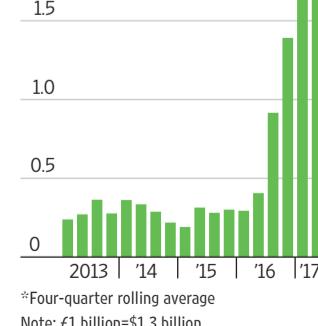
In May, Uttlesford District Council in Essex bought a 50% share in Chesterford Research Park, a biotechnology and pharmaceutical research facility, for £45 million.

"As funding from central government diminishes, Uttlesford, like other councils across the U.K., is seeking alternative routes through which to generate long-term income," the council said in May.

Late last year, Spelthorne

Pouring In

British local councils quarterly investment in commercial real estate*



*Four-quarter rolling average

Note: £1 billion=\$1.3 billion

Source: Real Capital Analytics

THE WALL STREET JOURNAL

Borough Council spent £360 million to buy an office campus of oil company BP PLC, the biggest deal in the past 12 months, according to Real Capital.

But the pace of buying is expected to accelerate as long as cheap debt is available, brokers and investors said.

will be withdrawn completely by 2018, forcing it to find innovative ways to fund services and create new revenue streams.

When bidding against other investors, these councils have an advantage: cheap debt.

The Public Works Loan Board, an arm of the U.K. Treasury, can lend to councils at interest rates derived from U.K. government bonds, which are at record lows.

But the investments being fueled by the cheap money require some expertise. Unlike bonds, real estate requires upkeep and maintenance of the assets, investors said.

To be sure, deal making from councils still makes up a small part of the total volume of U.K. commercial-property transactions, which was £44.4 billion in the past 12 months, according to Real Capital.

But the pace of buying is expected to accelerate as long as cheap debt is available, brokers and investors said.

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MANAGEMENT

CEOs Head to Web for Critiques

Glassdoor and other career sites give employees forums to offer anonymous appraisals of the boss

BY VANESSA FUHRMANS

Career websites such as Glassdoor have become regular reading for job seekers. Now chief executives are increasingly perusing their online reviews to find out what employees think of them—to evaluate policies and even to talk back.

More sites such as Indeed.com, Vault.com, Kudzu and Fairygodboss let people post anonymous appraisals of their employers. A poster can comment on everything from pay and benefits to workplace likes and dislikes. Glassdoor is one of the most extensive sources of online employee feedback, displaying reviews of more than 700,000 companies and whether reviewers approve or disapprove of their CEOs.

The public-yet-personal critiques are prompting more company bosses to track and respond to reviews. In the process, they have come to treat them as a necessary evil or a useful management tool, and a performance measure akin to using stock prices to gauge investor confidence.

In the past three years, Spencer Rascoff, CEO of real-estate website **Zillow Group** Inc., has responded to some 70 reviews on Glassdoor and has a 95% CEO approval score on the site. His company was co-founded by Rich Barton, who also helped start Glassdoor.

Like Mr. Rascoff, some of the most active CEOs on Glassdoor enjoy high ratings.

"Getting caught up on recent @Glassdoor employee reviews of @zillow," he tweeted last fall, adding: "Reviews were almost all good lately. But a few things we need to work on."

Some CEOs use responses simply to show they are listening. When, for instance, a



Zillow CEO Spencer Rascoff. He says he looks at Glassdoor ratings of acquisition candidates.

Rascoff and leaders at other companies say they also look at Glassdoor ratings of acquisition candidates. A leaked Salesforce presentation of potential targets last year included each company's overall and CEO rating on Glassdoor.

"We have walked away from dozens of acquisitions that looked good on paper and made strategic sense" because of poor reviews, says Mr. Rascoff.

Some companies have been accused of being too involved in their Glassdoor feedback. After a string of scathing reviews for underwear startup **Thinx** LLC and its then-CEO and founder Miki Agrawal last winter, an anonymous employee alleged in a Glassdoor post that Ms. Agrawal ordered some employees to write positive reviews. Ms. Agrawal, who has since stepped down as Thinx CEO, denies she requested flattering feedback.

Glassdoor declined to comment on the Thinx allegations. But it says all company reviews undergo checks before appearing online to guard against abuse and to verify they are, indeed, from a current or former employee. A handful of times, the website has received emails from workers saying their employers coerced or incentivized them to write positive reviews, says Glassdoor spokesman Scott Dobroski. If an investigation finds that is the case, he says, the review is removed.

Employers can't alter or remove bad reviews, though Glassdoor says it will disallow or remove reviews if they reveal confidential business information or otherwise violate its guidelines.

Mr. Chait says Greenhouse invites employees to write reviews, while making clear it is optional. Occasionally the critiques have led to changes, such as when reviewers complained a take-home test Greenhouse gave job seekers was too arduous. This year, he says, the firm tweaked how it presented the test, stressing that candidates shouldn't spend more than a few hours on it.

"I need that negative feedback," Mr. Chait says of some reviews. "As a CEO, my life is full of people saying nice things to me."

WORKAROUNDS

How Gender Affects Funding For Women

Women entrepreneurs receive a tiny fraction of venture-capital funds, and new research points to a reason why: the questions investors ask female founders.

A team of management and psychology researchers examined how venture investors interacted with entrepreneurs at TechCrunch's New York startup competition over seven years and found that VC funds typically asked male founders questions about how their companies will succeed, while posing questions to women founders about how they would avoid failure.

While women have founded nearly 40% of all privately held companies in the U.S., they have fetched just 3% of all venture capital, according to venture-capital tracker PitchBook Data Inc.

As a recent string of scandals call attention to the tech sector's treatment of women, ranging from pay disparities to charges of sexual misconduct, the researchers plan to present their examination into why women-led startups receive such a paucity of VC funding at the annual meeting of the Academy of Management next month.

Led by Columbia Business School doctoral candidate Dana Kanze, the team looked at video recordings of question-and-answer sessions between venture investors and 189 startups during the annual TechCrunch Disrupt New York event from 2010 to 2016. They examined the questioners' language, finding that two-thirds of the questions asked of male entrepreneurs focused on the company's potential for success.

The 23 female founders had the opposite experience. Two-thirds of their questions sought answers about preventing failure.

The analysis suggests female investors were as likely as their male counterparts to ask the woman-led teams prevention-focused questions, contradicting the attitude among some firms that hiring more female VCs alone improves the odds that female founders get funded.

The questioning patterns appeared to be linked to how much money the startups fetched. Entrepreneurs who were asked promotion-focused questions were more likely to win one of the top prizes in the competition. Male-led teams raised an average of \$17.1 million each, more than five times the \$3.3 million earned by the female-led companies.

—Kelsey Gee

First Responders

Chief executives with the most responses to Glassdoor reviews in the past three years.

CEO	Company	Number of reviews	Number of CEO responses
Spencer Rascoff	Zillow	344	70
Dan Caruso	Zayo Group	205	37
Manas Fuloria	Nagarro	328	24
Neil de Crescenzo	Change Healthcare	256	23
Michael Hansen	Cengage Learning	559	22

Note: Companies with 1,000 or more employees and more than 200 reviews between June 2014 and June 2017.

Source: Glassdoor

THE WALL STREET JOURNAL.

than go out. How evil of us," wrote **Overstock.com** Inc.'s CEO, Patrick Byrne, in response to a reviewer this spring who complained that the online retailer's cafeteria

encouraged people not to leave work.

Meghan Tuohig, vice president of people care at Overstock, says Mr. Byrne—who has a 58% approval rating on Glassdoor—is one of a number of people at the company who receives an alert when someone posts a Glassdoor review about working there. The company responds to both positive and negative reviews, particularly when they are about specifics that "we can straighten out or investigate further," she says.

Increasingly, outsiders are listening too. Zillow's Mr.

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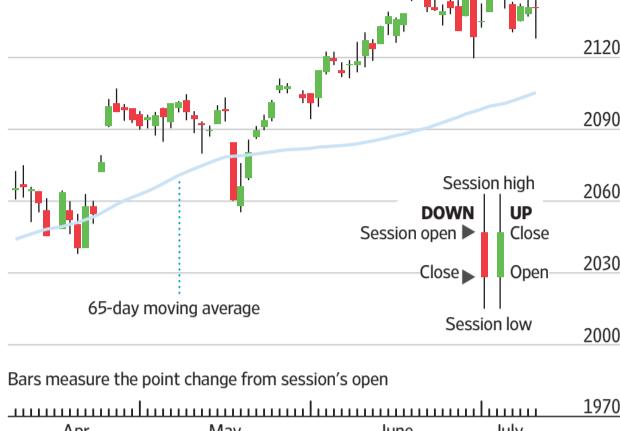
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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

21409.07 ▲ 0.55, or 0.003%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Apr. May June July 19700

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2425.53 ▼ 1.90, or 0.08%
High, low, open and close for each trading day of the past three months.



Apr. May June July 2270

Nasdaq Composite Index

6193.30 ▲ 16.91, or 0.27%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	
Industrial Average	21441.62	21279.30	21409.07	0.55	0.003	21528.99	17888.28	16.7	8.3	8.1
Transportation Avg	9673.76	9555.97	9599.43	-74.37	-0.77	9694.94	7648.44	21.8	6.1	5.2
Utility Average	702.74	697.88	701.24	-0.19	-0.03	737.51	625.44	-0.7	6.3	7.8
Total Stock Market	25170.06	24996.39	25133.95	-4.52	-0.02	25399.65	21514.15	13.1	8.0	6.9
Barron's 400	647.26	642.20	646.66	0.89	0.14	650.48	521.59	19.4	7.5	6.7

Nasdaq Stock Market

Nasdaq Composite	6200.58	6149.87	6193.30	16.91	0.27	6321.76	5005.73	23.3	15.1	11.9
Nasdaq 100	5717.91	5667.27	5709.80	15.65	0.27	5885.30	4565.77	24.7	17.4	13.5

Standard & Poor's

500 Index	2429.30	2412.79	2425.53	-1.90	-0.08	2453.46	2085.18	12.7	8.3	7.2
MidCap 400	1747.46	1733.56	1745.35	2.28	0.13	1769.34	1476.68	13.1	5.1	7.3
SmallCap 600	851.82	844.11	851.35	2.01	0.24	866.07	703.64	15.0	1.6	8.5
Other Indexes										
Russell 2000	1413.47	1402.63	1413.05	4.58	0.33	1426.68	1156.89	17.2	4.1	6.8
NYSE Composite	11759.17	11684.75	11744.78	-7.01	-0.06	11835.72	10289.35	9.5	6.2	2.4
Value Line	520.68	517.03	520.24	0.67	0.13	529.13	455.65	9.0	2.8	1.5
NYSE Arca Biotech	3877.11	3840.21	3866.65	27.31	0.71	4016.86	2834.14	21.2	25.7	11.4
NYSE Arca Pharma	530.10	526.59	528.68	-1.76	-0.33	554.66	463.78	-2.5	9.8	0.4
KBW Bank	97.14	96.23	96.44	-0.59	-0.61	99.33	66.12	45.7	5.1	10.8
PHLX® Gold/Silver	80.49	78.59	80.43	0.50	0.63	112.86	73.03	-23.6	2.0	-8.2
PHLX® Oil Service	131.00	127.24	130.02	1.27	0.98	192.66	126.75	-25.1	-29.3	-24.4
PHLX® Semiconductor	1076.06	1063.50	1075.42	8.32	0.78	1138.25	718.36	49.7	18.6	-18.6
CBOE Volatility	12.14	10.68	10.89	-0.22	-1.98	22.51	9.75	-19.6	-22.4	-3.4

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Vanguard FTSE Emerg Mkt	VWO	7,233.7	41.00	-0.19	-0.47	41.23	40.97
Knight Transportation	KNX	6,781.6	35.50	...	unch.	35.53	35.45
Altaba	AABA	5,685.5	55.25	...	unch.	55.34	55.03
Intel	INTC	5,254.6	33.92	...	unch.	33.94	33.53
PwrShrs QQQ Tr Series 1	QQQ	5,165.3	139.22	0.17	0.12	139.26	138.72
iShares Curr Hdgd MSCI EM	HEEM	4,301.5	24.32	0.01	0.04	24.32	24.31
SPDR S&P 500	SPY	4,152.4	242.37	0.18	0.07	242.38	241.94
Bank of America	BAC	2,550.9	24.64	0.04	0.16	24.65	24.58

Percentage gainers...

Cohu	COHU	6.1	18.13	1.42	8.50	18.60	16.71
1-800-FLOWERS.COM CIA	FLWS	52.2	9.95	0.55	5.85	9.95	7.65
Smart Sand	SND	13.5	7.35	0.35	5.00	7.38	7.00
Velocity 3x Lg Crude ETN	UWT	229.8	12.72	0.56	4.61	12.72	12.12
Tahoe Resources	TAHO	625.0	5.49	0.23	4.37	5.50	5.26

...And losers

Ocular Therapeutix	OCUL	518.3	5.04	-2.56	-33.68	7.60	4.95
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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Open	High	hi lo	Low					
Copper-High (CMX)-25,000 lbs.; \$ per lb.	2,6380	2,6680	2,6350	2,6645	0,0250	3,417		
Sept	2,6510	2,6770	2,6420	2,6720	0,0245	135,204		
Gold (CMX)-100 troy oz.; \$ per troy oz.	1208.70	1214.90	1208.70	1213.60	1.50	79		
July	1213.80	1217.10	1207.40	1214.70	1.50	272,947		
Aug	1216.00	1220.30	1211.00	1218.30	1.50	20,033		
Dec	1220.70	1224.20	1214.60	1221.90	1.50	144,090		
Feb'18	1223.50	1227.30	1219.50	1225.50	1.60	12,787		
June	1223.80	1232.80	1226.80	1232.60	1.60	8,367		
Palladium (NYM)-50 troy oz.; \$ per troy oz.	837.90	837.90	837.90	857.95	8.60	7		
Aug	848.70	856.40	847.00	852.30	9.50	4		
Sept	839.00	851.45	832.25	846.85	9.50	29,763		
Dec	837.85	847.55	830.30	842.90	9.15	3,054		
Platinum (NYM)-50 troy oz.; \$ per troy oz.	900.30	901.10	890.30	896.00	-3.30	42		
Oct	902.40	904.10	891.40	898.70	-3.20	69,255		
Silver (CMX)-5,000 troy oz.; \$ per troy oz.	15.75	15.760	15.400	15.697	0.120	405		
July	15.640	15.830	15.425	15.745	0.116	157,626		
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.	44.58	45.81	43.83	45.04	0.64	379,928		
Sept	44.76	45.98	44.03	45.23	0.61	403,254		
Oct	44.91	46.14	44.23	45.40	0.61	132,574		
Dec	45.49	46.62	44.76	45.92	0.60	321,244		
June'18	46.69	47.70	46.10	47.13	0.51	117,422		
Dec	47.73	48.63	47.09	48.07	0.45	167,111		
NY Harbor Used LD (NYM)-42,000 gal.; \$ per gal.	1,4550	1,4907	1,4358	1,4763	0.027	100,273		
Sept	1,4600	1,4954	1,4420	1,4805	0.0212	82,848		
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.	1,5040	1,5330	1,4786	1,5183	0.0176	109,549		
Sept	1,4867	1,5133	1,4637	1,4991	0.0152	85,509		
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.	2,925	3,053	2,921	3,047	0.118	249,320		
Sept	2,919	3,043	2,917	3,038	0.114	193,109		
Oct	2,949	3,071	2,949	3,066	0.111	188,115		
Jan'18	3,267	3,370	3,265	3,367	0.098	110,443		

Cash 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.

Tuesday	Tuesday	Tuesday
Energy		
Propane,tet,Mont Belvieu-g	0.6125	
Butane,normal,Mont Belvieu-g	0.7463	
Natural Gas,HenryHub-i	2.990	
Natural Gas,TranscoZone3-i	2.960	
Natural Gas,TranscoZone6NY-i	3.070	
Natural Gas,PanhandleEast-i	2.590	
Natural Gas,Opal-i	2.660	
Natural Gas,MarcusNE PA-i	2.210	
Natural Gas,HaynesvilleLA-i	2.880	
Coal,CA,PLC,1,250,000Btu,1,2502-rw	52.750	
Coal,PwdrRvrBsn,880,000Btu,0.8502-rw	11.650	
Metals		
Gold, per troy oz		
Engelhard industrial	1214.71	
Engelhard fabricated	1305.81	
Handy & Harman base	1211.05	
Handy & Harman fabricated	1344.27	
*1207.55		
LBMA Gold Price AM		
LBMA Gold Price PM	*1211.90	
Kruegerand,wholesale-e	1264.43	
Maple Leaf-e	1276.59	
American Eagle-e	1276.59	
Mexican peso-e	1473.89	
Austria crown-e	1194.73	
Austria phil-e	1276.59	
Silver, troy oz.		
Engelhard industrial	15,6700	
Engelhard fabricated	18,8040	
Handy & Harman base	15,7050	
Handy & Harman fabricated	19,6310	
LBMA spot price	£12,0186	
(U.S.\$ equivalent)	15,5100	
Metals		
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Austria phil-e		

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISSE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

NYSE

		Tuesday, July 11, 2017	Net	Stock	Sym	Close	Chg	Stock	Sym	Close	Net	Stock	Sym	Close	Chg
ABB	ABB	24.86 -0.11	Bristol-Myers	BMY	55.33 -0.60	EdisonInt'l	EIX	76.55	0.11						
AES	AES	10.93 -0.01	BrixmorProp	BRX	17.77 -0.04	EdwardsLife	EWV	117.59	0.06						
Aflac	AFL	77.44 -0.01	BroadridgeFinl	BFI	74.52 -0.25	EmersonElectric	EMR	59.82	-0.02						
AGCO	AGCO	70.41 -1.11	BrownfieldInfr	BIP	40.10 -0.18	Enbridge	ENB	39.47	-0.31						
AT&T	T	36.30 -0.23	Brown-Forman	BFA	48.44 -0.11	Encana	ECA	8.87	0.11						
AXiS Capital	AXS	62.67 -0.45	Brown-Forman B	BFB	47.36 -0.01	EnelAmérica	ENIA	9.88	-0.08						
AbbottLabs	ABT	48.15 -0.08	Brunswick	BC	62.04 -0.14	EnelChile	EOCC	23.41 -0.09							
AbbVie	ABBV	71.84 -0.01	BuckeyePtrs	BPL	63.67 -0.07	EnergyTrqEquity	ETE	17.91	0.06						
Accenture	ACN	123.85 -0.21	Bunge	BG	51.75 -0.96	EnergyTransfer	ETP	20.03	-0.02						
AcuityBrands	AYI	199.41 -0.98	BroadridgeFinl	BFI	74.52 -0.25	Enbridge	ENB	39.47	-0.31						
Adient	ADNT	68.92 -0.73	BrownfieldInfr	BIP	40.10 -0.18	Encana	ECA	8.87	0.11						
AdvanceAuto	AAP	100.25 -0.92	Brown-Forman	BFA	48.44 -0.11	EnelAmérica	ENIA	9.88	-0.08						
AdvSimEngg AS	AS	6.42 -0.07	Brown-Forman B	BFB	47.36 -0.01	EnelChile	EOCC	23.41 -0.09							
Aegon	AEG	5.51 -0.04	Brunswick	BC	62.04 -0.14	EnergyTrqEquity	ETE	17.91	0.06						
AerCap	AER	47.12 -0.37	BuckeyePtrs	BPL	63.67 -0.07	EnergyTransfer	ETP	20.03	-0.02						
Aetna	AET	154.04 -0.50	Bunge	BG	51.75 -0.96	Enbridge	ENB	39.47	-0.31						
AffiliatedMtrs AMG	AMG	171.75 -1.06	BroadridgeFinl	BFI	74.52 -0.25	Encana	ECA	8.87	0.11						
AigentTechs	AM	58.90 -0.06	BrownfieldInfr	BIP	40.10 -0.18	EnelAmérica	ENIA	9.88	-0.08						
AigonicEagle	AEM	45.81 -0.32	Brown-Forman	BFA	48.44 -0.11	EnelChile	EOCC	23.41 -0.09							
Aigruim	AGU	95.79 -0.11	Brown-Forman B	BFB	47.36 -0.01	EnergyTrqEquity	ETE	17.91	0.06						
AirProducts	APD	142.27 -0.73	Brunswick	BC	62.04 -0.14	EnergyTransfer	ETP	20.03	-0.02						
AlaskaAir	ALK	91.57 -1.37	BuckeyePtrs	BPL	63.67 -0.07	Enbridge	ENB	39.47	-0.31						
Albermarle	ALB	112.95 -1.61	Bunge	BG	51.75 -0.96	Encana	ECA	8.87	0.11						
Alcos	AC	35.00 -0.86	BroadridgeFinl	BFI	74.52 -0.25	EnelAmérica	ENIA	9.88	-0.08						
AlexandriaRealEst ARE	ARE	117.85 -0.64	BrownfieldInfr	BIP	40.10 -0.18	EnelChile	EOCC	23.41 -0.09							
Alibaba	BABA	145.81 -2.00	Brown-Forman	BFA	48.44 -0.11	EnergyTrqEquity	ETE	17.91	0.06						
Allegany	AY	59.65 -1.45	Brown-Forman B	BFB	47.36 -0.01	EnelAmérica	ENIA	9.88	-0.08						
Allegheny	ALLE	81.47 -0.06	Brunswick	BC	62.04 -0.14	EnergyTrqEquity	ETE	17.91	0.06						
Allergan	AGN	124.21 -0.95	BuckeyePtrs	BPL	63.67 -0.07	Enbridge	ENB	39.47	-0.31						
AllianceData	ADP	253.92 -3.28	Bunge	BG	51.75 -0.96	Encana	ECA	8.87	0.11						
AllianceBernstein AB	AB	24.00 -0.05	BroadridgeFinl	BFI	74.52 -0.25	EnelAmérica	ENIA	9.88	-0.08						
AllianzEnergy LNT	LNT	59.93 -0.09	BrownfieldInfr	BIP	40.10 -0.18	EnergyTrqEquity	ETE	17.91	0.06						
AllisonTransm ALSN	ALSN	36.85 -0.21	Brown-Forman	BFA	48.44 -0.11	EnelChile	EOCC	23.41 -0.09							
Allstate	ALL	87.94 -0.91	Brown-Forman B	BFB	47.36 -0.01	EnergyTrqEquity	ETE	17.91	0.06						
AllyFinancial ALLY	ALLY	20.20 -0.10	Brunswick	BC	62.04 -0.14	EnelAmérica	ENIA	9.88	-0.08						
AlticeUSA ATUS	ATUS	31.75 -0.52	BuckeyePtrs	BPL	63.67 -0.07	EnergyTrqEquity	ETE	17.91	0.06						
Altira MU	MU	73.43 -0.26	Bunge	BG	51.75 -0.96	EnelAmérica	ENIA	9.88	-0.08						
AlumofChina ACH	ACH	13.15 -0.25	BroadridgeFinl	BFI	74.52 -0.25	EnergyTrqEquity	ETE	17.91	0.06						
Ambev ABEV	ABEV	5.64 -0.05	BrownfieldInfr	BIP	40.10 -0.18	EnelAmérica	ENIA	9.88	-0.08						
AmericaMvnl AMV	AMV	16.70 -0.18	Brown-Forman	BFA	48.44 -0.11	EnergyTrqEquity	ETE	17.91	0.06						
AmericaMovil AMOV	AMOV	16.54 -0.19	Brunswick	BC	62.04 -0.14	EnelAmérica	ENIA	9.88	-0.08						
AmCampus ACC	ACC	46.16 -0.13	BuckeyePtrs	BPL	63.67 -0.07	EnergyTrqEquity	ETE	17.91	0.06						
AEP AEP	AEP	68.88 -0.05	Bunge	BG	51.75 -0.96	EnelAmérica	ENIA	9.88	-0.08						
AmericanExpress AXA	AXA	84.16 -0.14	BroadridgeFinl	BFI	74.52 -0.25	EnergyTrqEquity	ETE	17.91	0.06						
AmericanFin KF	KF	99.52 -0.85	BrownfieldInfr	BIP	40.10 -0.18	EnelAmérica	ENIA	9.88	-0.08						
AmericaHomesReatl AMH	AMH	22.60 -0.18	Brown-Forman	BFA	48.44 -0.11	EnergyTrqEquity	ETE	17.91	0.06						
Aigent AIG	AIG	62.16 -0.16	Brunswick	BC	62.04 -0.14	EnelAmérica	ENIA	9.88	-0.08						
AmerTowerReit AMT	AMT	130.93 -0.28	BuckeyePtrs	BPL	63.67 -0.07	EnergyTrqEquity	ETE	17.91	0.06						
AmerWaterWorks AWK	AWK	77.75 -0.12	Bunge	BG	51.75 -0.96	EnelAmérica	ENIA	9.88	-0.08						
AmericaMovil AMOV	AMOV	12.26 -0.05	BroadridgeFinl	BFI	74.52 -0.25	EnergyTrqEquity	ETE	17.91	0.06						
AmericaMovil AMOV	AMOV	12.26 -0.05	BrownfieldInfr	BIP	40.10 -0.18	EnelAmérica	ENIA	9.88	-0.08						
AmericaMovil AMOV	AMOV	12.26 -0.05	Brown-Forman	BFA	48.44 -0.11	EnergyTrqEquity	ETE	17.91	0.06						
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AmericaMovil AMOV	AMOV	12.26 -0.05	Bunge	BG	51.75 -0.96	EnelAmérica	ENIA	9.88	-0.08						
AmericaMovil AMOV	AMOV	12.26 -0.05	BroadridgeFinl	BFI	74.5										

BANKING & FINANCE

Temasek Turns Into a Seller

By JAKE MAXWELL WATTS
AND GAURAV RAGHUVANSHI

SINGAPORE—Singapore state investment firm **Temasek Holdings** Pte. Ltd. said it sold more assets than it bought for the first time in nine years as it shifted its focus toward private equity and moved away from public markets where valuations are high.

The company, which had a portfolio value of almost \$200 billion at the end of the latest financial year, owns large stakes in global firms including **Standard Chartered** PLC and **China Construction Bank** Corp. In the financial year ended March 31, Temasek invested 16 billion Singapore dollars (US\$11.6 billion) and divested itself of S\$18 billion, as it rebalanced its portfolio away from traditional sectors such as banking and telecommunications.

Temasek said it remains cautious on global economic uncertainties and is focusing on new long-term opportunities, including technology-related industries, life sciences, agribusinesses, nonbank finan-

cial services and energy.

The company said it stepped up investments in private equity over public markets in the last financial year, as it deemed the latter to be highly priced. Temasek's president, Chia Song Hwee, said the company didn't set out last financial year intending to di-

President Chia Song Hwee says 'generally speaking, the market pricing is a bit too high.'

vest more than it invested, but that "generally speaking the market pricing is a bit too high."

Temasek reported a 13% return to shareholders for the latest financial year, supported by a stronger global economy. It said its total portfolio value rose 14% to S\$275 billion in the 12-month period ended March 31.

Net profit rose to S\$14.2 billion from S\$8.4 billion a

year earlier. Last July, Temasek reported its first drop in portfolio value since the global financial crisis, largely due to weakness in shares of public companies it had stakes in.

Temasek is among several large institutional investors, both state-run and private, that have warned recently of high valuations in public markets at the same time that there are unresolved uncertainties in the global political economy. This week, Singapore sovereign-wealth fund **GIC** Pte. Ltd. said it had built a more cautious investment profile and warned of "complacency" in the investment industry due to low volatility in public markets.

Many global institutional investors have performed well in the 12-month period ended March 31 despite a series of high-risk political events such as Britain's vote to leave the European Union and a surprising election result in the U.S.

Temasek stuck a more positive tone than GIC, however. The company's executives said Tuesday they are encouraged

by an improvement in business sentiment and investment, a trend that, if it continues, could help support markets at a time central banks around the world are beginning to normalize interest rates.

Temasek's investments in the past year include U.S. electronic commerce firm **Amazon.com** Inc., Chinese online travel reservations platform **Ctrip.com** and US\$800 million in a life-sciences company, **Verily Life Sciences**, which was spun off from **Alphabet** Inc.'s Google.

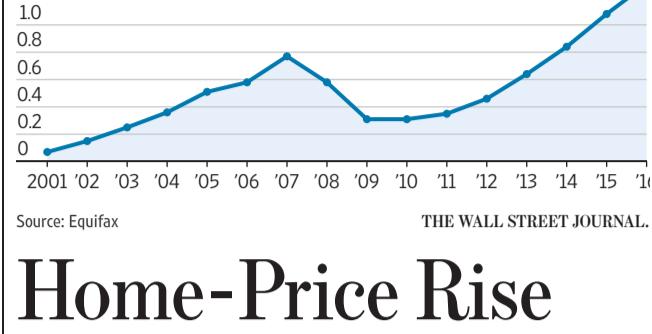
Among deals in its home country, which accounts for 29% of Temasek's underlying assets, the company invested an additional S\$1.6 billion in **Singapore Telecommunications** Inc. and bought out public transport operator **SMRT Corp.** for S\$1.2 billion.

The state investment firm's major divestments completed in the last financial year include Indian telecommunications firm **Bharti Airtel** and Singapore shipping operator **Neptune Orient Lines**. It also shed part of its stake in Thai telecom **Intouch Holdings**.

Ten Years Later

Home equity lines of credit issued during the housing boom are resetting, boosting monthly payments. But a feared wave of defaults hasn't materialized.

U.S. Helocs that are still active, by year of issuance



Source: Equifax

THE WALL STREET JOURNAL.

Home-Price Rise Eases Bank Pain on Equity Credit Lines

By CHRISTINA REXRODE

Rising home prices have turned the great home-equity-line reset into a small setback rather than a disaster for the banking industry.

Banks let home-equity lines of credit, or Helocs, flow freely in the run-up to the financial crisis, often to borrowers with bad credit or living in overvalued homes. Typically, the borrowers were allowed to pay back only the interest for 10 years.

In recent years, banks worried that those borrowers wouldn't be able to keep up when the lines reset, which can raise monthly payments by hundreds of dollars.

Now, more than halfway through the problem resets, banks are more optimistic. Borrowers with Helocs taken out in early 2007 are falling behind at lower rates than the Helocs that reset over the past three years, according to data provided to The Wall Street Journal by credit-reporting firm Equifax.

About 3.8% of borrowers who signed up for Helocs in early 2007 were a month or more late on their payments four months after the lines reset, according to Equifax. That delinquency rate had been above 4% for each of the past three years, moving as high as 4.43% for loans made in 2004.

What's changed: The economy and jobs picture have improved, and the housing market has recovered enough in recent years to give borrowers more flexibility.

Specifically, it has become less common for mortgage borrowers to owe more than their house is worth, a condition known as being "underwater" that makes it harder for Heloc borrowers to handle a reset.

In the first quarter, 9.7% of U.S. properties with a mortgage were seriously underwater, according to research firm Attom Data Solutions. In early 2014, that proportion was

17.5%. The firm defines seriously underwater as loans where the borrower owes at least 25% more than what the home is worth.

Also, big lenders including J.P. Morgan Chase & Co. and Wells Fargo & Co. say they have reached out to customers whose Helocs were about to reset, offering options the borrowers can afford. That can include taking out another loan to pay off the Heloc before it resets or applying for a new Heloc to keep the interest-only payments, both of which can allow a bank to mark a Heloc as "positively" closed.

Equifax estimates that nearly 16% of the 2007 Helocs had been positively closed in recent months by the time they were about to reset. Four months after the reset, more than 24% had been positively closed.

"It's really just sitting down with customers and assessing their needs and offering them good options," said Pete Boomer, head of mortgage production at PNC Financial Services Group Inc., which set up a task force for customers with resetting Helocs.

The overall economy has helped, too. Since problem Helocs began resetting around early 2014, housing prices have risen, making it easier for banks to refinance customers into new loans. U.S. home prices, after dropping throughout the 2008 crisis and its aftermath, have risen nearly 35% since the start of 2014. The median sales price of an existing home was \$252,800 in May 2017, according to the National Association of Realtors, up from \$187,900 in January 2014.

Unemployment has also fallen, making banks more comfortable with extending credit. "At the end of the day, lenders do want to have Helocs on their books," said Guy Cecala, publisher of the trade publication Inside Mortgage Finance. "They like the income on them—they just want to make sure they're all in order."



The company said it is considering options for its lending arm which provides loans to consumers to finance e-commerce purchases.

PayPal Taps Britto for Lending Unit

By PETER RUDEGEAR

PayPal Holdings Inc. said it has hired Mark Britto, a financial-technology entrepreneur and a former executive at Amazon.com Inc., to lead its lending business.

Mr. Britto, 53 years old, joins PayPal from **Boku** Inc., a company he founded that lets consumers buy goods and services using their mobile phones and pay for them alongside their usual bills from their telecommunications providers. He succeeds Steve Allocca, who left PayPal in May to become president of online

lender **LendingClub** Corp.

PayPal in recent months has been considering options for its lending arm, which provides loans to consumers to finance purchases on e-commerce websites and to small businesses that accept PayPal. The unit has bolstered PayPal's bottom line in recent years: The consumer-credit portion accounts for about 13% of PayPal's annual operating profit, or roughly \$280 million, according to J.P. Morgan Chase & Co. analysts.

The company currently uses cash to fund the \$5.1 billion of consumer loans and around \$600 million of small-business

loans it has on its balance sheet. Executives are looking at alternatives that would free that cash up for other uses. Keeping loans on its balance sheet also exposes PayPal to the risk of consumer defaults, which have been rising at some credit-card companies and online lenders.

"We will continue to be in the credit business for all of the great benefits that it provides our merchants and consumers, but maybe we can do that in a less capital-intensive way," said John Rainey, PayPal's finance chief, at an industry conference in May.

The J.P. Morgan analysts es-

timate that a sale of PayPal's consumer-loan portfolio would generate a \$150 million gain and would reduce the company's earnings volatility.

Mr. Britto has experience with an earlier incarnation of PayPal's lending business. Earlier in his career, he was an investor and board member at Bill Me Later Inc., which was purchased by eBay Inc. in 2008 when PayPal was a unit of the auction site. He also was Amazon's senior vice president of world-wide services and sales for four years after the company bought a startup he founded, Accept.com, in 1999.

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Chinese Investment Bank Buys Stake in ETF Provider Krane

By CAROLYN CUI

The latest entrant in the U.S. exchange-traded fund market is a Chinese investment bank.

Beijing-based **China International Capital Corp.**, one of the country's largest investment banks, agreed to acquire a 50.1% stake in **Krane Funds Advisors LLC**, a New York-based ETF provider, marking its first foray into the fast-growing ETF segment, the companies said Tuesday.

Krane Funds, also known as KraneShares, is a relatively small but growing ETF pro-

vider that concentrates on China. It runs five ETFs, focusing on China's technology sector and onshore Chinese shares, with a total \$760 million of assets under management, the company says.

The KraneShares investment "is the first small step toward" CICC's broader efforts to expand its asset-management platform globally, said Elaine La Roche, chief executive officer at CICC US Securities Inc. With a footprint in the market, it will help CICC develop more ETF products in China, Ms. La Roche said.

The deal is the latest in a

string of moves by traditional financial-service companies to acquire ETF providers in niche areas as a way to expand into the ETF world. In 2014, New York Life Investment Management acquired IndexIQ, an ETF provider focused on real-estate strategies. OppenheimerFunds in late 2015 bought the parent company of RevenueShares.

In addition to the assets under management, "what the firms get is the ETF expertise, and from the regulatory perspective the ability to launch products in a faster manner," said Todd Rosenbluth, director

of ETF and mutual-fund research at research firm CFRA.

KraneShares is among the largest beneficiaries from the inclusion of China's onshore shares by MSCI Inc. into its emerging-markets index, as well as a broad-based rally of technology stocks.

The firm's assets have tripled since the start of the year, including an inflow of around \$400 million.

Its CSI China Internet ETF, a product focusing on China's booming internet companies, has recently grown to \$540 million, as shares of Alibaba Group Holding Ltd. and

JD.com Inc. soared this year. The KraneShares Bosera MSCI China A ETF has gained \$168 million so far this year to a total of \$207 million, as investors piled in ahead of MSCI's decision in late June to add China's yuan-denominated shares to its widely followed emerging-markets index.

The two ETFs raked in the most assets among all U.S.-listed China-focused equity ETFs so far this year, according to the company.

Global investors have been piling into China-focused ETFs in recent weeks, betting that the MSCI decision could boost

share prices as fund managers that track the indexes add China to their emerging-market portfolios.

Last week, net flows for a total 73 ETFs investing in Chinese stocks turned positive to \$1.9 million for the first time this year, reversing a long period of outflows, according to TrackInsight, an ETF data provider.

But ETFs can also be at the mercy of investor whims, especially niche-oriented products, Mr. Rosenbluth said. "If investment sentiment on China weakens, some of this money will not stay," he said.

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG: Daily percentage change from the previous trading session.

Tuesday, July 11, 2017											
Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg	Stock	Sym	52-Wk % Hi/Lo Chg
WestlakeChem	WLK	68.68 -0.1	NationalGrid	NGG	60.08 -0.6	GuggChinaAllCap	YAO	30.37 2.4	AeroCentury	ACY	15.70 9.7
WestRock	WRK	56.66 -0.7	NRG	NGVC	26.23 0.5	QIMergerArbitrage	MNA	30.84 -0.1	Ferroglobe	GSM	12.54 0.3
XL Group	XL	45.22 -0.3	NewYorkREIT	NYRT	8.51 -0.4	QIMergerArbitrage	IT	16.79 0.5	VantageEnerCorp	VEACU	10.18 -0.4
DHL	DHL	92.46 0.9	NVR	NVR	24.99 -0.5	QIMergerArbitrage	FKA	53.64 0.4	VaronisSystems	VRNS	38.80 3.3
EtnVtCAdvOpp	ETO	16.75 1.1	NewRelic	NEWR	45.65 2.9	QIMergerArbitrage	ITB	17.09 0.5	KonaGrill	KONA	2.70 11.5
Enovate	ENVA	7.59 1.0	PIMC</td								

MARKETS

Energy Supports Stock Indexes

BY RIVA GOLD
AND AKANE OTANI

The Dow Jones Industrial Average eked out a slight gain after a brief bout of selling sent it down more than 100 points.

U.S. stocks dropped after Donald Trump

EQUITIES Jr. released June 2016 emails about meeting

with a Russian lawyer to discuss allegedly incriminating information about Hillary Clinton, traders said. But by the afternoon, stocks had bounced back from their lows.

Energy-company shares rose with oil prices, giving some support to major stock indexes.

The Dow industrials added 0.55 point, or less than 0.1%, to 21409.07, after losing roughly 129 points earlier in the session. The S&P 500 fell 1.90 points, or less than 0.1%, to 2425.53 and the Nasdaq Composite rose 16.91 points, or 0.3%, to 6193.30.

Energy stocks in the S&P 500 rose 0.5%, leading gains, while U.S. crude for August delivery added 1.4% to \$45.04 a barrel.

Separately, S&P Dow Jones Indices and rival index provider MSCI Inc. announced they are consulting the investment community about the possibility of creating a communication-services sector—a grouping of stocks that would include the current telecommunication-services sector, as well as media-industry stocks and select software and services stocks.

Early Wednesday, Japan's Nikkei 225 was down 0.3% and Australia's S&P ASX 200 was off 0.8% as the yen and Australian dollar rose, putting pressure on stocks of those countries' big exporters. Hong Kong's Hang Seng Index was up 0.9%.

Snapchat's Parent Is Fading Out

Stock declines anew as a lead underwriter for the IPO trims its target price for shares

By CORRIE DRIEBUSCH

Snap Inc.'s rough week continued Tuesday, as a bank that led its initial public offering cut its price target for the Snapchat parent's stock.

Snap's shares dropped 8.9% to close at \$15.47 **IPOS** Tuesday. A day before, shares fell below their IPO price of \$17 for the first time.

The waning confidence in Snap coincides with a stumble by another recent IPO. In late June, meal-delivery startup **Blue Apron Holdings** Inc. struggled to find buyers in its stock offering, priced shares below its initial expectations and has remained under its IPO price since its second day of trading.

Though it isn't unusual for a newly listed company's stock to fall below its IPO price, it isn't a great sign for two high-profile IPOs to be struggling, many traders say.

Snap's decline Tuesday came as analysts at **Morgan Stanley**, one of the lead underwriters on Snap's IPO, downgraded the company to "equal weight" from "overweight" and cut their price target from \$28 a share to \$16.

Morgan Stanley joins other banks that have tempered their enthusiasm for Snap. In March, the average analyst target price was more than \$23 a share, according to research firm FactSet. As of Tuesday, that average target price slipped to a little more than \$20.

More volatility could hit Snap shares when restrictions on stock sales by certain insiders and early investors are lifted. In late July, more than 600 million shares will be freed up for sale, according to data provider Dealogic.

Meanwhile, Blue Apron's stock dropped 12% to \$7.14 Tuesday, falling further from its \$10 IPO price. The broader



The shares declined 8.9% on Tuesday to \$15.47. Morgan Stanley analysts cut their price target from \$28 a share to \$16.

messaging app in its first quarterly earnings report as a publicly traded company. The company also reported its revenue in the quarter nearly quadrupled from a year earlier but failed to exceed Snap's fourth-quarter total.

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Meanwhile, Blue Apron's stock dropped 12% to \$7.14 Tuesday, falling further from its \$10 IPO price. The broader

U.S. stock market was mixed Tuesday, with the S&P 500 falling less than 0.1%. The tech sector rose 0.4%.

As of Monday, 46% of U.S.-listed companies that went public in 2017 have closed below their IPO prices at some point. More than one-third were still below as of then, according to Dealogic.

Another sign investors may be betting against Blue Apron and Snap: Traders are buying options contracts that tend to pay out on declines in the underlying stock. Bearish options called puts were outpacing bullish options, or calls, for both companies Tuesday, according to Trade Alert.

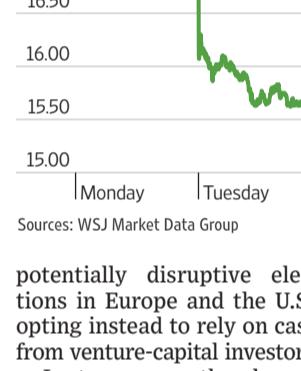
Snap was widely seen by analysts, bankers and company executives as a test of the IPO market for other richly valued firms considering going public. Private companies largely avoided the public markets last year because of a winter selloff and

Oh, Snap

Shares of Snapchat's parent extended declines after closing below their IPO price for the first time Monday. Blue Apron fell below its IPO price on its second day of trading in late June and has remained there.

Snap

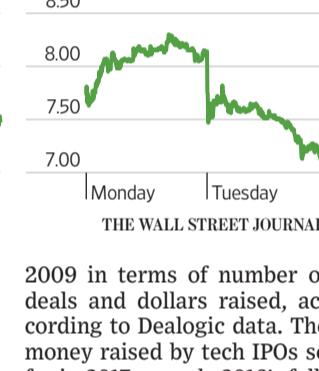
\$18.00



Sources: WSJ Market Data Group

Blue Apron

\$10.00



Sources: WSJ Market Data Group

2009 in terms of number of deals and dollars raised, according to Dealogic data. The money raised by tech IPOs so far in 2017 exceeds 2016's full-year total.

Last year was the slowest for U.S.-listed tech IPOs since

People's Bank of China Fights Market Over Yuan

By SAUMYA VAISHAMPAYAN
AND SHEN HONG

China's central bank is finding that some of the most stubborn yuan skeptics are lurking in its backyard.

A tug of war between the People's Bank of China and investors in the country's domestic foreign-exchange market has played out almost daily in recent months, with the yuan consistently closing weaker than the level set by the central bank.

While the central bank's support has helped the yuan gain 2.2% against the dollar this year after three years of declines, Chinese investors have been focusing in recent weeks on factors that could drag the currency lower in the coming months, traders say.

Many investors expect the Chinese economy to slow in the second half as authorities try to cool the country's reliance on debt-fueled growth. That could force Beijing to rely on a cheaper yuan to turbocharge China's sizable export sector. The Federal Reserve, meanwhile, is predicting further U.S. interest-rate increases, which should boost the dollar against the yuan.

While China has clamped down on capital outflows in recent months, there is still demand for foreign assets from Chinese people as they seek to diversify their wealth. That could exert downward pressure on the yuan.

Conversely, the central bank's chief objective is yuan stability. The Wall Street Journal has reported, as it seeks to keep the economy on an even keel.

The tension is showing up in how the yuan trades inside China. China's central bank sets the yuan's value against the dollar 15 minutes before trading starts at 9:30 a.m. each day. The currency is then allowed to trade 2% above and below that "fix."

In recent months, the yuan has usually started weakening from the fix once trading starts. On May 18, it closed 0.4% lower. A bigger one-day drop has happened just 10 times since the PBOC devalued the yuan in August 2015.

The downward pressure persisted until the central bank stepped in later that month, market participants say, directing state-owned banks to buy yuan and sell dollars. It also changed the way it calculates the fix by adding a "countercyclical" component that gives it more control over the currency.

The PBOC didn't respond to a request for comment.

The central bank's apparent intervention didn't shift Chinese investors' expectations

0.4%

Yuan's fall against dollar May 18. A decline that sharp is very rare.

for long. The yuan closed at a weaker level versus the central bank's fix for most of June. That has continued in July, though to a smaller degree, after another bout of suspected intervention by the central bank late last month. In all, the yuan has closed weaker than the fix on 25 of the past 29 trading days. It weakened 0.1% from the central bank's fix on Monday and 0.02% on Tuesday.

"Once the PBOC stops intervening, there's actually great pressure for the yuan to fall because the weak outlook of our economy and the financial risk we've accumulated are still hanging over our heads," said a Shanghai-based senior currency trader at a midsize local bank.

Chinese exporters, major players in the domestic currency market, appear unconvinced that the yuan will

steady. Deposits of foreign currencies at Chinese banks hit a record \$779 billion in May, according to data from Wind Info going back to 2002, suggesting that many big companies are parking their dollars at banks rather than swapping them into yuan.

The holdouts include companies such as Shenzhen-based **Noncam Technology**, a gaming-gadgets maker that sells 80% of its products to clients from the U.S. and Europe. Its chief executive, Frank Shen, expects the dollar to rise after the Fed's rate increases, while China may be pressured to devalue the yuan to boost exports.

"Any short-term fluctuations will not alter the longer trend of a stronger dollar," Mr. Shen said. "Everyone expects that the dollar will rise further."

The Chinese central bank's difficulties with the changing expectations of participants in the domestic market are striking in part because its main struggle in the past has been with overseas investors betting against the yuan in offshore markets, where the currency trades more freely.

On several occasions in the past 18 months, the PBOC has squeezed short-term borrowing costs for the yuan in Hong Kong, the main center for offshore yuan trading, making it expensive for investors to bet against the Chinese currency.

The message appears to have hit home with yuan skeptics overseas.

"We know when there's a major selloff in renminbi, the PBOC will intervene," said Edmund Goh, Asian fixed-income investment manager at Aberdeen Asset Management in Singapore, using another name for the yuan. Mr. Goh said he has been slightly overweight the yuan for a while.

"I would not want to bet against the PBOC," he added.

—Yifan Xie contributed to this article.



Fed Chairwoman Janet Yellen is to deliver her semiannual testimony to Congress Wednesday.

Bonds Get Lift From Emails

By MIN ZENG

The U.S. government-bond market strengthened Tuesday for a second consecutive session, offering some tentative signs of stabilization following a two-week selloff.

CREDIT MARKETS The main boost for bonds

Tuesday were emails released by Donald Trump Jr., the eldest son of the U.S. president, which showed he attended a meeting in June 2016 to discuss allegedly incriminating information about Hillary Clinton.

The release of the emails, following days of news reports, offers evidence that senior officials in the Trump camp entertained offers of Russia's help in last year's campaign.

"The more bad news for the Trump administration, the less likely [the president] will be able to get any of his [pro-growth] policies enacted," said Mary Ann Hurley, vice president of fixed-income trading at D.A. Davidson.

The yield on the benchmark 10-year Treasury note settled at 2.362%, compared with 2.371% Monday. Yields fall as bond prices rise.

U.S. bond yields posted a

big increase late last year, driven by expectations that large fiscal stimulus would lead to stronger growth and higher inflation, factors that would cause the value of haven bonds to fall. But the reflation trade via higher bond-yield wagers has pulled back this year, contributing to bond yields' declines.

The mild price strength in the bond market suggests many investors are hesitating to place big bets either way before Federal Reserve Chairwoman Janet Yellen's semiannual testimony before Congress Wednesday, said some analysts.

The U.S. consumer-price index report for June is scheduled to be released Friday, a key data point this week to influence investors' bets on bond yields.

The 10-year Treasury yield had risen to 2.395% earlier Tuesday, weighed down by new debt supply on both sides of the Atlantic.

The U.K. and the Netherlands sold long-term bonds. In the U.S., a \$24 billion sale of three-year notes was sold Tuesday afternoon, to be followed by a \$20 billion sale of 10-year notes Wednesday and a \$12 billion sale of 30-year bonds Thursday.

The three-year note auc-

tion drew decent demand, as sign the recent selloff has turned Treasurys into attractive bargains for some investors.

Investors are debating whether bond yields would continue to rise or, like many episodes in the past few years, the selling pressure will eventually fade.

The recent selloff in the global government-bond market was driven by anxiety that a broad improvement in the global economy may allow major central banks to pull back ultra-loose monetary stimulus.

AUCTION RESULTS

Here are the results of Tuesday's Treasury auctions. All bids are awarded at a single price at the market-clearing price. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications \$125,828,350,000
Accepted bids \$40,000,475,500

*noncompetitively \$434,551,600
*foreign noncompetitively \$0

Auction price (rate) 99.926111 (0.950%)

Coupon equivalent 0.964%

Bids at clearing yield accepted 62.47%

Cusip number 912796LP2

The bills, dated July 13, 2017, mature on Aug. 10, 2017.

THREE-YEAR NOTES

Applications \$69,431,069,000
Accepted bids \$24,547,823,000

*noncompetitively \$68,055,100
*foreign noncompetitively \$100,000,000

Auction price (rate) 99.787217 (1.573%)

Interest rate 1.500%

Bids at clearing yield accepted 27.83%

Cusip number 912828J28

The notes, dated July 17, 2017, mature on July 15, 2020.

MARKETS

Rising Bond Yields Spur Worry on Stocks

Many investors expect shares' returns to be more muted and for volatility to increase

By RIVA GOLD

With central-bank support set to wane, investors are worried that stocks trading near records could be vulnerable to any further selling in the bond market.

Global stocks have soared on a combination of steady economic growth and extensive monetary stimulus. But with major central banks now expected to shut off the bond-buying taps, one pillar of support is fading and so, too, are some investors' optimistic outlook for stocks.

Investors are asking: Can stocks keep climbing if the bond market gets hit?

While few predict a stock meltdown, a U.S. market that is at records is more exposed to any signs of an economic downturn, investors say. Many now expect returns from stocks to be more muted and for volatility to move higher.

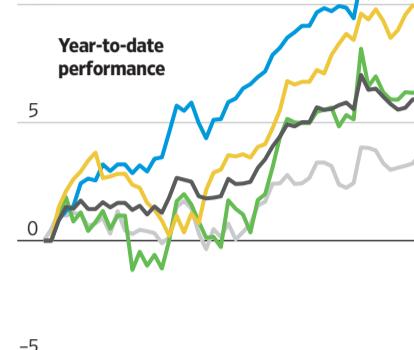
Stocks that led this year's rally, particularly U.S. technology and health-care companies, are expected to come under further pressure, and those that benefit from higher yields, like banks, have been gaining.

Some investors are considering looking outside the U.S., where benchmarks such as those in Europe trade at a cheaper price and are more weighted to banks.

"I've been a bit more cautious in our portfolios, reducing equity exposure," said Ed Keon, portfolio manager at QMA, a multiasset manager owned by Prudential Financial. "Equity valuations are at historic highs, interest rates are quite low...so I think the risk that there's a miscalculation or unexpected reaction is greater than it would be under ordinary circumstances."

Feeling Tighter

Bond yields in Europe and the U.S. have risen and many stock indexes have retreated since the European Central Bank signaled last month a possible exit from stimulus, raising concerns among some investors that higher yields could make global stocks vulnerable to a sudden downturn.



*Stock price divided by per-share earnings estimates for coming year †Peak P/E ratio **Since 1990
Sources: FactSet (indexes, yields, P/E); WSJ Market Data Group (CBOE Volatility Index); Thomson Reuters (CBOE Nasdaq Volatility Index); J.P. Morgan (long-term average P/E)



THE WALL STREET JOURNAL.

economic growth and inflation was seen as good for stocks.

"Investors started to think higher real rates and equities could go up because you have a robust underlying economy," said Mahmood Noorani, founder of Quant Insight, which looks at trading patterns across asset classes.

But investors have taken recent increases in yields as more of a reflection of shifting monetary policy than a buoyant economy.

Comments from central bankers in the U.S., Canada, eurozone and Britain have signaled that the days of easy money are nearing an end.

To be sure, bond yields remain low by historic standards and below the high of around 2.6% reached in March. A combination of steady economic growth later in the year and brightening corporate earnings may keep the market buoyant enough to withstand an orderly adjustment of bond yields, some investors say.

"I think we'd need to get more concerned about growth to get really bearish about equities," said Paul O'Connor, head of multiasset at Janus Henderson.

But some investors are already planning for a further climb in yields. Investors withdrew money from U.S. stock funds last week for the eighth time in 10 weeks, while European equity funds snapped a 14-week inflow streak and emerging-market equity inflows moderated to their lowest since March, according to fund-tracker EPFR Global.

"My worry for the second half [of the year] is you get more economic growth, but the market doesn't respond as favorably because it means central banks are taking away the punch bowl," said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management.

—Akane Otani contributed to this article.

the first half's best performer, has shed around 2% since yields started climbing two weeks ago, while banks in the index have gained roughly 5%. Higher rates tend to benefit banks' net interest margins, while reducing the appeal of growth stocks trading at a premium to the market.

The latest rise in the U.S. 10-year yield hasn't reached

heights that analysts fear could damage prospects for stocks, but it wouldn't take a huge sell-off to get to those levels. Analysts at Morgan Stanley, for instance, are watching 2.75% as a threshold where they might turn less optimistic on U.S. equities.

That level, combined with the average historical equity risk premium, or the extra re-

turn demanded for holding stocks over safe Treasuries, would suggest a price/earnings level of roughly 19 on the S&P 500. Any higher on the Treasury yield, and stocks could start to come under pressure, they say.

For much of the past year, stocks actually climbed as bonds were sold. The fact that investors were dumping debt on expectations for stronger

HEARD ON THE STREET

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Amazon Has A License To Spend

Amazon.com's popular Prime Day is best understood as a big investment by the company to showcase its retail prowess. And when it comes to big spending by Amazon, Wall Street is primed for even more.

The e-commerce giant has ramped up its capital expenditures significantly over the past few years. This feeds both the vast distribution network that powers its retail business as well as its state-of-the-art technology backbone that drives a fast-growing cloud-services business. Amazon's capital expenditures hit \$6.7 billion last year—up 46% from the prior year and nearly double from three years ago.

This sort of spending has helped Amazon maintain a double-digit growth rate, which is notable given its huge size. So Wall Street has been more than forgiving of the growing bill—even when the company suggests it will grow more. Analysts now project about \$7.9 billion in capital expenditures for Amazon this year, and that target has grown about 7% since the company's last earnings report in April, according to FactSet.

Amazon's stock price has risen about 7% since that report.

Amazon's capex growth is also expected to outpace that of cloud-computing rivals Microsoft and Google parent Alphabet for the 2017 calendar year.

That is a big bill to foot at a time the company will also be working to integrate its surprise acquisition of Whole Foods Market. But when it comes to ambition, Amazon has yet to find a price its investors aren't willing to pay.

—Dan Gallagher

Wanda Deal Spins Cash Carousel

Trusted Friends

Entrusted lending as a portion of total social financing in China



Source: CEIC

to find growth in their core businesses.

With the current Sunac-Wanda deal, Sunac should book the loan as debt, although it could bury it in one of its many joint ventures. Wanda will presumably record the loan as an asset, meanwhile. The ultimate effect is that most of Wanda's debts haven't been dealt with; they have just been shifted elsewhere within China Inc.

Wanda is lending the cash cheaply, too. The three-year loan will be at the benchmark lending rate, now around 5%. Typically such loans are priced at a premium, especially those to indebted borrowers like Sunac, which has an eye-popping net debt-to-equity ratio of over 160%. Still, if one of your friends is helping you out, it is rude to make them pay over the odds.

—Anjani Trivedi and Jacky Wong

OVERHEARD

Late last summer, S&P Dow Jones Indices put the shares of real-estate investment trusts into their own stock-market sector. The timing was perfect—to sell REITs.

Since the S&P 500 REIT sector began trading on Sept. 19 it has returned, with dividends reinvested, all of 1.9%, according to FactSet. The S&P 500 has returned 15.4% over the same period.

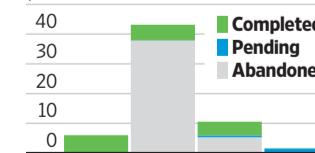
What is behind REITs' poor performance? They are domestically focused when overseas economies are doing better. A rising-rate environment makes their yields less attractive. Too many new properties mean that it is harder to raise rents.

The real-estate industry had been pushing for its own category for years, and performance had been so good that the index-making gods agreed to split them off from banks. Be careful what you ask for.

Watch Out: China Now Has Its Sights on Chip Production

Chips Are Down

China's outbound M&A in semiconductor industry



Source: Dealogic

nese chips hit the market. Even then, China will find it difficult to close its technological gaps with the top chip makers. In the two areas in which it invests heavily—chip fabrication and memory chips—China is way behind market leaders like Samsung and TSMC, which are also investing billions to keep their leads. Their technological edge also gives them a cost advantage.

China first tried to buy rather than build a domestic chip industry. Chinese companies announced a record \$43 billion of foreign acquisitions in the semiconductor sector in 2015, yet only \$5.2 billion of those were completed, according to Dealogic. The deals failed largely because it became clear they had little

chance to get past U.S. regulators.

Among the failed deals are Tsinghua's \$23 billion pursuit of memory-chip maker Micron Technology and the \$2.5 billion bid for Fairchild Semiconductor by a group led by another state-owned firm, China Resources. China's outbound M&A in the sector for the first six months this year amounted to \$1.6 billion—an 81% drop from last year.

But there is one area in which Chinese chip makers could have some success: devices that don't require the best chips but ones that are just good enough. Domestic Chinese brands like Huawei, Oppo and Vivo build cheap gadgets that are popular in China and some developing markets. Those three brands

made up almost half of smartphone shipments in China last year as Apple and Samsung continued to lose share.

These Chinese vendors likely will be big buyers of Chinese chips if they can meet some minimum standards. Smaller foreign chip makers that don't have the market leaders' efficient cost structure could get hurt by a flood of cheap chips. Companies like UMC and Nanya Technology in Taiwan or even South Korea's SK Hynix could be affected.

China's big splash in the chip industry may not unseat the champions but could weed out the laggards.

This is the third of three columns on what is next for the booming semiconductor industry.

—Jacky Wong

China already makes most of your gadgets. Now it wants to fill those products with Chinese chips. Making semiconductors is far harder than assembling phones, but the experience of dozens of industries shows that it is a mistake to bet against China's ability to upend an industry.

China plans to spend up to \$108 billion over the next 10 years on its own chip-making industry, according to Bain & Co. China consumes almost half of the world's chips, mostly for exported electronics, but it makes less than 10% of those chips, according to Gartner.

That, the government believes, is a national security threat, and China has made building its own chip supply chain a national priority.

The government is showing money on the country's chip makers. State-owned chip maker Tsinghua Unigroup, for example, just got \$22 billion from a state bank and a government-backed fund in March.

Despite the lavish spending, it will be at least a couple of years before the Chi-