

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

Hedge-fund managers are preparing to pay billions of dollars in taxes resulting from the financial crisis-era closing of a loophole on offshore gains. A1

◆ Sears said it would start selling Kenmore appliances on Amazon, the latest big American brand to capitulate to the online giant. A1

◆ Several regulators have dropped pursuit of a long-running plan to restrict bonuses on Wall Street. B1

◆ The ECB delayed discussion over whether to wind down its bond-buying program, echoing global caution over weak inflation. A8

◆ Microsoft's revenue rose 13% as the company continued its rebirth as a force in cloud computing. B1

◆ Pay for lowest-income Americans is rising faster than for other groups for the first time in years. A2

◆ PepsiCo's CEO named a lieutenant to the vacant No. 2 post, shuffling potential successors to her job. B1

◆ BP has approached potential buyers for its oil-and-gas fields in the North Sea, where it helped pioneer deep-water extraction. B3

◆ Apollo is preparing an IPO for ADT, just a year after it bought the home-security company. B3

◆ The Dow industrials lost 28.97 points to close at 21611.78, pulled down by a drop in Home Depot. B11

◆ Blackstone recently made a roughly \$3 billion bid to acquire RLJ, which has a deal to merge with FelCor. B3

### World-Wide

◆ The Treasury imposed a \$2 million fine on Exxon for what it called a "reckless disregard" of U.S. sanctions on Russia while Tillerson was the oil giant's CEO. A1

◆ Mueller is investigating possible money laundering by Manafort as part of the probe into alleged election meddling by Russia. A4

◆ Anthony Scaramucci is expected to be named to the post of White House communications director. A4

◆ Senate Republicans pushed a plan they said could ease the impact of their health bill's Medicaid cuts. A6

◆ Sessions said he plans to stay on as attorney general, after Trump said he regretted the appointment. A6

◆ Poland's lower chamber of parliament approved a bill that would let the government replace every judge on the Supreme Court. A8

◆ The EU is threatening Poland with its harshest punishment due to the vote. A8

◆ China characterized trade talks with the U.S. that appeared to end without progress as "positive." A9

◆ Airlines and airports have made the security improvements needed to drop the ban on laptops in plane cabins, the DHS said. A3

◆ O.J. Simpson was granted parole by Nevada officials. The ex-football star could be freed as early as October. A3

◆ Two online markets for drugs, firearms and other illicit goods were shut down in a global operation. A6

CONTENTS Opinion A15-17  
Business News... B3-6 Sports A14  
Crossword A13 Streetwise B1  
Head on Street B12 Technology B4  
Life & Arts A12-13 U.S. News A2-6  
Mansion M1-10 Weather A13  
Markets B11-12 World News A8-9

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## Poles Take to Streets as Lawmakers Seek to Rein In Court



UP IN ARMS: Demonstrators in Warsaw on Thursday protested a bill that would allow the government to replace every judge on the Supreme Court, a move opposition politicians and European Union leaders warned undermines democracy in the once-communist nation. A8

## Sears Links With Amazon, Jolting Appliance Industry

By SUZANNE KAPNER AND LAURA STEVENS

Sears Holdings Corp. said Thursday it will start selling its Kenmore appliances on Amazon, loosening its grip on one of its historic product lines and becoming the latest big American brand to capitulate to the online-retail giant.

News of Amazon's move into appliances, one of the categories it hasn't deeply penetrated, rippled through the industry. Investors dumped shares of big appliance sellers

that have been benefiting from Sears's retreat. Lowe's Cos. tumbled; Home Depot Inc. and Best Buy Co. fell 4% apiece.

Amazon's rapid growth has displaced traditional stores and left even powerful brands unable to ignore it. Nike Inc., one of the biggest holdouts, recently decided to start selling directly to Amazon.

For Sears, selling Kenmore outside its own stores or websites could give it a boost in sales, which have declined every year since 2007. "This will

give the Kenmore brand access to a new set of customers who aren't necessarily shopping at Sears," said Dev Mukherjee, a former president of Sears home appliances, who now works at a private-equity firm.

But also it gives shoppers one less reason to visit a Sears department store. "We believe most Amazon sales will simply cannibalize Sears stores," said Loop Capital analyst Anthony Chukumba, since other major retailers don't currently sell Kenmore.

Sears's long-battered shares

jumped 11% to \$9.60, while Amazon, based in Seattle, closed at an all-time high of \$1,028.70. Amazon's market value is closing in on \$500 billion, Sears's hovers near \$1 billion.

Kenmore is Amazon's first retail offering in major appliances. Previously, most major appliances available on Amazon were via third-party sellers on its marketplace.

"Amazon is a continual improvement machine, and Kenmore is a brand with extraor-

Please see SEARS page A6

## Sessions Says He Will Stay in Post



COMEBACK: U.S. Attorney General Jeff Sessions on Thursday said he has no plans to leave the Justice Department and will pursue the administration's priorities, in a response to President Donald Trump's comment that he regretted appointing Mr. Sessions. A6

## CHINA'S THEME-PARK BID HAS FEW ATTRACTIONS

Lacking Disney's popular movie characters, Dalian Wanda opts to sell

Chinese billionaire Wang Jianlin visited Shanghai Disney last fall to see for himself attractions drawn from the Disney catalog, from Star Wars

and Pirates of the Caribbean to Snow White and the other fairy-tale princesses.

Mr. Wang, whose competing theme parks lean toward stomach-churning thrill rides, had voiced contempt for Disney's bringing its brand of Americana to China. "One tiger is no match for a pack of wolves," he said in a 2016 TV interview. He described plans to build as many as 20 theme parks in China in a growing showbiz empire that included AMC Entertainment Holdings Inc. and Legendary Entertainment, a Hollywood production and finance company.

Yet attendance at the theme parks Mr. Wang built so far has been disappointing,

By Wayne Ma in Beijing and Ben Fritz in Los Angeles

said people familiar with the matter. The visit to Shanghai Disney revealed what his parks lacked, one of Mr. Wang's executives said—a fantasy world

where visitors were immersed in familiar stories with popular characters.

This month, Mr. Wang's Dalian Wanda Group announced plans to sell most of its theme-park properties for more than \$13 billion, including debt. Mr. Wang, 62 years old, is preparing for an IPO of his property business in China but has yet to receive regulatory approval, prompting him to reduce debt and raise cash.

Wanda didn't make Mr. Wang available for an interview and declined to comment for this article.

While Hollywood has become reliant on

Please see WANDA page A11

## Welcome to the Supreme Court! The Turkey Wraps Need More Mayo

\* \* \*

By custom, the most-junior justice must run the building's infamous cafeteria

By JESS BRAVIN

WASHINGTON—Justice Neil Gorsuch survived a Senate grilling to get his seat on the Supreme Court.

Now, as the court's most-junior member, he's the chief justice of the grill. Tradition dictates that each newcomer to the nation's highest tribunal must serve on the committee that oversees the court's cafeteria, a 185-seat facility open to the public on the building's ground floor.

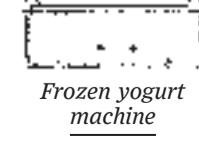
It isn't a job that justices relish.

"There's not much one can do to make the fare better," says Justice Ruth Bader Ginsburg. The committee is "a truly disheartening assignment."

Justice Gorsuch arrives at the cafeteria as something of a stealth candidate. President Donald Trump, despite running several restaurants in his hotel empire, selected a judge with practically no food-service experience.

The 10th U.S. Circuit Court of Appeals, where Justice Gorsuch previously sat, has no

Please see COURT page A11



Frozen yogurt machine

## Cloud Lifts Microsoft

Microsoft Corp. solidified its position as a force in cloud-computing, posting stronger-than-expected gains in its business selling web-based services to corporate customers. B1

Change from previous year in Microsoft's cloud and Windows segments revenue



Note: Fiscal year ended June 30.

Source: the company

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## U.S. and Exxon Spar Over Russia Sanctions

WASHINGTON—The U.S. Treasury Department on Thursday imposed a \$2 million fine on Exxon Mobil Corp. for what it called a "reckless disregard" of U.S. sanctions on Russia

By Samuel Rubenfeld, Lynn Cook and Ian Talley

while Secretary of State Rex Tillerson was the oil giant's chief executive, a finding the company immediately said it would challenge.

Exxon, under Mr. Tillerson, in early 2014 deepened the company's longstanding partnership with the Kremlin despite Washington levying sanctions against Russia for annexing Crimea and supporting pro-Russian separatists in eastern Ukraine. In May of that year, the Treasury Department said the company signed eight documents relating to oil and gas projects in Russia that were

also signed by Igor Sechin, chief executive of the state oil giant PAO Rosneft. Treasury said Thursday those deals violated U.S. sanctions against Mr. Sechin, a former Russian intelligence officer and top ally to President Vladimir Putin.

Mr. Tillerson, who had close business ties to Russia and received an "Order of Friendship" award from Moscow, left Exxon last year to become U.S. Secretary of State. The \$2 million fine, Treasury said, was the maximum amount it could levy against the company.

A spokesman for Exxon called the fine "outrageous" and said it would fight the Treasury's findings, saying they are a 180-degree turn from previous guidance handed down by the Obama administration when the sanctions were enacted. Please see EXXON page A4

◆ Mueller probes possible money laundering by Manafort.... A4

# U.S. NEWS

# For the Low Income, Big Growth in Pay

BY ERIC MORATH

For the first time in years, pay for the lowest-income Americans is rising faster than for other groups.

Weekly pay for earners at the lowest 10th percentile of the wage scale rose at a faster rate last quarter, year-to-year, than for any other group measured by the U.S. Labor Department—including those at the top of the income scales who earn five times as much.

The shift for full-time low-income workers—including restaurant workers and retail cashiers—who make about \$10.75 an hour, is a sign that a tightening labor market is delivering better pay to workers who largely haven't shared in gains since the recession ended eight years ago, according to economists and government data. Last quarter marked the first time since late 2010 that this earning group's gains outpaced all others, including the 90th, 75th, 50th and 25th percentiles.

Rising minimum wages in

many states is one factor.

Usual weekly earnings for workers ages 25 and older at the bottom of the pay scale rose 3.4% from a year earlier in the second quarter, according to analysis of newly released Labor Department data. That was stronger than the median gain of 3.2% and the 3.1% improvement for workers at the 90th percentile, who earn more than nine in 10 other Americans. The percentage increases are based on a four-quarter average of earnings, to smooth out volatility in the data.

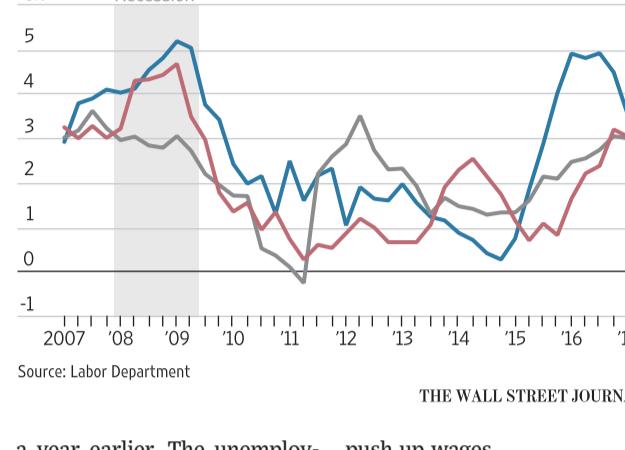
Throughout much of the economic expansion that began in mid-2009, wage gains for the lowest-earning Americans trailed median wage gains and those of the highest earners. The annual raise for the lowest earners was below 1% annually during 2015, less than half as strong as the median gain.

The recent improvement for low earners coincides with a downward trend in the U.S. unemployment rate, which stood at 4.4% last month, versus 4.9%

## Usual Weekly Earnings

Change from a year earlier in four-quarter average of usual weekly earnings full-time workers age 25 and older

■ 10th percentile earner ■ Median ■ 90th percentile earner



Source: Labor Department

workers into those fields.

"In a strengthened economy, people spend more on entertainment and eating out, raising demand for workers in those fields," he said. Those wage gains also at least partially reflect rising minimum wages, which have increased in 21 states this year.

Usual weekly earnings is a different wage measure than the more broadly cited average hourly earnings figure reported in the jobs report each month. The quarterly figure incorporates overtime pay, commissions and tips that might not be captured in the hourly figure.

Average hourly earnings have been stuck near a 2.5% annual increase for most of the past year and a half. But the jobs report shows stronger wage growth in the lowest-paying broad sector, hospitality.

Average earnings' failure to rise even while many Americans are doing better reflects a slowdown at the top.

"The slowdown has been particularly sharp within the

top 5%," Goldman Sachs economists wrote in a research note Thursday. "One possibility is that some high-wage individuals could be delaying the recording of earnings, given the possibility of a future income tax cut."

Still, higher-earning Americans have fared much better during the expansion. Pay for workers in the 90th percentile has increased nearly 20% since mid-2009. Pay for the 10th percentile worker rose 12.5%, not enough to offset inflation.

"We're starting to see wage pressure at the two ends—the high-skilled end and the low-skilled end," Philadelphia Federal Reserve President Patrick Harker said in an interview this month. "Where the squeeze is still happening is the middle-skill jobs."

He said that could partially reflect new technologies emerging to supplant better-paid workers. For example, he said, sophisticated document-reading software is reducing law firms' need for young associates.

## U.S. WATCH

BALTIMORE

### Video of Officers Leads to Review

Baltimore's top prosecutor announced a review of nearly 100 cases involving three officers who appear in a body-camera video that allegedly shows evidence being fabricated.

Determining whether cases involving the officers under scrutiny can be brought to trial "is going to take time," Baltimore State's Attorney Marilyn Mosby said Thursday.

The public defender's office released the video this week.

Police Commissioner Kevin Davis said Wednesday that the officer accused of planting the evidence, which was used to charge a man with possessing and trying to distribute drugs, has had his police powers suspended. Two other officers shown in the video are on administrative duty.

After reviewing the video, prosecutors dismissed the case.

—Associated Press

TEXAS

### Senate Ramps Up To Tackle Divisive Bills

The Texas Senate staged an unusual floor session in the early morning hours on Thursday as conservatives who dominate the chamber rushed to revive abortion restrictions, school vouchers and a "bathroom bill" aimed at transgender people.

Senators passed bills allowing the Texas Medical Board and other state agencies to continue operating during the opening moments of just the third day of its monthlong special legislative session.

"It's a hurry because we have 30 days and 20 bills," Lt. Gov. Dan Patrick, who oversees the Senate, told reporters.

Clearing those agency oversight measures allows the Senate to tackle more divisive issues at breakneck speed. That pace doesn't guarantee any will become law, though, since the Texas House is moving more slowly with plenty of time left in an extra session running through Aug. 18.

—Associated Press

Apollo 11 Mission

### Bag With Traces Of Moon Dust Is Sold

A bag containing traces of moon dust sold for \$1.8 million at an auction on Thursday following a galactic court battle.

The collection bag, used by astronaut Neil Armstrong during the first manned mission to the moon in 1969, was sold in New York at a Sotheby's auction of items related to space voyages. The buyer declined to be identified. The pre-sale estimate was \$2 million to \$4 million.

The artifact from the Apollo 11 mission had been misidentified and sold at an online government auction, and the National Aeronautics and Space Administration had fought to get it back. But in December a federal judge ruled that it legally belonged to a woman who bought it in 2015 for \$995.

Sotheby's declined to identify the seller.

—Associated Press

# TAX

Continued from Page One

vector BBR Partners LLC.

Hedge funds often invest through vehicles based inside and outside the U.S. They make money from their cut, typically 20% or more of trading profits.

For decades, the Internal Revenue Service allowed managers of offshore funds to defer receipt of this compensation and both avoid an immediate tax bill and grow the savings tax-free. The IRS generally permits businesses to allow executives to defer compensation because such deferrals lower the firms' compensation costs, forcing them to pay higher taxes on profits. That offsets income taxes not immediately paid by employees.

But this practice cost the Treasury income in the case of offshore hedge funds that don't pay any offsetting U.S. taxes.

Managers in some cases let those deferred trading fees

compound tax-free for 10 years or longer. Some also defer management fees, even as they amassed large fortunes from gains earned by their U.S.-based funds.

"They kept rolling and rolling the money," said Richard Zarin, a partner at Morgan, Lewis & Bockius LLP.

The New York Times in 2007 highlighted this loophole, and Congress overwhelmingly voted to close it the following year as a way of raising revenue and stabilizing the financial sector during the 2008 financial crisis. The change, part of the Emergency Economic Stabilization Act of October 2008, was made in section 457A of the IRS code.

The legislation gave managers a decade to pay taxes on money accumulated before the law changed. That deadline is now nine months away.

The deferred fees will be taxed at ordinary tax rates that can be close to 50% depending on where the managers live and work, according to tax experts. "These are smart, aggres-

sive people who don't want to pay more than they have to, and writing a huge check can be quite demoralizing," said Jonathan Brenner, a tax partner at Caplin & Drysdale, a law firm that specializes in tax law. "Most recognize they've had a good run and now have to pay the piper, though not after first asking six different ways if there's some silver bullet" to eliminate or reduce the taxes.

Mr. Cohen, who ran SAC Capital before it pleaded guilty to criminal insider-trading charges in 2013, is nearing a launch of a new firm to manage as much as \$20 billion. The Wall Street Journal has reported. Mr. Cohen settled a related civil case without admitting or denying wrongdoing.

He has set that \$20 billion target, which would exceed the \$16 billion managed at peak by SAC, partly because he wants to generate income to help pay the large tax bill, a person close to him said.

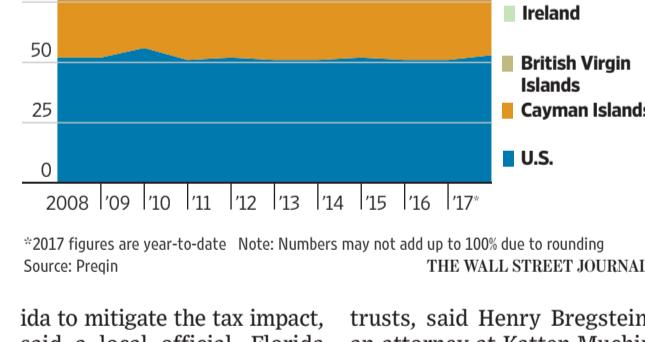
Other fund managers are

shifting headquarters to Flor-

## First Moves

Taxing of overseas gains hasn't slowed openings of U.S.-based hedge funds outside America's borders.

### Percentage of new launches per year



\*2017 figures are year-to-date Note: Numbers may not add up to 100% due to rounding

Source: Preqin

THE WALL STREET JOURNAL.

ida to mitigate the tax impact, said a local official. Florida doesn't have a state income tax on personal income.

"Even four or five years ago they saw this coming, they knew they'd bring money back in and needed to be in a state with lower taxes," said Kelly Smallridge, president of the Business Development Board of Palm Beach County.

Those moves are no guarantee of a smaller tax bite because states generally examine where and when deferred compensation was earned, experts say.

"People have been banging on our doors since the provision was enacted looking for a solution and we still have clients coming in, but one hasn't been found," said Mr. Brenner. "Every tax lawyer who touches hedge funds has had these kinds of calls....There's frustration among some clients that a solution has not been found."

Some charities say managers anticipating a tax bite are discussing donations—to receive an immediate tax deduction rather than handing money to the government.

Other managers are turning to charitable lead annuity

trusts, said Henry Bregstein, an attorney at Katten Muchin Roseman LLP. These trusts give a donor an upfront deduction of 100% as well as the opportunity to transfer to heirs, free of gift and estate tax, the trust's remaining value at the term's end after making annual, fixed distributions to charities.

Eileen Heisman, chief executive officer of National Philanthropic Trust, said her organization is speaking to roughly 50 fund managers about establishing donor-advised funds by the end of the year, three times the usual pace. She attributes the increase to the looming tax bills. Such funds make grants to charities on behalf of donors after they contribute assets, enabling immediate tax deductions. Assets can be invested and grow tax-free even before the charities are chosen.

Sometimes this money can be invested in the manager's own funds, with restrictions, Ms. Heisman said. There's no way of knowing how much money will be paid in taxes or how much will be shifted to the charities are chosen.

Sotheby's declined to identify the seller.

—Associated Press

## CORRECTIONS & AMPLIFICATIONS

**Dalian Wanda Group** on July 10 announced a deal to sell 76 of its 102 hotels to **Sunac China Holdings** Ltd. Since then, Wanda has found a different buyer. A Page One article on July 11 about Wanda's planned sale of most of its theme parks and hotels incorrectly said that the deal with Sunac involved 72 hotels.

**Tonto National Forest** was incorrectly referred to as America Express in some editions Thursday in a Page One What's News summary.

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

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## U.S. NEWS

# Air Safety Fixes End Ban on Laptops

BY SUSAN CAREY

Hundreds of foreign airports and U.S. and overseas airlines have made security enhancements necessary for passengers traveling direct to the U.S. to carry laptops into the cabin, the U.S. Department of Homeland Security said Thursday.

As of Thursday, all 180 U.S. and foreign airlines and 280 foreign airports have met the first phase of the expanded security rules, the department said. As a result, the agency is no longer banning passengers from bringing laptops and other electronic devices into airplane cabins for trips the U.S. The agency had considered expanding that restriction because of fears that terrorists are aiming to take down a plane with explosives hidden in a laptop or tablet.

The agency instituted a laptop ban in March for foreign carriers serving the U.S. from 10 airports in the Middle East and North Africa. Since then, those airlines have met enhanced security goals and the laptop ban has been dropped. The last two airports, both in Saudi Arabia, were cleared Thursday.

Earlier this week, the agency said some airlines flying from the 280 foreign airports in 105 countries could still face restrictions on passengers transporting personal electronic devices as more security protocols are put in place. A DHS spokesman said he didn't know the number of airlines that could potentially be affected. No further restrictions are in place now, he said.

In late June, officials gave airlines 21 days to meet a mandate to install explosive-trace detection scanners at their foreign airports to randomly screen fliers' carry-on bags.

More changes need to be made within four months, according to a memo the International Air Transport Association sent to its member airlines. Those steps include closer scrutiny of planes on the ground and more intensive customer screening.



Audience members cheered the Seattle City Council's approval of a city income tax on the wealthy on July 10. The mayor is expected to sign the measure Friday.

ELAINE THOMPSON/AP

# Court Fight Likely for Seattle Tax

BY ZUSHA ELINSON

A new tax-the-rich measure in Seattle would hit about 9,000 taxpayers—about 2%—but the impact could go beyond wealthy Seattleites.

Washington is one of seven states in the country, including Florida, Texas and Wyoming, without an income tax. Backers of the Seattle measure expected to be signed this week by Mayor Ed Murray, a Democrat, are spoiling for a legal fight they believe will pave the way for a statewide income tax.

Taxpayer advocacy groups, meanwhile, are gearing up for litigation, confident that the state courts will reject this tax as they have in the past.

The new Seattle measure would impose a 2.25% tax on any income over \$250,000 or above \$500,000 for couples filing jointly. The city would use the estimated \$140 million in new annual revenue to fund affordable housing, education and transit services, and replace federal funding that might be lost because of budget cuts.

The city, which is the midst of a tech boom, already has a balanced budget.

Backers are hoping to upend the state's tax system starting

with the Seattle measure.

"Seattle is challenging this state's antiquated and unsustainable tax structure by passing a progressive income tax," said Mr. Murray. "Our goal is to replace our regressive tax system with a new formula for fairness."

Some business leaders say that the income tax would make Seattle less inviting to businesses and job seekers, and cause wealthy residents to move outside the city limits.

"As a venture capitalist helping build companies, we are recruiting talent from other parts of the country and the world," said Matt McIlwain, managing director at Madrona Venture Group, who has formed a group to fund the legal fight against the tax. "The whole area of attracting talent would be much harder."

In a recent radio interview, former Microsoft Chief Executive Steve Ballmer said that the income tax would hurt business in Seattle. "It would drive up wages here, and cause people to have to think about moving jobs elsewhere," he said. "That would certainly happen."

Neither Microsoft, based in nearby Redmond, Wash., nor Amazon.com Inc., based in Se-

## Businesses Worry About Broad Impact

A local tax-the-rich measure in a state with no income tax is unusual and so there has been little research on the type of economic impact it could have, said Justin Marlowe, a public finance professor at University of Washington's Evans School of Public Policy & Governance.

Based on the small number of taxpayers, Mr. Marlowe predicted it wouldn't have a big immediate impact. But he said that businesses will be con-

cerned that this could be the "proverbial camel's nose in the tent" that leads to imposing income taxes on a broader swath of earners.

The state has the most regressive tax system in the nation, according to the Institute on Taxation and Economic Policy, a nonpartisan research group.

The state's poorest 20% of residents, or those making less than \$21,000 a year, pay 16.8% of their income, and the richest 1%, or those making \$507,000 or more, pay 2.4% of their income, according to the group.

—Zusha Elinson

attle, have taken public positions on the tax.

A Microsoft representative declined to comment. A representative for Amazon didn't return requests for comment.

Combined with new legislation in Seattle to raise the minimum wage to \$15 an hour, "everything makes it a little more difficult to do business," said J. Thomas Ranken, CEO of the CleanTech Alliance, which represents clean technology companies in the area.

Molly Moon Neitzel, owner

of local chain Molly Moon's Homemade Ice Cream, said she welcomes the new tax even though it will likely eventually hit her family.

"The inequality in wealth distribution in Seattle has just gotten really extreme since we started recovering from the recession," said Ms. Moon Neitzel.

Seattle has seen housing costs and homelessness soar in recent years.

The expected legal fight over the measure could lead to a fundamental change to the

unique politics of Washington, a liberal-leaning state with a longstanding aversion to taxing income. A similar measure lost in the capital city of Olympia last year, and a tax-the-rich statewide initiative was voted down in 2010.

The last time voters passed a graduated statewide income tax, it was struck down by the state Supreme Court in 1933 as unconstitutional. The state Constitution requires that property be taxed at a uniform rate, which the court said applied to income in turning down the tax. The state also has tight restrictions on the authority of cities to impose such taxes.

John Burbank, executive director of the Economic Opportunity Institute, a nonprofit that pushed the Seattle tax measure, said he welcomes the legal challenge: "We live in a much different society and polity now than 80 years ago."

The Freedom Foundation, a nonprofit that has fought tax measures, is readying for a battle. "Those who oppose this new tax are right on the law," said David Dewhurst, litigation counsel for the group. "The problem is we have a very political court. You can't at all depend on them adhering to that."

# Simpson Is Granted Parole by Nevada

BY SARA RANDAZZO

Nevada officials granted parole to O.J. Simpson, agreeing on Thursday to release the 70-year-old former football star from prison as early as October.

Mr. Simpson, whose 1995 murder trial was recently revisited through a popular television series and documentary, has served nine years for the armed robbery of sports memorabilia from a Las Vegas hotel room. He was acquitted on the murder charges.

Mr. Simpson bowed his head and looked relieved as four members of the state parole board each voted in favor of his release.

Coverage of Mr. Simpson's hearing streamed live over the internet and TV feeds, harking back to his murder trial that riveted the nation.

Mr. Simpson came up for parole after serving the minimum time on an up-to-33-year sentence stemming from his 2008 conviction on charges including kidnapping, burglary

and assault with a deadly weapon.

"I am sorry things turned out the way they did," Mr. Simpson told the four-member board Thursday. He recounted his discipline-free stay in prison and how he has become a more devout Christian who has counseled other inmates to help them stay out of trouble.

The more than hourlong hearing at times veered into a hashing of the original crime, as Mr. Simpson told the board in detail what happened on the 2007 day when he and several accomplices, some armed, stormed a Las Vegas hotel room.

Mr. Simpson expressed remorse for bringing along men that day to serve as armed security, but said he went to the room only to take back memorabilia and personal photos that he said belonged to him.

"I am no danger to pull a gun on anybody," he said. "It was my property, I wasn't there to steal from anybody," he later added.

In his 1995 trial, Mr. Simpson was accused of killing his ex-wife Nicole Brown Simpson and her friend Ronald Goldman. Mr. Simpson was famously acquitted in that trial.

The parole board said Thursday that while it received many letters opposing Mr. Simpson's release because of the 1995 acquittal, they wouldn't consider that.

Hundreds of members of the media flocked to Nevada to watch the proceeding in Carson City, with Mr. Simpson appearing via videoconference from prison in Lovelock.

Mr. Simpson said he plans to live in Florida if he is released. He could stay in Nevada, he said, but "I don't think you guys want me here."

JASON BEAN/AGENCE FRANCE PRESSE/GETTY IMAGES



Vandals broke a fence and released minks from a farm near Eden Valley, Minn., posing a risk to wildlife, a local official said.

# Freed From Fur Farm to Face Death

Presumed animal-rights vandals liberate 30,000 or more minks to a grim fate

BY QUINT FORGEY

Tens of thousands of minks—valued at about \$750,000—were released by vandals from a Minnesota fur farm this week and are at risk of death even as they wreak havoc on surrounding wildlife and farms.

The incident highlights the longtime clash between animal-rights groups and the more than \$100 million domestic fur industry, which has seen prices collapse in recent years.

Stearns County Sheriff Don Gudmundson said a group of "nitwits" dismantled corrugated steel fencing at Lang Farms near Eden Valley late Sunday or early Monday, turning loose the facility's entire mink population. The 30,000 to 40,000 freed animals, mostly jet-black and some blond-colored, are each roughly 17 inches long and

weigh about 3 pounds.

Mr. Gudmundson believes the culprits are misguided activists who don't realize the harm they have caused for the animals they intended to liberate.

"They certainly don't care about animals because thousands of animals are maybe already dead and certainly will die," he said.

Alleged activists orchestrated a similar release of a few thousand minks at a neighboring ranch in Stearns County in 1998, he said, and other protests have helped push down prices of furs from mink farms across rural America in recent years.

Michael Whelan, executive director of Fur Commission USA, a mink farming national trade association, said a global supply glut is the cause of the drop in prices.

Katie Arndt, outreach coordinator for Minnesota's

Animal Rights Coalition, said she wasn't sure whether she supported releasing the minks, as the small carnivores will threaten the ecosystem and eventually die in the wild.

"This is one of these situations where you want to say, 'Yay, they're free!' But are they really?" she said.

Mr. Gudmundson said the animals don't know how to survive outside the farm, without regular access to water in 90-degree weather. They also cannot handle the extraordinary stress brought on by natural events such as thunderstorms.

Of the 6,000 to 7,000 minks recaptured, at least 5,500 perished shortly after recovery.

The freed animals also threaten other species in a nearby wildlife preserve.

"They're going to go in there and kill everything

that moves: the baby ducks, the baby geese, all the chipmunks," he said.

At least one local farmer has called the sheriff's office to report that 10 of his chickens were killed since the minks invaded the community.

The fur group is offering a \$10,000 reward for information leading to the perpetrators' conviction.

It says more than 85% of pelts in the global fur trade are farmed. The other 15% are trapped in the wild.

American mink farms produced 3.32 million pelts last year valued at \$116 million, according to the Agriculture Department.

"The upper Midwest has always been kind of the center of the industry," Mr. Whelan said. "It's very important to the state and the local economies, in the rural areas especially."



Ex-football star O.J. Simpson reacts after the parole decision.

JASON BEAN/AGENCE FRANCE PRESSE/GETTY IMAGES

## U.S. NEWS

# Why McCain's Health News Stuns the Capital



### CAPITAL JOURNAL

By Gerald F. Seib

**A**t one point in his remarkable run through the New Hampshire Republican primary in 2000, Sen. John McCain went into full maverick mode to describe his quest to upset his party's prohibitive favorite.

"George Bush is out there raising money," he said. "I'm going to be out there raising hell."

Raising hell is what John McCain has always been willing to do, without much regard for party or precedent. Indeed, it often appears he can't help himself. It's a style that occasionally infuriates Democrats and Republicans alike—but that ultimately has endeared him to many people in both parties who admire his life story and the courage that has been laced through its chapters.

That admiration explains why the capital went into a kind of shock Wednesday night when the news broke

that Mr. McCain has been diagnosed with a brain tumor.

At one Washington dinner, perhaps a dozen cellphones pinged more or less simultaneously with the news, which temporarily brought the proceedings to a halt. Sen. Lindsey Graham, his closest friend in the Senate, articulated the view of many when he said that cancer has now picked the toughest opponent possible. And as if to underscore the point, Mr. McCain tweeted Thursday his intention to return to the Senate quickly.

In a capital full of diverse characters, John McCain is singular. Part of it is his remarkable story as a Vietnam War veteran: A young and somewhat reckless Navy pilot shot down over North Vietnam, grievously injured and then imprisoned under horrific conditions for more than five years, during which he declined opportunities to be released before his comrades. Candidate Donald Trump said during the 2016 campaign that Mr. McCain wasn't a war hero, but few agreed.

There has followed a political career that took him first to the House and then to the Senate and ultimately to the Republican presidential nomination in 2008.

But it was that iconic 2000 presidential campaign that cemented the Arizonan's



Sen. John McCain campaigning in Manchester, N.H., in the Republican presidential primary of 2000.

years later, but it felt as if he'd never quite recaptured that 2000 lightning.

**H**e returned to the Senate after his 2008 loss to Barack Obama and seemed deflated at first. But then he roared back and now leads the powerful Armed Services Committee and occupies a prominent place in every debate and controversy. Among other things, as a victim of torture himself, he has emerged as a powerful voice against harsh interrogation techniques.

Sen. McCain has occasionally struck colleagues as tired and disoriented in recent days, probably early signs of his ailment. But when he appeared last month at a Wall Street Journal conference for an on-stage interview, he was sharp as ever.

And as outspoken as ever. He talked of his disappointment that President Donald Trump didn't raise human-rights concerns on his recent trip to the Middle East: "If we abandon our advocacy for human rights, we're no different than any other nation that rises and falls throughout history," he said.

"You can't change human beings," Sen. McCain added. "They want freedom. They want human rights, and they look to us as the role model and our inspiration."

reputation as a unique political figure.

**T**o anyone who wasn't there, it's almost impossible to describe what it was like. He banked his whole campaign on winning the New Hampshire primary and set out to do so by canvassing the state, day after day, on a bus filled with aides and reporters and straight talk. In fact, it became known as the "Straight Talk Express," and his doz-

ens of town-hall meetings were a cross between religious revivals and voter therapy sessions.

He slaughtered his party's sacred cows and picked up support from disgruntled voters along the way. He said the GOP's big-money donors not only owned Mr. Bush, but were destroying democracy. He said an emerging federal budget surplus should be used not for tax cuts, but to pay down debt and bank money for Social Security. He

attacked the religious right, directly and repeatedly.

He became a kind of Pied Piper in New Hampshire. It wasn't just reporters who followed him around. Voters did, too; some trailing him from one town hall to another.

In the end, he did win New Hampshire. But it wasn't enough, because he went on to lose to Mr. Bush in South Carolina and ultimately in the race for the nomination. He finally won the elusive nomination eight

## Trump to Tap Scaramucci for White House Post

**WASHINGTON**—Financier Anthony Scaramucci, a top donor to President Donald Trump during the campaign, is expected to be named White House communications director on Friday, two White House officials said.

By Michael C. Bender, Rebecca Ballhaus and Peter Nicholas

Mr. Scaramucci, 53 years old, is the founder of hedge-fund investing firm SkyBridge Capital and a hedge-fund conference known as SALT. Known as "the Mooch," Mr. Scaramucci previously hosted a show on Fox Business Network and has been a frequent guest advocating for

Mr. Trump on cable news shows.

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

Separately, Marc Kasowitz, Mr. Trump's personal attorney who is representing him in Special Counsel Robert Mueller's probe of Mr. Trump's associates' ties to Russia, is expected to take on a lesser role on the president's outside legal team, according to a person familiar with the shift.

Mr. Kasowitz's spokesman, Mark Corallo, resigned from his post this week after less than two months on the job, according to a person familiar with his decision, after privately expressing frustration over the

administration's handling of episodes such as the revelation of a meeting Donald Trump Jr. arranged in June 2016 between top campaign aides and a Russian lawyer. Mr. Corallo didn't respond to a request for comment.

Mr. Scaramucci, who worked at Goldman Sachs, would join a communications office that has been

The White House has been seeking a communications director since Mike Dubke resigned from the role at the end of May.

Mr. Scaramucci's new job was first reported by Axios.com.

Mr. Scaramucci is currently serving as chief strategist at the U.S. Export Import Bank.

His appointment to that role followed months of uncertainty about Mr. Scaramucci's prospects of joining the White House, after a promised role in the White House was handed to someone else.

The appointment of Mr. Scaramucci to the communications team comes as Mr. Trump's lawyers are crafting a strategy that aims to contain Mr. Mueller's investigation and ensure it doesn't veer into Mr. Trump's private business dealings.

"The special counsel's investigatory activities are limited by his mandate. And looking at a real estate deal from 10 years ago would exceed that mandate," said Jay Sekulow, a mem-

ber of Mr. Trump's legal team, referencing a Bloomberg News story that said Mr. Mueller is looking into Trump business deals dating back years.

He added that the legal team would also be looking at potential conflicts of interest in the Mueller legal team. "Conflict of interest issues, if they arise, will be addressed in due course through the normal legal channels if we get to that stage."

The recourse for Trump's legal team would be to first approach Mr. Mueller and then the deputy attorney general overseeing the investigation, Rod Rosenstein, Mr. Sekulow said.

Mr. Mueller's office declined to comment.

## Mueller Probes Manafort Finances

By ERICA ORDEN

Special Counsel Robert Mueller is investigating possible money laundering by Paul Manafort, President Donald Trump's former campaign manager, as part of the criminal investigation into what U.S. intelligence agencies say was a Kremlin campaign to meddle in the 2016 presidential election, according to a person familiar with the matter.

The inquiry into the issue by Mr. Mueller and his team began several weeks ago, this person said. A spokesman for Mr. Manafort, Jason Maloni, declined to comment, as did a spokesman for Mr. Mueller.

Mr. Mueller's probe is focusing on Russian meddling as well as whether any members of the Trump campaign colluded with Moscow. Mr. Trump has denied any collusion and Russia has denied meddling.

The Senate and House intelligence committees also are probing possible money laundering by Mr. Manafort, according to people with knowledge of those investigations.

The Senate panel also has received reports from the Treasury Department's Financial Crimes Enforcement Network, which tracks illicit money flows, to learn if any of Mr. Trump's businesses may have financial ties to Russian interests, these people said. Mr. Trump has said he has no such ties.

Mr. Manafort, a Republican political consultant, spent years working for a pro-Russia party in Ukraine. He served as Mr. Trump's campaign manager for roughly three months in 2016 before resigning.

New York Attorney General Eric Schneiderman and Manhattan District Attorney Cyrus Vance Jr. also are probing Mr. Manafort's real-estate transactions, The Wall Street Journal has reported, with both offices examining his dealings for possible money-laundering and fraud. Messrs. Schneiderman and Vance are Democrats.

Mr. Manafort has spent and borrowed tens of millions of dollars in connection with properties in the U.S. over the past decade, including a Brooklyn, N.Y., townhouse and California properties being developed by his son-in-law, the Journal has reported.

Through his spokesman, Mr. Manafort has said his "personal investments in real estate are all ordinary business transactions."

—Shane Harris  
and Aruna Viswanatha contributed to this article.

## EXXON

Continued from Page One

sury's sanctions unit started its probe of the alleged sanctions violation several years ago. Exxon said it was first notified in 2015 by Treasury's sanctions unit, the Office of Foreign Assets Control, that it had violated sanctions regarding its interactions with Mr. Sechin. In a filing in a Texas court Thursday, the company said it had challenged the notification about a month later.

Exxon doesn't have any direct deals with Mr. Sechin, but does have business dealings with Rosneft, where Mr. Sechin signed company documents in his capacity as CEO, Exxon said. According to the company, under President Barack Obama, the White House and Treasury in 2014 said U.S. companies were allowed to participate in business dealings with Mr. Sechin if they were professional, not personal.

On Thursday afternoon, the Irving, Texas-based company filed a complaint in U.S. District Court in the Northern District of Texas, seeking to toss the fine. In a court filing, Exxon said the sanctions unit "seeks to retroactively enforce a new interpretation of an executive order that is inconsistent with the explicit and unambiguous guidance from the White House and Treasury issued before the relevant conduct and still publicly available today."

The Justice Department declined to comment about Exxon's legal challenge.

The U.S. Treasury said in an enforcement notice against Exxon that the company showed "reckless disregard for U.S. sanctions requirements" when failing to consider the warning signs associated with dealing in the blocked services of someone under U.S. sanctions. The Treasury unit said one of the "aggravating factors" it considered was that Exxon is a globally sophisticated company that routinely deals with

Mikhail Klimentyev/RIA Novosti/REUTERS



Rosneft CEO Igor Sechin, right, and then-Exxon Mobil CEO Rex Tillerson taking part in a signing ceremony in Russia in 2012.

sanctions compliance concerns.

The Thursday notice said: "No materials issued by the White House or the Department of the Treasury asserted an exception or carve-out for the professional conduct of designated or blocked persons, nor did any materials suggest that U.S. persons could continue to conduct or engage in business with such individuals."

When Mr. Tillerson took his position in President Donald Trump's cabinet this year, he promised to recuse himself from matters involving Exxon for one year. He has stood by the current sanctions regime.

In Ukraine earlier this month, Mr. Tillerson said the U.S. sanctions on Russia—imposed along with sanctions from the European Union—would remain "until Moscow reverses the actions that triggered these particular sanctions."

Mr. Tillerson, as Mr. Trump's top diplomat, has been leading administration efforts to im-

prove relations with Russia.

Though the State Department referred most questions about this specific matter to Exxon, spokeswoman Heather Nauerl said Mr. Tillerson is committed to the objectives of the Ukraine-related sanctions. She said the State Department wasn't involved with the decision.

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waver from Russia sanctions in 2015. The application was never acted upon at that time but was again circulating among government departments earlier this year. The Trump administration said it wouldn't grant the waiver in April.

Exxon and other big energy companies also recently joined Mr. Trump in voicing concerns about congressional efforts to toughen sanctions on Russia, arguing that it could shut down oil and gas projects around the world that involve Russian partners. Mr. Tillerson opposed ramped-up sanctions being considered in Congress, Russia has denied meddling and Mr. Trump has denied any collusion.

ExxonMobil caused significant harm to the Ukraine-related sanctions program objectives by engaging the services of a sanctioned entity, Treasury said.

Exxon applied to the Treasury Department for a partial

Lobbyists for Exxon told lawmakers in recent weeks that several provisions in the sanctions legislation under consideration are worrisome, including measures to prohibit partnerships with Russian individuals.

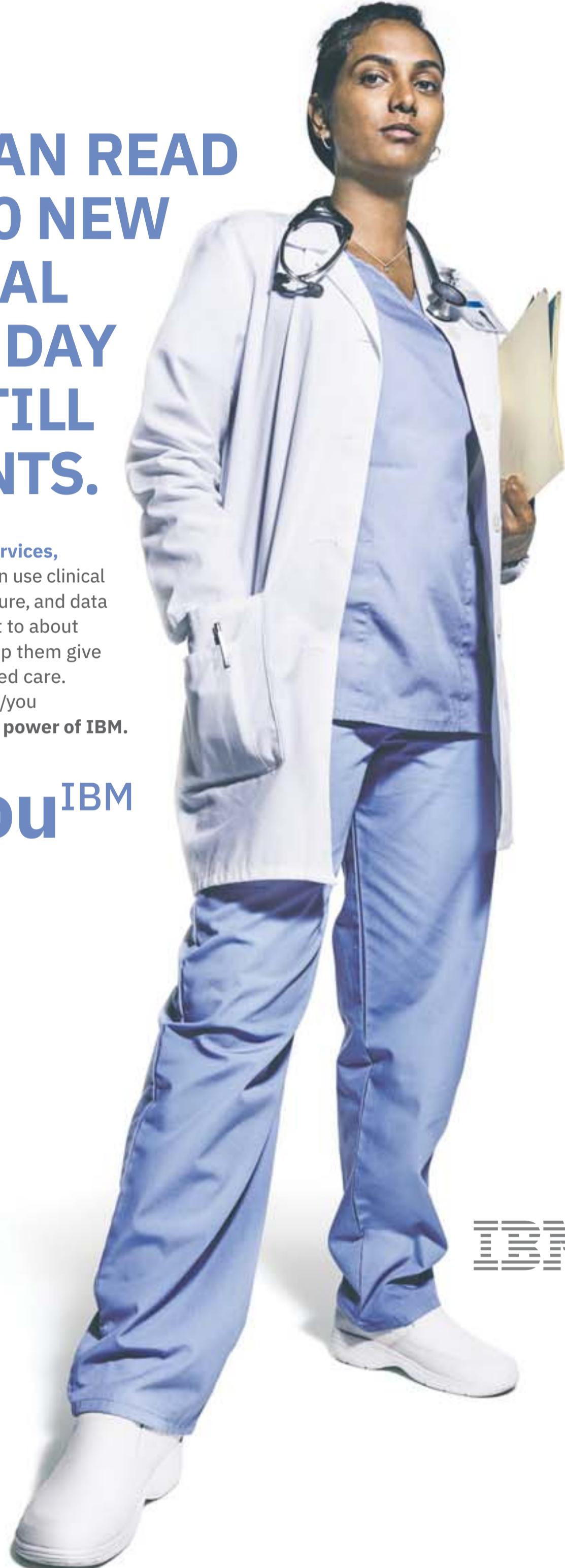
—Felicia Schwartz  
and Aruna Viswanatha contributed to this article.



# I CAN READ 5,000 NEW MEDICAL STUDIES A DAY AND STILL SEE PATIENTS.

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## U.S. NEWS

# Illicit Online Markets Shuttered

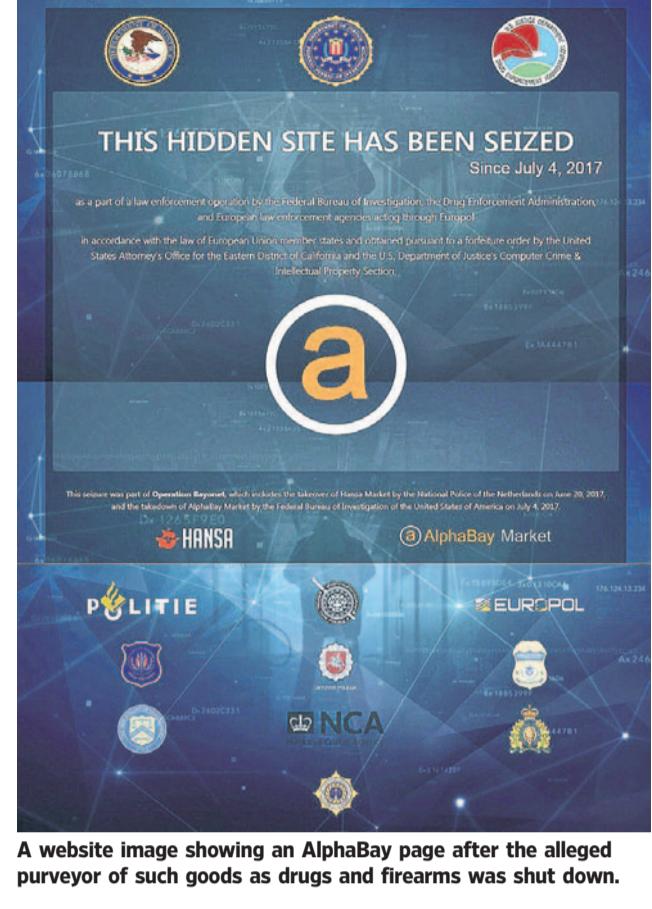
Owners of forums for criminal goods are arrested, with assets frozen by authorities

BY ARUNA VISWANATHA AND ROBERT MCMILLAN

Two of the world's largest online marketplaces for criminal goods have been shut down in a global operation that also resulted in the arrest of their owners and the freezing of millions of dollars in alleged criminal proceeds, law-enforcement authorities said Thursday.

AlphaBay, which sold heroin, fentanyl, firearms and other illicit goods and allegedly serviced some 200,000 users and 40,000 vendors, was shut down this month and its infrastructure seized, the Justice Department said. U.S. Attorney General Jeff Sessions described it as "one of the most important criminal investigations of the year" and one that would serve as a blow to drug traffickers and other criminals.

The website's alleged owner, Canadian-born Alexandre Cazes, was indicted in California in June and arrested in Thailand, authorities said. He was found dead in his jail cell on July 12. Authorities in Thailand, the Netherlands, Lithuania, Canada, the U.K.,



A website image showing an AlphaBay page after the alleged purveyor of such goods as drugs and firearms was shut down.

France and the European law-enforcement agency Europol participated in the investigation.

In addition to operating an anonymous "Dark Web" site, Mr. Cazes used digital currency and a web of interna-

tional bank accounts in an effort to conceal his identity, federal prosecutors said.

"They think they will get away with it because there are too many players in too many countries," said Andrew McCabe, acting director of the

Federal Bureau of Investigation.

On Wednesday, the U.S. attorney's office in Sacramento, Calif., filed a civil forfeiture action seeking to seize assets it said belonged to Mr. Cazes and his wife in Thailand, Cyprus and Liechtenstein, as well as Antigua and Barbuda.

Dutch police seized control of a second marketplace, Hansa Market, in late June and have had control of the site since, the Dutch National Police said Thursday.

Authorities closed the online marketplace on Thursday after arresting two men from Siegen, Germany, and seizing digital-currency accounts valued at about \$2.6 million, or 1,000 bitcoins, Dutch police said. The two alleged administrators, aged 30 and 31, weren't named by Dutch police.

By operating the Hansa website for several weeks, police were able to intercept tens of thousands of messages between sellers and buyers and collect more than 10,000 delivery addresses, Dutch police said. The site averaged 1,000 orders a day, most of which were for hard drugs, they said.

The surveillance is likely to give pause to some Dark Web users, said Nicolas Christin, an associate research professor at Carnegie Mellon University who studies online marketplaces. "This will probably

have a stronger chilling factor than a mere seizure," he said.

Mr. Cazes, 25 years old, lived a lavish lifestyle in Thailand, where he owned 10 vehicles, including a \$900,000 Lamborghini and a \$293,000 Porsche Panamera, according to court filings. Mr. Cazes also owned a vacation home in Phuket, Thailand, and real estate in Bangkok and Cypress, as well as a beachfront property in Antigua and Barbuda, the filings said.

After discovering the keys to his digital-currency accounts stored on his home computer, police seized about \$8.8 million in Bitcoin, Ethereum, Monero and Zcash, all digital currencies.

Investigators said Mr. Cazes earned commissions of between 2% and 4% on AlphaBay sales.

They counted more than four million AlphaBay transactions between May 2015 and February 2017 valued at about \$450 million. Mr. Cazes earned between \$9 million and \$18 million in that period, they estimate.

Attempts to reach an attorney for Mr. Cazes weren't successful.

Created in December 2014, AlphaBay was run by a team of about eight to 10 anonymous staffers, including a second site administrator identified only as "DeSnake," federal authorities said.

## WASHINGTON WIRE

JUSTICE DEPARTMENT

### Sessions Says He Plans to Continue

Attorney General Jeff Sessions said he has no plans to leave the Justice Department and will "wholeheartedly" pursue the Trump administration's priorities, a response on Thursday to President Donald Trump's comment in a recent interview that he regretted appointing Mr. Sessions.

Mr. Trump told the New York Times on Wednesday that he wouldn't have appointed Mr. Sessions if he had known he would remove himself from the investigation into Russian meddling in the 2016 election.

On Thursday, White House spokeswoman Sarah Sanders said Mr. Trump was "disappointed" in his attorney general's decision to recuse himself earlier this year but that he didn't regret keeping him in the role.

—Aruna Viswanatha

SENATE

### Trump Jr., Others Pressed to Testify

The top Republican on the Senate Judiciary Committee said he would issue subpoenas if witnesses refuse to appear at a Senate hearing next week that will largely focus on a June 2016 meeting attended by President Donald Trump's eldest son, top Trump campaign advisers and a group of Russian advocates.

Sen. Chuck Grassley (R., Iowa) said he will compel witnesses to appear at a hearing set for July 26 on the topic of foreign lobbying. Mr. Grassley has summoned onetime Trump campaign manager Paul Manafort and Donald Trump Jr. to the hearing, and others.

The committee is investigating a finding that Russia interfered in last year's election and allegations the Trump campaign colluded with Moscow. The president has said he is skeptical about the finding regarding Russia, and that he and his aides didn't engage in any election interference with Moscow. The Kremlin has denied it meddled.

Messrs. Manafort and Trump Jr. haven't indicated what they plan to do.

—Byron Tau

# GOP Floats Proposal to Ease Medicaid Cuts

BY LOUISE RADNOFSKY AND KRISTINA PETERSON

WASHINGTON—Senate Republicans, scrambling to win support for their health-care bill, pushed a measure Thursday that they said could ease the impact of the bill's Medicaid cuts on low-income people.

Advocating for the new direction is a little-known health official who is now at the center of the health-care fight: Seema Verma, head of the Centers for Medicare and Medicaid Services, which oversees the two federal medical programs.

Ms. Verma has recently become ubiquitous on Capitol

Hill, meeting with wavering senators one-on-one, speaking to groups of Republicans and citing her experience as an Indiana state official to argue the GOP proposals can work.

The Medicaid plan that is being advanced by some Republicans and Ms. Verma would use funds from the Affordable Care Act's taxes to cut out-of-pocket costs for people who are forced to leave Medicaid due to cutbacks in the Republican bill.

It wasn't clear Thursday whether Ms. Verma's pitch would attract any of the GOP senators who said they were opposed to an earlier version

of the bill, let alone enough to let the bill squeak through. But at least one senator who has voiced concerns about the bill's Medicaid cuts said Ms. Verma has taken a careful approach by providing data without overselling her proposal.

"She's not in the business of lobbying, but she's in the business of getting us good information," Sen. Rob Portman (R., Ohio) said.

Sen. Bill Cassidy (R., La.) said, "She's obviously a knowledgeable person who's implemented innovative programs...That gives a great deal of street credibility."

Sen. Susan Collins of Maine,

one of the Republicans who is opposed to the GOP bill, said she wasn't convinced by the pitch because the amount going to consumers would fall far short of the bill's \$756 billion in cuts to federal Medicaid funding over a decade. Under the plan, up to \$200 billion from the taxes would go to support affected low-income people.

"If you're still going to take more than \$700 billion out of the Medicaid program, you will still have significant problems," Ms. Collins said.

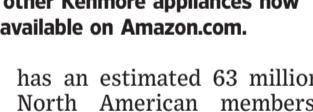
Administration officials, including Mr. Pence and Health and Human Services Secretary Tom Price, have visited Capitol

Hill in recent days. Republican senators have frequently cited Ms. Verma as providing detailed arguments for the GOP bill.

Still, Medicaid cuts are only one issue cited by Republicans concerned about the bill. Some worry about losing consumer protections; others fear premiums won't be reduced enough.

Under the latest version of the Republican health bill, the number of uninsured would increase by 22 million in 2026, compared with the current law, according to an estimate by the Congressional Budget Office released Thursday.

—Stephanie Armour contributed to this article.



Kenmore washing machines and other Kenmore appliances now sold in Sears stores will also be available on Amazon.com.

# SEARS

Continued from Page One

ordinary heritage and awareness," something that could transform it into a major winner in an online category currently lacking a dominant player, said Ken Seiff, a venture capitalist at Beanstalk Ventures and a former retail executive. "There's no positive outcome" for brick-and-mortar competitors.

A Home Depot spokesman said: "We're comfortable with our competitive positioning from both a brand and service perspective." Best Buy declined to comment.

Amazon, which started selling books online more than two decades ago, is now gaining ground in a number of categories, from office supplies to home goods. After a serious push into apparel a decade ago, it is now one of the biggest clothing retailers, according to a recent Morgan Stanley survey, second only to Walmart Stores Inc.

More than half of product searches now start at Amazon, according to personalization platform company BloomReach, versus 28% on search engines and even fewer at other retail sites. The company's Prime subscription program, which according to UBS

has an estimated 63 million North American members, also offers companies broad access to customers.

Amazon has bigger ambitions than selling Kenmore products. The company plans to expand its reach in both furniture and appliances, according to people familiar with the matter. It is also building at least four massive warehouses focused on handling bulky items, the people said.

Under the Kenmore deal, Amazon will own the inventory but Sears will ship orders from its warehouses, a Sears spokesman said. Innoval Solutions, a unit of Sears, will deliver the goods to customers' homes and provide installation services, he said. The companies didn't disclose the terms of the deal.

"We're constantly working to expand our selection," said Matt Furlong, general manager of home improvement and appliances at Amazon.

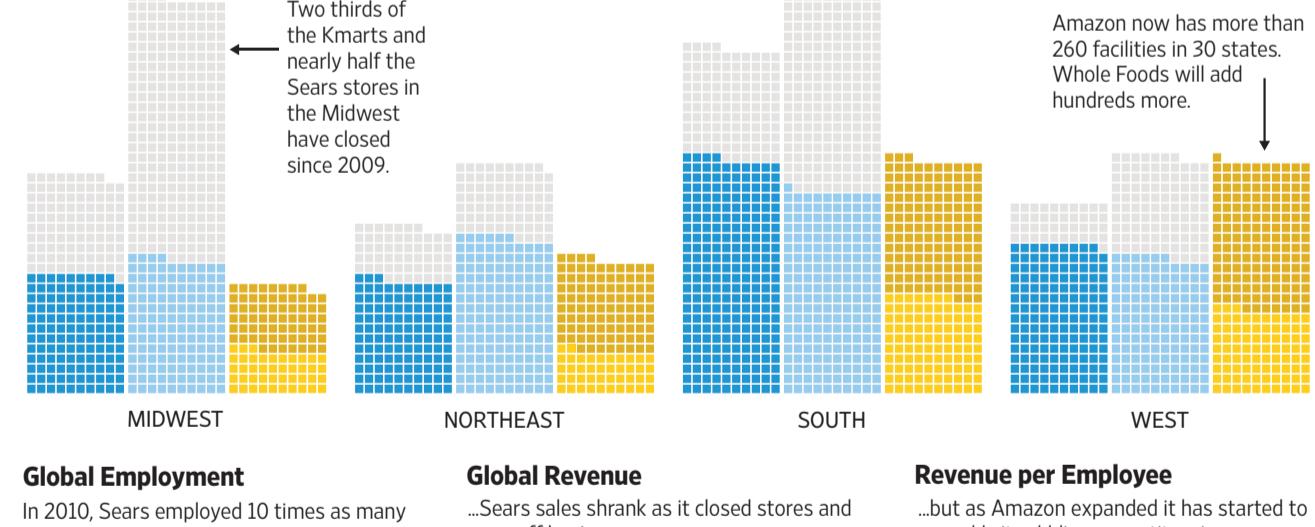
The Kenmore name first appeared in 1913 on a sewing machine. The first Kenmore washing machine was introduced in 1927 and business boomed after World War II. And for years, the only place Americans could buy a Kenmore stove or washing machine was at their local Sears or Kmart.

But there are fewer of those

## Sears vs. Amazon: A Tale of Two Retailers

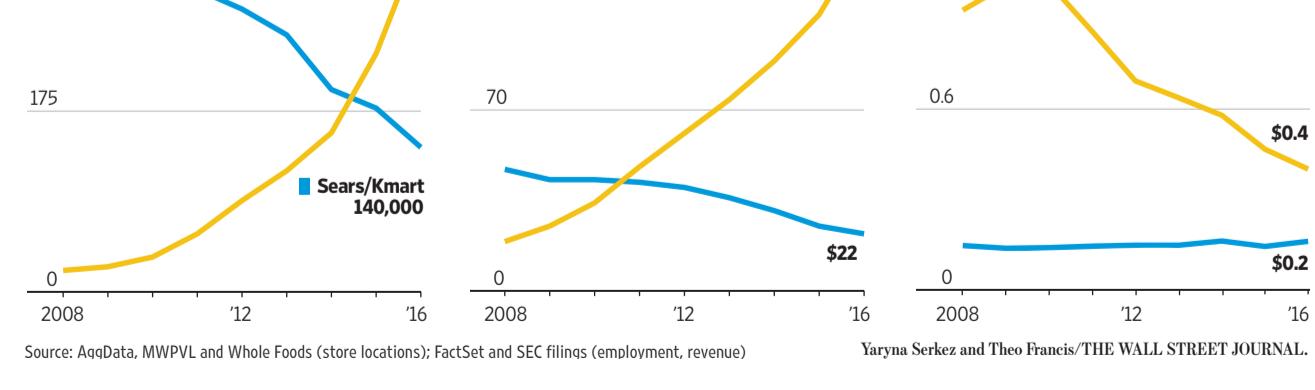
The decline of Sears/Kmart and the rise of Amazon capture just how dramatically shopping in America has changed in recent years. As Sears has closed hundreds of stores, it has triggered anxiety about its future. Amazon has been on a building binge and is set to swallow Whole Foods.

Change in number of U.S. locations since 2009



### Global Employment

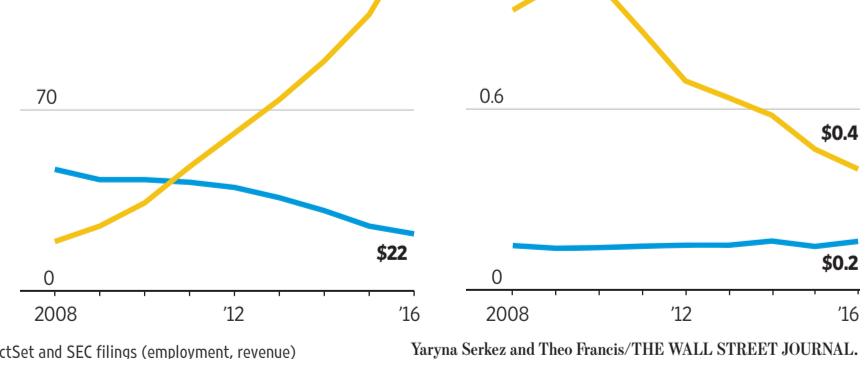
In 2010, Sears employed 10 times as many people as Amazon. Now it has half as many...



Source: AqData, MWPL and Whole Foods (store locations); FactSet and SEC filings (employment, revenue)

### Global Revenue

...Sears sales shrank as it closed stores and spun off businesses...



\$140 billion

\$22 billion

\$136 billion

\$0.6

\$0.2

\$0.4

\$0.2

sprawling stores these days—nearly 1,000 have closed since 2009—and people aren't buying as much from them. The brand's share of the market fell to 10.3% from 16.7% during that same period. Sears CEO Eddie Lampert, a hedge-fund manager who took control of Kmart out of bankruptcy and merged it with Sears in 2005, had been looking at strategic options for the

TraQline, a market research firm. In addition to Kenmore, Sears sells other brands. The Kenmore brand's share of the market fell to 10.3% from 16.7% during that same period.

Sears CEO Eddie Lampert, a hedge-fund manager who took control of Kmart out of bankruptcy and merged it with Sears in 2005, had been looking at strategic options for the

company's top brands for

more than a year, as the parent company's losses have mounted.

Earlier this year, he agreed to sell the Craftsman tool brand to Stanley Black & Decker Inc. for \$900 million, helping to pay down debt and pension costs. Sears is still exploring options for its DieHard brand, Sears Auto Centers and

its Home Services unit.

The CEO has also been cutting spending and selling real estate to help the company fund its operations. He has also been financing the company, including a \$200 million short-term credit line that Sears announced Monday.

—Andrew Scurll and Imani Morse contributed to this article.

**WELLS  
FARGO**



# Carl E. Reichardt 1931 – 2017

*President 1978-1983  
Chairman & CEO 1983-1994*

All of us are deeply saddened by the passing of Carl. His optimism and forward thinking exuded the spirit of the stagecoach. We see that every day in the impact he made at Wells Fargo.

Carl's focus on our customers, team members and shareholders was instrumental in the growth of our business over the years. It was under his leadership that we broadened our outreach to low income communities. And it was Carl who established diversity as a core value for our company.

He will be greatly missed.

# WORLD NEWS

## ECB Signals Wariness on Low Inflation

Bank puts off decision on bond buying, echoing worries across globe over weak prices

By TOM FAIRLESS

FRANKFURT—The European Central Bank delayed discussion over whether to wind down its giant bond-buying program, underlining a recent tone of caution from global policy makers as they fight weak inflation.

ECB President Mario Draghi on Thursday welcomed a "robust" economic recovery in the 19-nation eurozone, but warned that stronger growth wasn't yet translating into higher consumer prices.

"We need to be persistent and patient because we aren't there yet," Mr. Draghi said after the bank left its monetary-policy mix unchanged on Thursday. The bank will discuss the future of bond purchases, known as quantitative easing, in the fall, he said. "Basically inflation is not

where we want it to be and where it should be."

The ECB mirrored a message of caution emanating from other major central banks, which are struggling to understand why prices aren't picking up more rapidly despite robust economic growth.

The Bank of Japan earlier Thursday pushed back by a year the date when it expects to hit its 2% inflation target, the sixth time it has been postponed under Gov. Haruhiko Kuroda. Federal Reserve Chairwoman Janet Yellen said in testimony last week that the U.S. central bank was looking "very carefully" at recent weak inflation data.

Still, Mr. Draghi's comments drove the euro to its highest level against the dollar in nearly two years. His bullish description of the eurozone economy appeared to bolster the narrative of an end to the ECB's support of bonds, which would boost the euro's appeal. Bond markets, on the other hand, were stable. Mr. Draghi highlighted low eurozone inflation and said the bank

### Note of Caution

ECB President Mario Draghi welcomed the eurozone's economic recovery, but noted it hadn't yet lifted inflation.

### Eurozone growth

GDP, quarterly change at an annualized rate\*

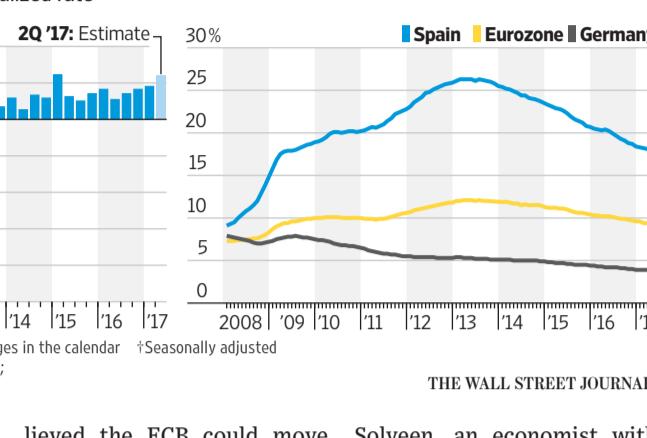


\*Adjusted for inflation, seasonality and changes in the calendar  
Sources: Eurostat (historical, unemployment);  
J.P. Morgan (estimate)

would act cautiously, suggesting that stimulus could remain in place through 2018 and possibly beyond.

After years of easy-money policies, central banks in the U.K., Canada and the eurozone have all recently signaled they are preparing to follow the Fed by nudging interest rates higher. Some investors be-

### Unemployment rate†



†Seasonally adjusted

Sources: Eurostat (historical, unemployment);  
J.P. Morgan (estimate)

lieved the ECB could move soon after Mr. Draghi recently hinted that the days of easy money might be numbered. The ECB's decision to stand pat surprised them.

"Contrary to what we too had expected, the ECB has not taken any step towards normalizing its monetary policy at today's meeting," said Ralph

Solveen, an economist with Commerzbank in Frankfurt.

Privately, though, ECB officials have long indicated that the bank might signal the future of the program at a policy meeting on Sept. 7. Mr. Draghi is due to speak at the Fed's economic conference in Jackson Hole, Wyo., in late August, which could give him an op-

portunity to flag a policy shift.

The ECB's €60 billion (\$69 billion)-a-month bond-buying program has helped drive down market interest rates as the eurozone recovers from a yearslong economic crisis. Its future is one of the biggest questions hanging over financial markets. Asset prices, borrowing costs and the value of the euro currency will all be affected by its withdrawal.

But ECB officials face a dilemma: While the eurozone economy is accelerating, inflation, at 1.3% last month, remains some way below their near-2% target.

Mr. Draghi rocked financial markets last month in Sintra, Portugal, by suggesting that the ECB might soon wind down its bond-buying program as the region's economy accelerates. Top ECB officials have since called for caution, wary of triggering a sharp rise in borrowing costs that could upset the region's economic recovery.

◆ Euro jumps, but bond markets remain calm..... B11

## EU Weighs Actions Against Warsaw

By EMRE PEKER

BRUSSELS—The European Union is threatening to deploy its most severe punishment on a member state for the first time, highlighting what it sees as Poland's grave departure from the bloc's core tenets.

With Polish President Andrzej Duda poised to sign legislation into law that expands government control on the judiciary, Brussels may ask EU governments to formally warn Poland to reverse course, under provisions of Article 7 of the 2009 Lisbon Treaty that aim to protect the rule of law. If Warsaw persists, EU governments could even impose sanctions on Poland up to suspending its voting rights.

"It should come as no surprise to anyone that given the latest developments, we are coming very close to triggering Article 7," said Frans Timmermans, first vice president of the European Commission, the EU's executive arm.

The provision for such action first entered EU treaties as the bloc considered expanding eastward after the Soviet Union's collapse, with an eye to safeguarding its democratic principles.

If the commission triggers Article 7, EU governments may be able to muster the necessary four-fifths majority of states and the European Parliament's consent to warn Warsaw. But sanctioning it would require unanimity among the 27 members other than Poland. That is likely impossible given Hungary's support for Warsaw.

Poland's bills propelled the commission to start a dialogue with Warsaw in January 2016 to prevent a breach of EU rules and treaties. Failing to make headway, EU officials issued two recommendations in July and December of last year, advising Poland on how to align its changes with the bloc's criteria.

Warsaw dismissed the EU's overtures as political interference.



Polish policemen carried a protester away from a demonstration in Warsaw on Thursday. Thousands gathered to oppose changes in judicial law and the Supreme Court.

## Poland Moves to Replace Its Highest Judges

By DREW HINSHAW

WARSAW—Poland's lower chamber of parliament approved a bill that would allow the government to replace every judge on the Supreme Court, a move opposition politicians and European Union leaders warned undermines democracy in the once-communist nation.

The bill, which allows the government to retire all 83 judges on the country's highest courts within the next two weeks, passed Thursday only eight days after it was first introduced. By nightfall tens of thousands people gathered to protest in the country's biggest cities.

Under the proposed law, only judges granted exemptions by President Andrzej Duda would stay on. The justice minister would then ap-

point acting judges whom he would be able to fire at any moment. That would give the ruling Law and Justice party the leeway to take control of the judiciary, which it says is stocked with former communists who don't represent the will of voters.

Poland's Senate, where Law and Justice holds an absolute majority, is expected to ratify the bill by Friday. Mr. Duda would then need to sign it to turn it into a law that would take immediate effect.

EU leaders have called the bill an alarming step backward for Poland's postcommunist democracy and a breach of EU legal standards, but have been powerless to intervene. That inability shows the bloc's waning sway over its members in what was once Europe's Soviet Bloc.

Poland, the largest of those countries, was once held up as

a model reformer, exemplifying the benefits of adhering to the EU's liberal democratic vision for Europe. EU officials considered the fast-growing country a model for what countries like Turkey and Bosnia could gain by joining.

Now Poland is becoming instead an example of how little authority the EU can exercise even over its members. For months, Warsaw has repeatedly shunned proposals to speak on the issue of judicial independence with the European Commission, the EU's executive arm. In May, several governments pushed Poland to engage with the commission, to no avail. Last week, Polish foreign and interior ministers again shrugged off another EU request for more dialogue.

Next week, the EU will adopt a set of recommendations for Poland—the third

such initiative—and debate potential disciplinary measures. Eventually, the EU could move to revoke Poland's voting rights in the bloc, which would be a considerable and unprecedented rebuke of a member state.

"Sooner or later you will have to take the necessary steps to enforce the rules," said Frans Timmermans, first vice president of the commission.

But actually punishing Poland for its Supreme Court law would be extremely difficult for the EU. In most cases, that would require unanimity from its members—including some, such as Hungary, that are also at odds with the EU over what a European democracy should look like.

For Poland, the bill underlines the conservative, nationalist government's broad power to remake the largest

EU country formerly in the Soviet Union's orbit.

Though the courts have been the central battlefield in that effort, the government has also increased its influence over media, passing a law last year that gives it the right to name the heads of the public TV and radio stations.

Poland's Supreme Court is nearly the only domestic check on Law and Justice's rule. The court holds the power to invalidate or validate election results. It can also block political parties from receiving state funding and functions as an appeals court for businesses and individuals who feel they aren't being treated fairly by the government's tax services, regulators or law enforcement.

—Emre Peker and Laurence Norman in Brussels contributed to this article.

## Germany Raises Ante in Dispute With Turkey

By ANDREA THOMAS

BERLIN—Germany said it would take new steps in response to Ankara's crackdown on human-rights activists, escalating a travel alert and reconsidering an investment program, as a feud that has tested relations between the traditional allies deepened.

Germany and Turkey have been at odds over a litany of issues, with tensions mounting further after the arrest this month of a German activist in Turkey under controversial terror laws that give authorities wide leeway.

Berlin says the accusations

against him are unfounded.

Government officials met Thursday to discuss possible actions. In addition to the escalated alert, Foreign Minister Sigmar Gabriel said the country must reassess a key program guaranteeing companies' investments in Turkey and questioned plans to expand the decades-old customs union between the European and Turkey.

"We have to come to a realignment of our Turkey policy," Mr. Gabriel said.

"We must be clearer than before so that those in charge in Ankara understand such a policy is not without conse-

quences."

Germany exported €21.9 billion (\$25.2 billion) of goods to Turkey last year, and imports from Turkey reached €15.4 billion, according to German government statistics.

Turkey's Ministry of Foreign Affairs said in a statement that a serious crisis of confidence was brewing with Germany despite friendly ties between the nations.

The ministry said Germany has a double standard, repeating Turkey's long held grievance that Germany allegedly gives a haven to supporters of the Kurdistan Workers' Party, or PKK, and supporters

of U.S.-based cleric Fethullah Gulen, whom Mr. Erdogan has accused of masterminding a botched coup against his rule last summer, despite Turkey's requests to extradite or arrest them.

Both the U.S. and Turkey have designated the PKK as a terrorist group.

Turkish police on July 5 arrested 10 Amnesty International activists, including German citizen Peter Steudner, who had gathered in Turkey for what the organization called a routine workshop. Six of the activists have been jailed pending trial on charges of aiding a terror group.



German Foreign Minister Sigmar Gabriel spoke to reporters about the diplomatic crisis between Berlin and Ankara on Thursday.

## WORLD NEWS

# Japan Extends Inflation Timetable

BY MEGUMI FUJIKAWA AND YOKO KUBOTA

TOKYO—Japan's timetable for achieving stable inflation has again been extended by a year.

The Bank of Japan on Thursday pushed back the date when it expects 2% inflation—the sixth time it has been postponed under Gov. Haruhiko Kuroda. The central bank now sees the target being reached by March 2020, five years after Mr. Kuroda's initial timing.

The BOJ also kept its main interest rates on hold and looks set to dig in for some time with its ultra-loose policy while the Federal Reserve and some other major central banks raise rates and the European Central Bank hints at scaling back its stimulus.

Mr. Kuroda, whose term ends next year, said the frequent inflation revisions were regrettable but wouldn't affect the BOJ's credibility.

"Central banks in the U.S. and Europe have also pushed back the timing to achieve their inflation targets a few times. There are some factors that are just too difficult for a central bank to control or predict, such as falls in oil prices," the governor told a news conference.

However, many economists said they think even the BOJ's latest forecasts are unrealistic.

In its quarterly economic outlook released on Thursday, the central bank said core consumer prices excluding fresh food would likely rise by an average of 1.1% in the year ending March 2018, down from a 1.4% increase forecast in April.

The bank lowered its inflation projection for the year ending March 2019 to 1.5% from a previous forecast of 1.7%. The headline inflation rate was 0.4% in May, the most recent data available.

On average, economists believe the inflation rate is likely to fall short of 1% this year and next, according to a July survey conducted by the Japan Center for Economic Research, a think tank.

Japan's struggle to meet the BOJ's price target comes despite brighter signs elsewhere. The bank raised its economic assessment and said growth in the year ending March 2018 was likely to reach 1.8%, up from an earlier forecast of 1.6%.

With the targeted inflation rate expected to take longer to arrive, the board kept its target for 10-year Japanese government bond yields at around zero and its short-term deposit rate at minus-0.1%, as expected.

The bank also reiterated its promise to buy government bonds at an annual rate of ¥80 trillion (\$715 billion), which investors saw as a gauge of its commitment to easing, even though the pace of purchases has already slowed to below that level.

# China Touts Progress in U.S. Talks

By BOB DAVIS

WASHINGTON—Chinese negotiators on Thursday characterized high-level U.S.-China talks that appeared to end without progress as "positive," saying the two sides were cooperating to narrow Washington's \$347 billion trade deficit with Beijing.

The negotiators said Beijing would work on U.S. priorities including expanding services trade with the U.S., reducing excess capacity in its steel industry and boosting agricultural imports, according to a lengthy statement released by the Chinese Embassy in Washington. It wasn't clear whether these were new pledges or restatements of past positions.

The embassy said the Wednesday talks were marked by a "candid and friendly spirit" and produced "positive outcomes," including a fresh set of talks to stretch over the coming year.

U.S. officials didn't immedi-

ately comment on the Chinese statement. A day earlier they issued only a terse statement. On Wednesday, Chinese officials in Beijing painted a rosier picture of Wednesday's talks, with one describing them as "innovative, practical and constructive."

The differing responses appear to reflect the political objectives of the two nations, said Eswar Prasad, a China scholar at Cornell University.

Beijing wants to show it can keep U.S.-China relations on an even keel before a Communist Party conference this fall where the senior leadership will be chosen, Mr. Prasad said. "The statement is meant for the audience back home," he said.

The U.S. administration has a different purpose: showing that it can make progress in reducing the trade deficit, which President Donald Trump has blamed for what he says is American economic decline. So, from his perspective, tension and uncertainty in the re-



Treasury chief Mnuchin, right, with his Chinese counterpart Wednesday.

ationship can be used to try to change the status quo.

"Any tension in the relationship is something the U.S. could live with and something the Chinese want to avoid," Mr. Prasad said.

It is unclear which side has the upper hand in future talks. The most contentious issues involves the trade deficit and Chinese steel overcapacity.

U.S. officials were dissatisfied with the Chinese unwillingness to make specific commitments to reduce the deficit, said trade experts briefed on the talks.

Still, some Western trade economists say Beijing is justified in resisting quantitative targets. That is because trade measures may affect exports and imports in particular sec-

tors, they say, but aren't generally enough to alter the overall deficit.

China's embassy said the two sides agreed that reducing the deficit was a "priority" for both nations. But it didn't offer anything concrete.

When it comes to excess capacity in the steel industry, the Chinese said the two sides agreed to "active and effective measures to jointly address this global issue," but it didn't provide specifics.

That may not satisfy the Trump administration, which is debating whether to levy tariffs on steel imports in a bid to force Beijing to meet specific benchmarks for cutting production overcapacity, which is weighing on global steel prices.

Myron Brilliant, executive vice president of the U.S. Chamber of Commerce, said the Chinese pledges fell short. "We want to see more tangible progress made in a range of structural, regulatory and other concerns," he said.

# After Mosul, Faraway ISIS 'Provinces' Fight On

MIDDLE EAST CROSSROADS  
By Yaroslav Trofimov

DUBAI—In the three years since it proclaimed a worldwide caliphate, Islamic State has become a global franchise—which means the loss of its core in Syria and Iraq won't pacify the far-flung conflict zones where the group's affiliates operate.

Regional "provinces" of Islamic State have sprung up from West Africa to the Philippines after the group's self-appointed "caliph," Abu Bakr al-Baghdadi, seized the Iraqi city of Mosul in 2014 and demanded allegiance from Muslims world-wide.

Most of these "provinces" grew out of existing insurgent organizations, such as Nigeria's Boko Haram or Ansar Beit al-Maqdis in Egypt's Sinai Peninsula. These groups simply reflagged with Islamic State's new brand—then seen as uniquely appealing to recruits and donors because of Islamic State's seeming invincibility.

Other "provinces" were breakaways from relatively more-moderate groups, such as Islamic State Khorasan, which absorbed the most violent elements of the Taliban in Afghanistan and Pakistan. Some groups, like Boko Haram, controlled huge territory. Other Islamic State "provinces," such as the one in Russia's North Caucasus, consisted of scattered militants.



Government soldiers drive through Marawi, on the southern Philippines island of Mindanao, on June 14.

In any case, the conflicts in which these "provinces" thrived preceded Islamic State's 2014 proclamation. And even after the recent liberation of Mosul and the impending collapse of Islamic State's second-largest stronghold of Raqqa, Syria, these distant conflicts will persist.

"Operationally, the fall of Mosul changes nothing because every one of these groups is autonomous from Islamic State central," said Mathieu Guidere, a terrorism expert at the University of Toulouse. "The only impact is psychological—these groups will fear that something like what happened to Mosul will happen to them, and will draw their lessons."

In fact, just as Iraqi troops were mopping up the last pockets of resistance in Mosul,

Islamic State's Asian affiliate halfway around the world attempted a dramatic takeover of Marawi, one of the largest Muslim cities on the southern Philippines island of Mindanao.

"Islamic State is a very resilient organization, it's not one single group but a movement now," said Rohan Guarnatna, head of the International Center for Political Violence and Terrorism Research at Nanyang Technological University in Singapore. "And because the world has no real strategy to contain, isolate and eliminate Islamic State beyond Iraq and Syria, we will see a significant global expansion of this group."

Asia, home to many more Muslims than the Middle East, is a particular concern.

"We should prepare for a Daesh pivot to Asia," said

Richard Javad Heydarian, a security analyst in the Philippines, using an Arabic acronym for Islamic State.

While Islamic State—routed from much of its territory in Syria and Iraq—no longer has the winning momentum that once made it so attractive to potential jihadists, the organization has left a permanent mark on the motley assortment of militant groups that joined its caliphate project.

One consequence of Islamic State's losses in the Middle East may be a rekindled debate within the organization's affiliates about just how indiscriminately brutal they should be.

That issue has already split Boko Haram, with one faction treating anyone not

actively aiding the group as apostates deserving death and another preaching more-targeted violence.

In trying to assess Islamic State's future after Mosul, terrorism experts and counterterrorism officials look for clues in what happened to al Qaeda after the loss of its Afghan base in 2001 and the killing of Osama bin Laden 10 years later. While these events weakened al Qaeda's core and reduced its ability to target the West, regional affiliates have flourished.

Niger parliament member Lamido Mounouni Harouna represents a region frequently attacked by Boko Haram.

"The conflict here is a local conflict," he said. "And the way it will develop will depend on how the local environment develops."

## WORLD WATCH

QATAR

### Hackers in U.A.E. Linked to Cyberattack

Qatar said hackers in the United Arab Emirates were linked to a cyberattack on its state-run media, an episode that helped spark the Gulf's worst diplomatic crisis in decades.

Qatar stopped short of blaming the Emirati government for the hacking, which resulted in fake news stories appearing on Qatar's state-controlled news agency. But it was the first time Qatar tied the false reports to the U.A.E. The allegation points to an escalation of tensions between the Gulf neighbors, complicating mediation efforts led by Secretary of State Rex Tillerson to smooth over the rift between U.S. allies.

A U.A.E. official didn't respond to a request to comment on the accusations.

The U.A.E., Saudi Arabia, Bahrain and Egypt in June severed diplomatic ties with Qatar, citing its support for Islamists like the Muslim Brotherhood and its covert ties with terror groups like al Qaeda. The four issued a list of demands, which Doha rejected.

—Margherita Stancati



CAPITAL CLASH: Demonstrators collided with riot police in Caracas during a 24-hour general strike called Thursday to protest Venezuelan President Nicolás Maduro's plans to rewrite the constitution.

GREECE

### Earthquake Kills 2, Leaves Dozens Hurt

A powerful earthquake shook the Greek island of Kos early Friday morning, damaging several buildings and the main port, killing at least two people and

causing more than 120 injuries, authorities said.

The 6.5-magnitude quake rattled Turkey's Aegean coast as well, but Kos was nearest to the epicenter and appeared to be the worst hit, with all of the deaths and injuries reported there. Buildings with damage included the old mosque and a

14th-century fortress.

Fallen bricks and other damage were seen in Kos's "old town" area, full of bars and other nighttime entertainment. Hundreds of tourists were spending the rest of the night outdoors. Rescuers were checking for trapped people inside houses.

—Associated Press

# Saudis Shift Security Duties to New Agency

By MARGHERITA STANCATI

BEIRUT—Saudi Arabia on Thursday announced far-reaching changes to its security apparatus, establishing a new entity in charge of national security and stripping power from the Ministry of Interior.

The new body, called the State Security Directorate, will report directly to King Salman and take over key responsibilities from the Ministry of Interior, including domestic intelligence, special-operation forces and other counterterrorism functions.

The announcement, made in a series of royal decrees, came weeks after a major leadership reshuffle in the kingdom that resulted in the removal of former Crown Prince and Minister of Interior Mohammed bin Nayef from his posts. He was replaced as crown prince by Mohammed bin Salman, the monarch's powerful 31-year-old son, who is spearheading an overhaul of the kingdom's economy and government bureaucracy under a

program known as Vision 2030. Saudi Arabia is one of America's most important security allies in the Middle East, and U.S. officials had long viewed Mohammed bin Nayef, known as Saudi Arabia's counterterrorism czar, as one of Washington's most trusted partners in the kingdom.

In a show of continuity with his tenure, one of Mohammed bin Nayef's closest aides, Gen. Abdulaziz al Huwairini, was selected to lead the new security body. He retains his role as head of the domestic intelligence agency, the Mabahith.

A Saudi official said the change would elevate the work of Saudi Arabia's counterterrorism forces. Gen. Huwairini is well known to U.S. officials and will report directly to the king, the official said.

"The rationale here is a matter of efficiency," the official said. "This will be an improvement to our counterterrorism capabilities."

—Felicia Schwartz in Washington contributed to this article.

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## IN DEPTH

# WANDA

Continued from Page One

Chinese investors and marketing partners to make movies and sell tickets to the world's second-largest audience, China hasn't produced any global blockbuster films or characters. Government officials want China to compete with the U.S. as the world's storyteller.

Mr. Wang's retreat reflects the challenge of rising to show-business superpower. China has yet to field companies with the talent to compete with Hollywood's movie and TV studios. American box-office success follows a century of filmmaking, which Disney and Comcast Corp.'s Universal Studios have parlayed into global theme-park empires.

"It takes time for a company to build intellectual property," said Dennis Speigel, who heads a theme-park consulting firm in the U.S. and has visited two Wanda-owned parks. "You need story, movies, publishing and TV to support it."

As Disney has shown, theme parks can promote content—with movies based on rides, rides based on movies and popular toys based on all of it. The late Walt Disney built Disneyland in the 1950s with the help of movie studio workers skilled in the arts of storytelling and illusion. Wanda, one of China's largest commercial property developers, tried to elbow its way into the business without that background.

Last week at a Wanda-owned park in Nanchang, fewer than 3,000 people roamed the property, which can accommodate 40,000 visitors, according to attendance records viewed by The Wall Street Journal.

At Wanda's theme park in Hefei at least half of its 25 attractions were closed on a visit in January. Guests were told it was too cold to run the large roller coasters. A park hotel was closed for maintenance, even though it had accepted room reservations days earlier.

Souvenir shop shelves were nearly empty. Park visitor Li Chunhong said there was nothing her young daughter wanted to buy, which wasn't a problem during their visit to Shanghai Disneyland.

"My daughter immediately wanted to buy Minnie Mouse," Ms. Li said. "She wants to be Minnie."

### Big dreams

Wanda's move into theme parks was part of a broader shift into entertainment that began with its building of Chinese cinemas more than a decade ago. In 2012, Wanda bought AMC for \$2.6 billion, and through acquisitions became the world's largest cinema chain.

The company's other forays into entertainment have yet to



STR/AGENCE FRANCE PRESSE/GETTY IMAGES

An aerial view of the Wanda theme park in Hefei, China. At least half of the park's 25 attractions were closed during a January visit.

strike gold. The \$3.5 billion Wanda paid for Legendary in 2016 was widely seen in Hollywood as too much money. Thomas Tull, Legendary's founder and driving force, left a year later.

With its growing middle class, China is expected to surpass the U.S. in theme park revenue in 2019, according to data provider Euromonitor. Shanghai Disneyland drew more than 11 million visitors in the 12 months beginning in June 2016, its first year, and U.S.-based Universal Parks and Resorts and Six Flags Entertainment Corp. both plan to open parks in China.

Mr. Wang saw theme parks as a way to promote China's history and legends, people familiar with his thinking said. This aligned with China's Communist Party, which seeks a larger role for the country in



### Attendance at theme parks built by Wang Jianlin has so far been disappointing.

promoting global popular culture. "He fundamentally feels there is so much story and so much depth to the history of China" that can be turned into attractions, a former Wanda executive said.

Yet Mr. Wang's management team approached the design and operation of its

theme parks as property developers rather than storytellers, people familiar with the matter said.

A few years ago, Walt Disney World employees in Orlando, Fla., noticed guests measuring bricks on Main Street and taking photos of fanciful shop keyholes, according to a person with knowledge of the incident. When asked, the visitors said they were conducting research for Wanda, this person said.

More recently, staffers at the original Disneyland in Southern California noticed park guests observing how lines were managed at Mr. Toad's Wild Ride, a popular children's attraction, this person said.

Approached by park employees, the guests acknowledged they were paid researchers who responded to an online job posting, the person said. Disney employees, the person said, connected the posting to a freelance worker whose visa was associated with Wanda's Beverly Hills office.

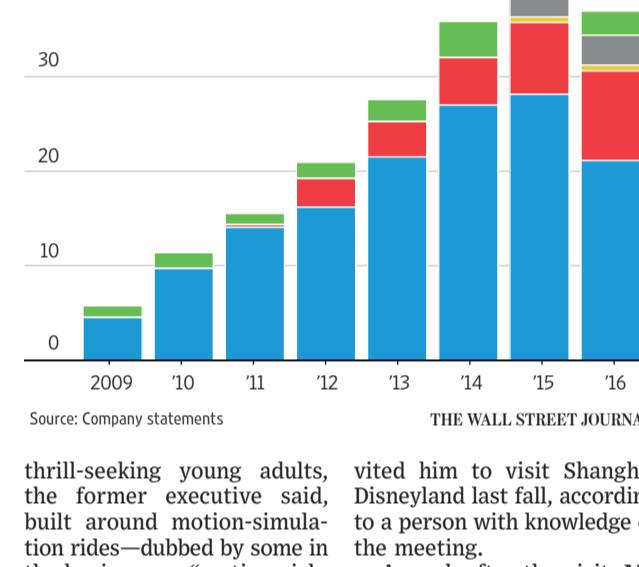
The focus on the technical aspects of Wanda's theme parks mirrored the company's approach to building shopping centers and office towers, according to the former Wanda executive. The Wanda Movie Park in Wuhan, this person said, was built in the same by-the-book style that Mr. Wang used for commercial construction, including penalties for missing even the smallest deadlines.

When Mr. Wang visited the Wuhan park for a preview in 2014, employees put carpets over unfinished floors and stapled artificial leaves to trees, one of the people on the project said. Mr. Wang didn't like about half of the rides, the former executive said, but considered the park acceptable.

The park was aimed at

### Hedging Bets

Wanda wants to move away from real-estate sales and toward services and entertainment to avoid the cyclical downturns of the property market.



Source: Company statements

THE WALL STREET JOURNAL.

thrill-seeking young adults, the former executive said, built around motion-simulation rides—dubbed by some in the business as "motion-sickness" rides. But most of the rides didn't appeal to families with young children, who tend to spend more on food and souvenirs.

"By the end, they resorted to heavy discounting to get people into the park," the former executive said. "They didn't have the understanding that the business can't rely on heavily discounted tickets to get attendance, because this just means there is something fundamentally wrong, and you have to fix what's fundamentally wrong."

The \$510 million Wuhan park, which isn't included in the theme-park sale, closed for retooling last summer after 19 months in operation and hasn't reopened.

A few months after it closed, Mr. Wang met in Los Angeles with Walt Disney Co. Chairman Bob Iger, who in-

vited him to visit Shanghai Disneyland last fall, according to a person with knowledge of the meeting.

A week after the visit, Mr. Wang appeared more serious about improving his theme parks, the current Wanda executive said.

Mr. Wang approved a 30% increase in the construction budget at one park, and he devoted more resources to design and storytelling across the chain. It was too little too late: The parks continued performing below expectations, according to current and former Wanda executives and documents viewed by the Journal. Nanchang brought in revenue of \$26 million for the seven months it was open last year, close to its internal target of \$27 million for the period, the documents show. This year, it has earned \$15 million as of mid-July, running behind its 2017 target of \$52 million.

The park drew 662,000 visitors in the first six months of

2017, records show, well off the pace needed to hit its target of two million for the year.

Under pressure to meet internal targets, the heads of the Nanchang and Hefei theme parks were reprimanded in June for counting tickets pre-sold for 2018 in this year's revenue, a violation of company rules, according to an internal announcement viewed by the Journal. Wanda declined to make these executives available for comment.

### End of the ride

In late April, Mr. Wang sat at a wooden conference table on the 25th floor of his Beijing headquarters building, flanked by his top executives.

As the men sipped from tea cups and bottles of water, the idea of selling the theme-park business to Sunac China Holdings Ltd. surfaced, the Wanda executive said. Wanda had taken on significant debt to build the parks, he said, and its stretched balance sheet jeopardized plans to list Wanda's main property unit on a Chinese stock exchange.

Yet in mid-June, Wanda theme-park chief Andrew Kam, former head of Hong Kong Disneyland, was the keynote speaker at an amusement park trade group conference in Singapore. He outlined Wanda's plans to build as many as 20 theme parks across China over the next 15 years, said Mr. Speigel, the theme-park consultant.

"It was a very positive presentation on their growth and plans to literally own the market in China," said Mr. Speigel, who attended the event along with 400 senior executives from the operations side of companies that included Disney, Universal, SeaWorld and Six Flags.

By the time Wanda's theme park in Harbin opened two weeks later, a deal to sell the parks to Sunac had been made, the Wanda executive said.

Under the deal announced July 10 and revised Wednesday, Wanda will sell a 91% stake in four existing and nine planned theme parks and tourism projects to Sunac. Wanda, which disclosed \$6.7 billion in debt on the parks, will continue to operate them under its brand.

Sunac executives didn't respond to requests for comment. The company in a statement last week said Wanda's theme park and tourism projects have potential for real-estate development.

Former Wanda employees say properties are being successfully developed around the theme parks, including apartment buildings and retail space, signaling Sunac's interest is more likely in development than park revenues.

Sunac's statement also suggested it harbored its own Hollywood dreams: "The company will also continue to further discuss and cooperate with Dalian Wanda Commercial Properties in other projects, as well as movies."

Justice Sonia Sotomayor, who took over in 2009, often clashes with Justice Alito on major issues before the court. Coffee proved no exception.

"I thought it was horrible," she says. She sought to overturn Justice Alito's decision, but a taste test among diners sustained his coffee judgment. "It stayed," she says.

That was but one frustration of her tenure. To confront chronic service delays, she proposed enlarging the kitchen. The idea went nowhere. "Everybody in the building is deferential to a justice," she said. "They never say no, but they explain why it can't be done."

More heartburn came in 2010, when the Washington Post ran a series reviewing government cafeterias. The House of Representatives came in first, with a grade of A.

The Patent and Trademark Office, the Pentagon and the State Department each got a C, while the Agriculture Department and the National Institutes of Health barely passed with D's.

Then came the Supreme Court. "This food should be unconstitutional," the paper said, citing a "falling-apart mushy" veggie burger and a salmon rice bowl that "bears no resemblance to any salmon I've tasted before." Grade: F.

"I got a note from the chief justice the next day," Justice Sotomayor says. "It said: 'You're fired.'"



JESS BRAVIN/THE WALL STREET JOURNAL

Toppings for frozen yogurt at the Supreme Court cafeteria. Justice Kagan helped get the machine.

says. "After 11 years, I left that challenge to my successors."

When President Ronald Reagan appointed the first woman to the court, Justice Sandra Day O'Connor, in 1981, Chief Justice Warren Burger responded by assigning her to the cafeteria committee.

Each junior justice since has been stuck with the chore, serving alongside a half-dozen rank-and-file court employees to discuss menu items, set prices and air customer complaints.

Unlike the Supreme Court itself, which meets a floor above, the cafeteria committee

operates by consensus, with nary a dissent noted, former members say. In an otherwise hierarchical institution, it represents an oasis of egalitarianism. "We're all equal when we're having lunch," says Justice Samuel Alito, who served from 2006 to 2009.

"I thought it was pretty good, under my supervision," Justice Alito says of the cafeteria. Official records confirm the committee received "compliments on the shrimp bisque soup and the hummus and broccoli."

Still, the Alito years also saw disaffection over slow ser-

vice and unhappiness about the removal of pudding parfait. Fellow justices piled on, Justice Alito recalls. One complained there was too much salt in the oatmeal, another said the turkey wrap needed more mayonnaise. He declined to identify the justices involved, invoking the court's little-known "cafeteria privilege."

The biggest source of indigestion in those days was the coffee, records say. Justice Alito says he tackled that problem by finding a new vendor. There were "many compliments on the delicious new coffee," he says.

As of July 2017, the Supreme Court cafeteria has a new look and a new name: the Justice Kagan Cafeteria.

# GREATER NEW YORK

## City Farmers Seek Firmer Ground

Growers puzzle over rules for the industry, but new bill in council aims to provide clarity

BY THOMAS MACMILLAN

When Robert Laing was setting up his indoor herb-growing business in Manhattan last year, it took months to find someone willing to insure his tiny hydroponic operation.

"You say, 'I'm a farm,' and they put you over to their farming division and they say, 'How many acres do you have?' and you say, '300 square feet,'" Mr. Laing said.

New York City has the largest urban agriculture system in the country, including community and rooftop gardens and greenhouses, as well as "vertical farms" like Mr. Laing's company, Farm. One, which cultivates microgreens in windowless rooms aglow with LED lights. But a recent report by the Brooklyn Law School finds new growers are sometimes stymied by confusion over where they fit into city regulations.

A new bill in the New York City Council aims to change that. The measure, introduced Thursday by Councilman Rafael Espinal and Brooklyn Borough President Eric Adams, and assigned to the Land Use Committee, calls for a comprehensive urban agriculture plan



Robert Laing, right, at his 300-square-foot Manhattan farm, which sells herbs to local restaurants.

with updated zoning and building codes and possibly an office of urban agriculture.

"We're not talking about our mom and dad growing tomatoes in the backyard," Mr. Adams said. "We're talking about the potential of having major farming on rooftops to deal with food deserts....This is the wave of the future."

New York City has 14,000 acres of unused rooftop space that could feed millions of people if converted to gardens, said Mr. Adams. But rooftop gardens are allowed only in nonresidential areas, and there are restrictions on where pro-

duce can be sold, he said.

Current zoning codes only mention the word "agriculture" a handful of times and are essentially silent on hydroponic operations, according to the Brooklyn Law School report.

Mr. Espinal said a comprehensive food plan could lift restrictions, clarify regulations, and coordinate city efforts to encourage agriculture. It would create jobs, improve access to fresh food and help fight climate change by reducing carbon footprints associated with food transport, he said. "It would be a win, win,

win across the board for the entire city."

Critics of urban farming point to higher prices associated with small-scale growing and energy-consuming hydroponic cultivation.

Mr. Laing, who supplies rare herbs to Michelin-starred restaurants in the city, said a better legal framework in the city would have helped him get insurance, by providing an official point of reference for confused insurers.

Clearer regulations would also help growers attract investors, said John Rudikoff, head of the Center for Urban

Business Entrepreneurship at Brooklyn Law School. "Venture capital and investment banking are going to remain on the sidelines because there's no municipal assurance that these uses they might be investing in are permitted," he said.

Mr. Rudikoff pointed to nearby Newark, which revamped its zoning code to include specific language on urban agriculture and is now home to AeroFarms, one of the country's biggest indoor farming operations.

"There's a barrier to entry here," said Jason Green, co-founder of Edenworks, a Bushwick aquaponic company that raised \$3 million in outside investment in the past two years. He said his company has had a difficult time sorting through the various incentive programs available.

Paul Lightfoot, chief executive of greenhouse farm company BrightFarms, said he has looked into setting up shop in cities like New York, Chicago and Washington. "It is devilishly difficult and expensive and slow," he said.

Mr. Lightfoot said a new comprehensive plan in New York City isn't likely to attract large-scale growers like BrightFarms, but it is still a good way to encourage smaller businesses that can supply to restaurants. "Brooklyn is filled with artisanal everything and this is going to be that sort of stuff," he said.



Ruben Wills in 2013.

## Council Member Guilty of Corruption

BY MARA GAY

New York City Councilman Ruben Wills was convicted of public corruption charges on Thursday in Queens County Supreme Court.

Mr. Wills, a Queens Democrat, used a charity to steal about \$30,000 in city campaign matching funds and state grant money for personal expenses.

A jury found him guilty of one count of a scheme to defraud, two counts of grand larceny in the third degree and two counts of filing a false instrument in the first degree. He was acquitted of filing false business records.

Mr. Wills immediately was

'Ruben Wills stole taxpayer dollars to buy fancy purses and clothes,' state says.

stripped of his seat on the 51-member body upon conviction.

"Ruben Wills' crimes were a shameful violation of the public trust," New York State Attorney General Eric Schneiderman said in a statement. "Ruben Wills stole taxpayer dollars to buy fancy purses and clothes for himself and his friends. New Yorkers deserved better."

Kevin O'Donnell, an attorney for Mr. Wills, called the verdict, "devastating." He said Mr. Wills planned to appeal. "We are doing that right away," he said.

Mr. Wills funneled thousands of dollars through a shell company and later, using a relative, to NY 4 Life, a charity he controlled, prosecutors said. His purchases included a \$750 Louis Vuitton handbag, they said.

Mr. Wills could receive up to seven years in prison when sentenced on Aug. 10.

City Council Speaker Melissa Mark-Viverito said Mr. Wills, who has served since 2010, is unfit for office.

"Ruben Wills betrayed the trust of all New Yorkers when he abused his position in the state senate to steal thousands of dollars from the hardworking taxpayers of New York for his own selfish gain," she said in an emailed statement.

## Seeking Relief at Coney Island as Temperatures Hit 94 in Central Park



New York's Central Park topped out at 94 degrees on Thursday to tie with June 13 as the hottest day of 2017, according to the National Weather Service. A heat advisory was in effect

for most of the region Thursday, with New York Gov. Andrew Cuomo extending hours at the state's pools, beaches and parks through Friday as a way to encourage people to stay cool.

ConEd reported heavy usage for the day, with a peak load of 12,204 megawatts at 3 p.m., shy of an all-time high set on July 19, 2013.

July temperatures are 1.4 de-

gress above normal for the month, but overall temperatures so far don't put this July into contention for the hottest on record, a spokeswoman for the weather service said.

More steamy weather is on tap, with temperatures expected to hit the 90s again Friday. Forecasters warned that high humidity could stick around into next week.

—Melanie Grayce West

## Buffalo Joint Wings Its Way to NYC

BY CHARLES PASSY

New York City could finally be getting a true taste of Buffalo—the city, that is.

Anchor Bar, the Buffalo, N.Y., dining and drinking spot that claims to have created the Buffalo wing, is close to finalizing a deal to open its first location in the Big Apple, said Mark Dempsey, a vice president with the company.

The 4,000-square-foot, 200-seat restaurant is slated to open in Midtown Manhattan at 327 West 57th St. in the coming months, Mr. Dempsey said. The restaurant would be run by franchisee, Carlos Rosario, and startup costs would be about \$500,000, he said.

The move into New York City, Mr. Dempsey said, is a proud moment for Anchor Bar, which opened its flagship location in Buffalo in 1935. "We're very excited," he said.

DNAinfo, a local news site, earlier reported the company's plan.

In recent years, the company has opened restaurants in other upstate New York locations, in addition to cities ranging from Richmond, Va., to San Antonio.

As for Anchor Bar's Buffalo wings, they were something of a happy accident, Mr. Dempsey said. When patrons visited the original location one night in 1964 and asked

for something different to eat,

proprietor Teressa Bellissimo

came upon some chicken

wings and fried and flavored

them with hot sauce.

And so, a legendary—and

savory—dish was born.

Anchor Bar may claim to be

the first name in Buffalo

wings, but it now competes in

a crowded field. New York City

already has eight locations of

Buffalo Wild Wings, a national chain. Countless independent restaurants also serve the wings in numerous varieties.

Moreover, there is growing interest in Korean-style wings, which some fowl enthusiasts say have a more appealing texture because they are double-fried for extra crunchiness.

"Once you eat Korean

wings, you can't go back to the

Buffalo wing," said Mihae Cho,

owner of Roosterspin, a New

Jersey restaurant with two lo-

cations that specializes in the

dish. Ms. Cho said she plans to

open more locations in the

coming years to meet demand.

Still, Anchor does have a

"good back story," said Mi-

ichael Whiteman, president of

Baum + Whiteman, a New

York-based restaurant-consult-

ing firm. And given the popu-

larity of wings, once a throw-

away part of the chicken, the

competition issue might be

moot. "There's generally room

for one more of everything,"

Mr. Whiteman noted.

Students Toss Textbooks For Free Online Materials

BY LESLIE BRODY

ery student has been forced to buy an "insanely expensive textbook" at some point. One organic chemistry tome, for example, costs \$364.

While supporters of free materials say they give teachers more leeway to be creative, skeptics caution that resources lack quality or coherence, and adapting them can be time-consuming.

At CUNY, where almost half of the student body comes from households earning less than \$20,000, officials said the cost of a student's books can total as much as \$1,200 a year. The officials said faculty mem-

bers were converting 350 popular courses to free digital materials for the fall and were being trained on their use. These re-

sources will be shared publicly.

The infusion of funding for this project is "a real shot in the arm for efforts to make college attendance even more affordable," said CUNY Chancellor James Milliken.



Anchor Bar claims to have invented Buffalo wings in 1964.

DON HEUPEL/ASSOCIATED PRESS

## GREATER NEW YORK



Dave Ortiz, one of the New York partners of a vodka distillery, pictured on the roof of the operation.

## Distillery Taps Manhattan

By MICHAEL ROVNER

One of the biggest liquor companies in the world plans to begin distilling vodka in Manhattan in October.

OUR/Vodka, a unit of Pernod Ricard, is building a distillery in Chelsea that will sell a wheat-based vodka.

There are 21 distilleries currently operating in New York City, with 18 in Brooklyn, two in the Bronx, and one in Queens, according to the New York State Liquor Authority. OUR/Vodka's OUR/New York operation would be the only one in Manhattan.

The majority of ingredients will be sourced from New York state farms, the New York partners said. That will allow the business to operate lawfully with a farm distillery license, which requires 75% of ingredients to be sourced from the state.

License holders are allowed to distill up to 75,000 gallons of spirits a year, host on-site tastings, sell at farmers markets, and open off-site locations.

OUR/Vodka has spent years arranging everything, including signing up a couple of New York entrepreneurs to run the distillery. The saga began in October 2013, when the phone rang at Dave's Wear House, a skate shop on Baxter Street in lower Manhattan. The caller identified himself as a talent scout for a spirits company.

"We thought the guy wanted us to design a T-shirt. Maybe we'd get a few free

bottles," said Kevin Carney, 47 years old, co-owner of the Skate Shop, along with Dave Ortiz, 47, a former graffiti artist.

The scout visited their shop the following day and introduced himself as Thurman Wise, but he didn't reveal that he was working on behalf of OUR/Vodka. Mr. Carney suggested he hire them to throw a party. Mr. Wise, 32, agreed to consider it and offered that maybe they could also run the distillery.

"Our friends are really into elaborate practical jokes and this guy had hair down to his shoulders. His arms, hands and neck are covered in tat-

21

Number of distilleries operating in New York City

toos. He wore patent leather loafers with no socks. We thought we were getting punked, but we went with it," said Mr. Ortiz.

Mr. Wise said his employers were visiting from Sweden the following day and told Messrs. Carney and Ortiz they would meet Åsa Caap, chief executive of OUR/Vodka. At the time, the company's vodka was being distilled and sold locally in Berlin. It has since rolled out to London, Amsterdam, Los Angeles and Detroit.

"I was told to recruit guys to open and run a distillery in New York City and they'd get

a piece of the business, but they needed to be authentic New Yorkers and creative problem solvers who were literally willing to carry 36 cases of vodka," Mr. Wise said.

Mr. Wise said he had a tough time locating operators for the new distillery. At the outset, the project was so scrappy that he was using a Gmail account, and his emails were being ignored. In New York alone, 10 to 12 people failed to reply to him before he found Messrs. Ortiz and Carney.

When the two entrepreneurs met with Ms. Caap in 2013, there was one final hurdle to be overcome. "I was nervous to tell them I don't drink," said Mr. Ortiz. He added, "They came right back with 'We love your honesty. That's so New York!'"

The pair went to work scouting locations with Mr. Wise in January 2014, and closed the skate shop the following year.

Pernod-Ricard invested well over \$2 million to open the 2,386-square-feet distillery/bar with a 2,697-square-foot basement on 26th Street in Chelsea, according to Mr. Ortiz.

Pernod-Ricard has committed to covering operating expenses over the next three years when the distillery is expected to begin turning a profit. It expects to sell 3,000 9-liter cases in the first year.

OUR/New York's 375-milliliter bottles will be sold across New York state in liquor stores, bars, and duty-free shops.

## GREATER NEW YORK WATCH

### EDUCATION

#### Free-College Program Has 75,000 Applicants

About 75,000 people have applied for New York state's new tuition-free college program, officials said Thursday, a day before the Friday deadline.

After other student aid has been applied, an Excelsior Scholarship covers the balance of state college or university tuition for full-time, in-state students from families earning \$100,000 or less.

After graduation, students must remain in New York for as many years as they received the benefit. If not, they would have to repay the money.

—Associated Press

### CRIME

#### Teacher Gets 7 Years For Child Pornography

A former Bronx high-school teacher who pleaded guilty to receiving child pornography was sentenced Thursday to seven years in prison.

He paid at least five victims in different states to send him sexually explicit pictures while he was a teacher and debate coach at Bronx High School for Science, authorities said.

The 34-year-old Manhattan resident carried out the crimes on a school computer, prosecutors said.

—Associated Press

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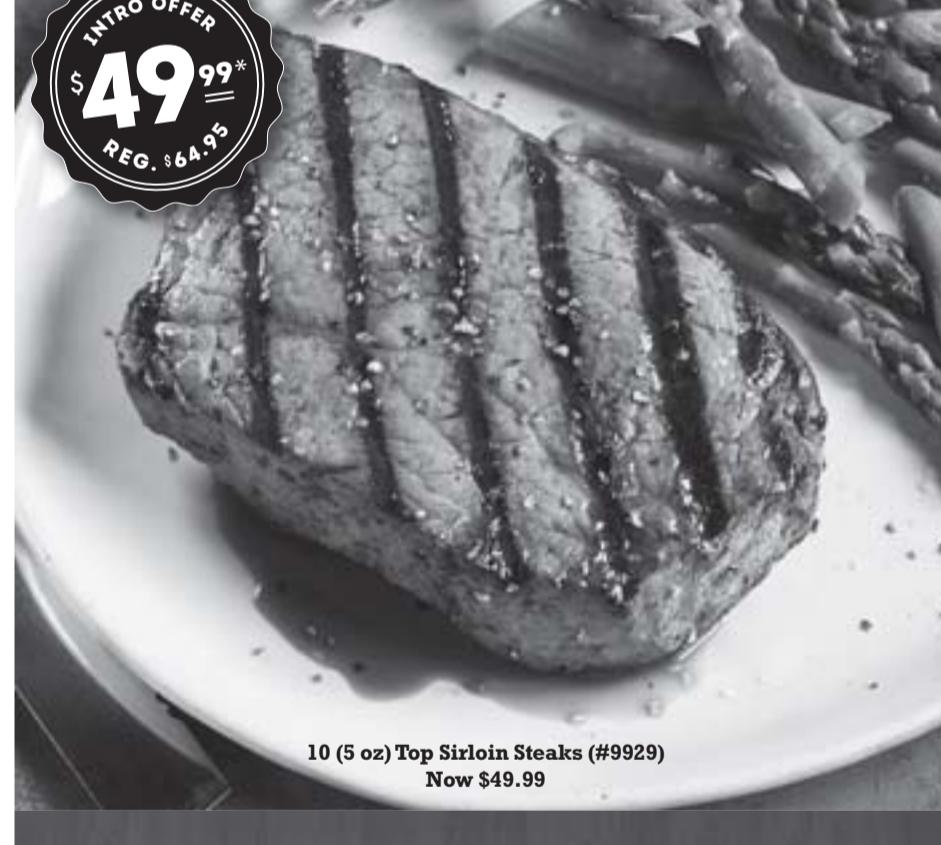
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# LIFE & ARTS

Cara Delevingne, right, and Dane DeHaan, below, in Luc Besson's sci-fi spectacle



FILM REVIEW | By Joe Morgenstern

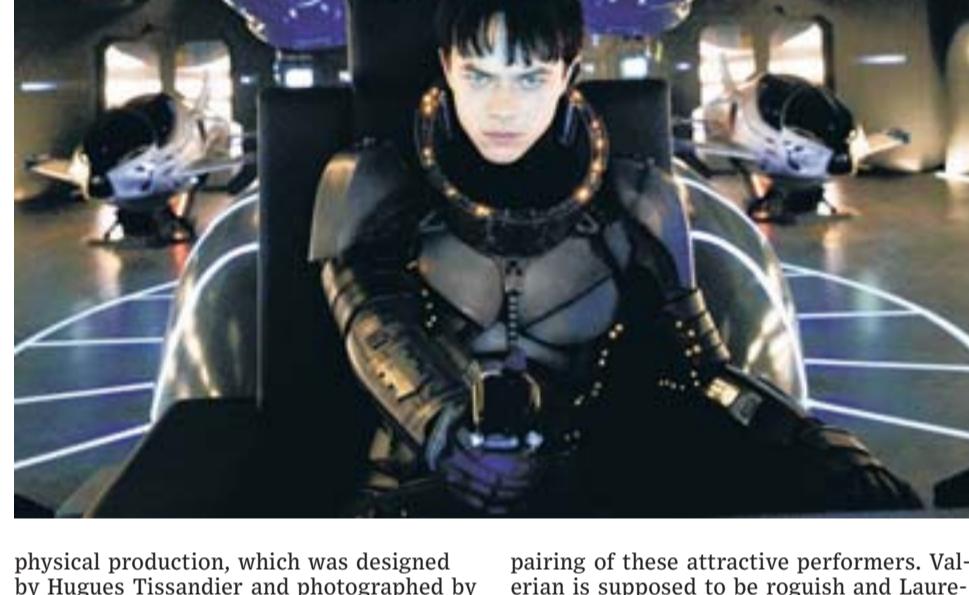
## For Our Eyes Only

**LUC BESSON'S** "Valerian and the City of a Thousand Planets" takes us beyond binge watching into the realm of binge seeing. A single showing of the film can induce intoxication from a surfeit of gorgeous images. Outlandish creatures fill the screen, shifting shapes as they go. An aurora shimmers in the daytime sky of an alien world. Exotic settings materialize in a delirium of decoration. Too-muchness is an aesthetic principle in this sci-fi spectacle, based on a French comic-book series launched in the 1960s, and that's part of the eye-numbing fun. But the two young crime fighters at the center of the story, Maj. Valerian (Dane DeHaan) and his partner, Sgt. Laureline (Cara Delevingne), are no fun at all. Seldom has such a glittering wagon been

hitched to such dull stars.

The plot, set in the 28th century, concerns a mysterious radioactive force that threatens the existence of an extragalactic metropolis called Alpha. The cast includes Herbie Hancock—yes, that Herbie Hancock—as the Minister of Defense; Clive Owen as Arun Filitt, an Alpha commander; Ethan Hawke as Jolly, a grotesque pimp; and Rihanna, who makes a stunning spectacle of herself as a shape-shifting dancer named Bubble.

In the interest of full disclosure, I didn't see "Valerian" under ideal circumstances. The 3-D system went out of whack before my screening, so the film was shown in 2-D. Maybe that extra dimension would have enhanced the acting along with the



physical production, which was designed by Hugues Tissandier and photographed by the superb Thierry Arbogast. (Alexandre Desplat wrote the elegant score.) I doubt it, though. Technology can't generate verve—at least not yet—or the sort of chemistry that's entirely absent in the

pairing of these attractive performers. Valerian is supposed to be roguish and Laureline is supposed to be spunky, but as I watched them my thoughts drifted back four decades to the silliness of "Bugsy Malone" and fusillades of custard from splurge guns.

FROM TOP: STX ENTERTAINMENT/EUROPACORP; LOU FAULIN



Kurt Rhoads and Sean McNall in Moritz von Stuelpnagel's production of 'Twelfth Night'

THEATER REVIEW | By Terry Teachout

## SILLY SUCCOR FOR MODERN MALAISE

Garrison, N.Y.

**WITH TWO** Broadway successes, "Hand to God" and "Present Laughter," under his belt, Moritz von Stuelpnagel is now looking like the most talented director of stage comedy to come along since John Rando. So it's happy news that he's upped his personal ante by staging "Twelfth Night" for the Hudson Valley Shakespeare Festival. It is, after all, a big leap from Noël Coward to Shakespearean comedy, one that many similarly talented directors never attempt. Funny though "Twelfth Night" is, most of the laughs don't come of their own accord: They need careful, knowing tending in order to explode on schedule. But Mr. Von Stuelpnagel knows his comic stuff, and he's given us a show that's every bit as enjoyable as its predecessors.

Unlike most modern-day Shakespeare directors, Mr. Von Stuelpnagel has chosen not to overlay his "Twelfth Night" with a high concept: It's a colorfully stylized semi-modern-dress staging, but otherwise the show keeps to the center of the theatrical road. The cast is mostly young, and the actors themselves perform Palmer Heffernan's incidental music in a cheerfully rough-and-ready manner. The results are as festive as their setting, a huge tent pitched on the great lawn of the Boscobel House and Gardens, a handsomely restored 1808 estate situated on a wooded bluff perched high above the Hudson River. Even when the

weather is less than inviting, I can't think of a prettier place to see an outdoor show.

Hudson Valley always has fine clowns on tap, and Kurt Rhoads and Sean McNall, who play Toby Belch and Andrew Aguecheek, set the tone for the show, with the emphasis placed squarely on broad, bawdy comedy. (Without getting too graphic for the readers of a family paper, suffice it to say that Sir Toby appears to be suffering from a fairly severe case of prostate trouble.) Anyone seeking temporary respite from the rigors of the present moment will find it in abundance here.

The only thing missing is the hard nub of dramatic seriousness that issues from the climactic humiliation of Malvolio. Stephen Paul Johnson, dressed in the pompous manner of an 18th-century lawyer, is a bit too quick to shift into full-tilt comic mode when he receives the forged letter intended to fool him into thinking that Olivia (Krystle Lucas), his employer, has fallen in love with him. It strikes me that Mr. Von Stuelpnagel has in this case erred on the side of broadness, in much the same way that he erred by treating Roland Maule as a figure of too-obvious buffoonery in his production of "Present Laughter." Malvolio is a grotesque, not a clown, and "Twelfth Night," at least for me, works best when he's played perfectly, even rigidly straight, succumbing to

Please see THEATER page A13

### TELEVISION REVIEW

By John Anderson

## Unvarnished Stories Of the Lost

**FROM JACK THE RIPPER** on down through the dank, dismal history of serial murder, the perpetrators always seem to have their macabre signatures and twisted proclivities while their victims seem sadly the same: anonymous members of an underclass; underprivileged people who'll go largely unmissed. Ordinarily, the dead are women murdered by men. Often enough, they're prostitutes. (Aileen Wuornos, a notable exception to the gender rule, was a prostitute.) In our time, the still-at-large Gilgo Beach Killer may have left as many as 17 women dead on Long Island. Who besides their mothers can name one?

It's a credit to "Gone: The Forgotten Women of Ohio," directed by the Emmy-winning, Oscar-nominated Joe Berlinger, that the women of the title are afforded actual identities. They are memorable, in their way—unseen characters in the drama despite the unfortunate commonalities that link them all together. One can hope that all those interconnecting facts will lead to a solution over the next eight weeks, though after watching the first three episodes—each of which was more intense than the last—this viewer wasn't even clear that a serial killer is at work. Not a human one, at any rate: "The real killer here," says public health nurse Lisa Roberts, "is probably opiates."

One suspects Mr. Berlinger knew as much. A key figure in the documentary renaissance of the 1990s, the New York-based director spent the better part of two decades with filmmaking partner Bruce Sinofsky on the "Paradise Lost" trilogy, which helped resolve the scandalous and allegedly "satanic" West Memphis Three murder case in evangelical Arkansas. (Mr. Sinofsky died in 2015.) In many ways, "Gone" provides him familiar territory: Chillicothe is referred to as "quintessential small-town America," and maybe it



Ruth Sayre, Angela Clemente, Joe Berlinger, Steve Bongardt and Connie Sayre

throw herself off a bridge into freezing water at the end of December? (Especially, she implies, when there are so many drugs around to make the task more pleasant.) One victim is shot; several are discovered in water. But as the team admits to itself, nothing suggests the profile of a psychopath. When the news hits that a real serial murderer, Neal Falls, has been shot and killed by a woman he's attacked in nearby West Virginia, his methodology is examined, and what's made clear to the viewer is that the Chillicothe events are somewhere outside the criminology textbooks.

It is perhaps predictable that the families of the victims would complain of police incompetence and worse, but there are also signs that the efforts of the various investigators have lacked a certain, shall we say, urgency. "I can't know everything," says

Please see GONE page A13



# SPORTS

## GOLF

### OPEN MIGHT GET WET AND WILD

BY MATTHEW FUTTERMAN

SOUTHPORT, England—Few ever remember the opening round of a golf tournament, especially an event as supposedly august as the British Open. Here, the changeable weather has a way of wiping out any opening day histrionics. Just two winners of the Claret Jug the past 40 years have led wire-to-wire.

It was tempting, however, to glance at the leaderboard on Thursday, especially if you like seeing Americans leading Great Britain's championship, as Jordan Spieth, Brooks Koepka and Matt Kuchar, put up five-under 65s to set the pace.

Spieth had a bit of wild ride around Birkdale, hitting only five of 14 fairways but getting to all but three greens in regulation, and on one of those misses he was right on the fringe. He stayed relaxed and positive throughout, far more so than early in his recent majors. Coming to an errant tee shot on the wrong side of the ropes on 16, he asked the crowd, "Did I hit anyone or are we good?"

Spieth said he has been eating better, aside from the occasional burger and beer, and he has been a little more focused on his fitness work at the gym. Swimmer Michael Phelps has become a friend of late and given him advice on competing.

Will it matter? Friday afternoon's projected storm may have more to say about Spieth's destiny than Phelps's words of wisdom. Spieth tees off at 2:48 p.m.

Koepka, playing in his first competition since winning last month's U.S. Open, holed out from a green-side bunker on 17 for an eagle to draw even with Spieth. Koepka won the U.S. Open on June 18. He didn't play another practice round of golf until after July 4, and that was it before he got to Royal Birkdale. "It's more mental with me, being mentally re-charged," he said.

With the wind dying and the sun shining in the afternoon, Kuchar seared the front nine, going out in 29 to get to 5-under.



Jordan Spieth



JEAN-PAUL PEUSSIER/REUTERS

A French policeman walks near team cars as part of security measures during the Tour de France.

## TOUR DE FRANCE

### A Chain Won't Keep These Bikes Safe

For pro cycling teams, robberies are one of the biggest—and most expensive—risks in the sport

BY JOSHUA ROBINSON

*Laissac-Sévérac-l'Église, France*

**EVERY MECHANIC** at the Tour de France has the same recurring nightmare. They wake up before a stage, head to the hotel parking lot and find the team truck completely devoid of bicycles.

Occasionally, the nightmare comes true. For professional teams that spend more than 200 days a year on the road, from Argentina to Japan to the Tour de France, robberies are one of the biggest—and most expensive—risks in the sport.

"There are a few times a year that it happens," said Tristan Hoffman, a director with the Bahrain-Merida team that had a set of bikes pilfered in June. "Everything you need for the race is in [the truck] and that's expensive stuff."

If you ever worry that you forgot to lock the front wheel while chaining up your commuter bike, try fretting over a whole team's complement of high-end road machines, all locked in a brightly branded truck outside a motel. (Cycling teams often stay in motels, because they require so much room for all their vehicles.)

"If three, four teams are staying there, it's not hundreds of thousands, but millions of euros in one parking [lot]," said Arne Houtekier, an official with the Belgian Lotto-Soudal team.

In the past season alone, at least

two professional teams were burgled at races in the Netherlands and two more suffered attempted break-ins.

So, this July, the Tour de France is taking no chances. Its status as the highest-profile bike race on the planet, combined with the broader security threat in France these days, prompted the Tour to assign a security guard to patrol every parking lot at every team hotel, all night, for three weeks.

Veteran sporting directors said they had never seen that at any Grand Tour.

Each team travels to the Tour with, at minimum, a bus decked out with lounge seats and a shower to transport the riders; a fleet of team cars; moving vans; and a kitchen. Multiply that by 22 teams and you begin to appreciate the size of the Tour's traveling circus. All told, race officials said they accredited 660 vehicles for the teams alone.

But none carry more precious cargo than each team's mechanics' truck, which serves as a rolling, pop-up workshop. Lotto-Soudal said it hauled 45 bikes to the Tour for its nine-man team, plus that many sets of spare tires and enough extra parts to service all of them.

After more than a century of pro cycling history, the best precaution teams can take to keep it all safe is primitive: locking the truck and parking another team car across the back to block the door.

"You just park them as close to-

gether as possible," Cannondale-Drapac coach Andreas Klier said.

The method isn't flawless. And when it fails, the result is instant chaos.

"You need to restore the stuff, you need to find new bikes. And then the mechanics have to build the new bikes. It's a lot of extra work," Hoffman said.

And if it wasn't possible to ship in a load of new bikes? "I would call all the other teams and use bikes from them," he said. "What can you do? Otherwise you stop."

Team Sky, despite being the richest outfit in the sport, was prepared to do just that in early 2014 when thieves made off with 16 of Sky's Pinarello bikes at the Tour du Haut Var in France. Only two were left behind for the eight-man team. "We presume they only left those because they'd run out of space in whatever transport they were using," one Sky coach said at the time.

Not all thieves require elaborate truck heists. Plenty of professional bicycles are lifted just like the ones parked on a city street in crimes of opportunity.

Lotto-Soudal mechanic Yannick Verstraete remembered one bold thief making off with one of the team's bikes right before the start of the Milan-San Remo race five or six years ago when the rider wasn't looking.

Still, that wasn't as brazen as the apparent attempted theft of

then-Cannondale-Garmin rider Ben King's bicycle during the 2015 Vuelta a Espana. King was looking for his missing bike computer after a crash when a shirtless spectator with a cigarette in his mouth popped out of the crowd and tried to get in the saddle.

"Don't know if he was 'helping' or taking off as I was searching people for my stolen Garmin [computer]," King wrote on Twitter. "What a cluster!"

As for what happens to stolen professional-caliber bikes, it turns out the market is somewhat limited. Which came as a relief to the Polish team CCC Sprandi Polkowice when all of their bikes and spare wheels disappeared ahead of the Amstel Gold Race in the Netherlands last April. CCC immediately had its base back home dispatch a new set of bikes, but before they arrived, the original race rigs reappeared.

"Easter miracle!" the team tweeted less than 24 hours after the robbery. "The stolen bikes were found in an abandoned car! We beat the burglars!"

At the Tour, directors are hoping they won't need such luck. Creative parking jobs and the odd security guard mean they can sleep easier than usual.

"It will maybe not change the world," Hoffman said, "but it's a good feeling that he keeps an eye on our vehicles."

TENNIS | By Jason Gay

### WE NEED TO RELAX LIKE ROGER FEDERER

Folks, I have some news: I've decided to mail it in for the rest of the summer.

I know what you're thinking: *Buddy, you're a newspaper columnist. Isn't mailing it in basically the job?*

And it's a fair point. But this isn't one of those lazy, feet-on-desk, all-day-on-Facebook, margaritas-before-noon type of at-work holidays, though those are super fun.

This is a very wise, targeted, strategic form of rest. Greatness rest. Championship rest.

Federer rest.

This past Sunday, Roger Federer won his eighth Wimbledon men's singles title—his first in five years. Weeks away from turning a sports-ancient 36, the Swiss legend is playing some of the best tennis of his life, and a big reason appears to be rest. As the Journal's Matthew Futterman has elaborated upon, an injured and exhausted Federer took six months off at the end of 2016, only to show up this January in Melbourne fresh as a daisy, and win the Australian Open. Then Federer turned right around after Oz and skipped the entire clay court season and the French Open—but returned for Wimbledon and rolled to another Slam title.

"I've got to take more time off,"

Federer said when it was done. "I'll be gone again for the next six months if it keeps working out this [fantastically] when I come back."

The sports science appears increasingly clear: rest may be nature's finest performance-enhancing drug, restorative both physically and mentally. Smart teams are routinely resting key players in the NBA. (The influential San Antonio Spurs basically double as a Canyon Ranch during the regular season.) You can't tell me a four-game suspension to begin 2016 wasn't a reason a 39-year-old Tom Brady looked so sharp in February's Super Bowl. Cycling giant Kristin Armstrong has full on stopped and retired twice, only to turn around and win Olympic gold medals, her most recent last year at 42.

Sports are catching up to what workplace productivity experts have known for ages: time off is good for everybody. Rested employees are consistently better employees, with higher performances and morale.

Non-rested employees are...a grumpy disaster waiting to happen.

"Americans seem to believe that logging more hours leads to increased output, but respite deprivation can actually increase mistakes and workplace animosity," then-University of Michigan nursing school Dean Kathleen Potempa wrote in

Roger Federer takes a break during a training session at Wimbledon.



PETER KLAUNZER/EUROPEAN PRESSPHOTO AGENCY

the Journal a couple of years back.

Yes, everyone in the office kind of hates the guy who can't stop talking about his three-month sea kayaking sabbatical. But it's far worse to be the sourpuss who won't take any vacation time and diddles away the week complaining about the air conditioning and his sandwich.

It's obvious to the point of cliché: It's not the quantity of work that matters, it's the quality. This is what Federer has seized upon during what should be the end of his career. He realized: *I want to win more Wimbledons. I don't really need to schlep to another Madrid Open.*

Federer, of course, is a globally

enviable figure whom most of us will never compete with athletically, financially or stylistically. He possesses a superhuman level of grace and elegance. He basically plays tennis in a dinner jacket. It's like someone merged Rod Laver with James Bond.

I'll never resemble Federer on the court. I play and look like someone merged a walrus with a beanbag chair.

But I think I can rest like Federer.

And so can you, my friends. I want you to go into the boss's office tomorrow, and let him or her know: You're taking some time off. You need to recharge. You

need to Federer it.

**YOU:** Hey, I'm taking the rest of July and all of August off. I need to find my Federer.

**BOSS:** What? Did you drink at lunch?

If the boss is smart, the company will let you shut it down immediately. It's good for you, and it's good for them. If they don't, have your boss email me at jason.gay@wsj.com. I'll write them a note and explain the situation.

I'll see you at the beach, and remember: We're not taking time off. We're *strategically resting*. You and I are just like Roger Federer. Now pass the margaritas.

# OPINION

## Our Self-Interested Senators



Senate Majority Leader Mitch McConnell at this point has busted pretty much every move in his effort to rally 50 votes for an ObamaCare replacement.

He's listened. He's negotiated. He's encouraged. He's cajoled. Lather. Rinse. Repeat.

Months later, still lacking a majority, the time has come for the Kentucky Republican to execute the final, clarifying move. It's time for Mr. McConnell to make this all about his self-interested members.

Up to now, this exercise has been about trying to improve health care and the federal fisc. The House bill isn't perfect—no bill ever is—but it amounts to the biggest entitlement reform in history. It repeals crushing taxes. It dramatically cuts spending. And it begins the process of stabilizing the individual health-care market and expanding consumer freedom.

None of this is good enough for a handful of senators, so now it's time to make this exercise all about them. Mr. McConnell should make clear that the overwhelming majority of the Republican Party stands ready to make good on its repeal-and-replace campaign promise—and that it would have done so already were it not for a cynical or egotistic few. It's time for some very public accountability.

Nearly every Senate Republican is on record having voted to repeal ObamaCare—back when they knew that President Obama's veto made the vote consequence-free. And to be crystal clear, any senator who now votes against simply proceeding to debate is doing so for just one reason: To again avoid consequences, to again avoid accountability.

Because the good senators understand just how illuminating those votes would be.

That rests in Mr. McConnell giving his caucus a drop-dead date to broker a compromise, after which he will proceed to bring up the House bill. And any Republican who votes against moving forward, "a motion to proceed," will forever be known as the Republican who saved ObamaCare.

The Republican who voted to throw billions more taxpayer dollars at failing entitlement programs and collapsing insurance markets. The Republican who abandoned struggling American families. The Republican who voted against a tax cut and spending reductions. The Republican who made Chuck Schumer's year.

And that's only a short list of the real-world accountability. That vote might also provide home-state voters a new, eye-opening means to account for the character of their senators. Few things drive conservative voters battier than phony politicians, those who say one thing and do another to avoid hard choices.

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They'd see Alaska's Lisa Murkowski cynically vote against the very same repeal-only amendment she supported in 2015, back when it didn't matter. They'd see South Carolina's Lindsey Graham and Louisiana's Bill Cassidy cast the only two votes for a bill they've been pushing—and confusing everyone with—for weeks.

Mr. McConnell can meanwhile count on a great deal of

Under the Senate reconciliation process, anyone can offer endless amendments—with roll-call votes.

Voters would be able to see just how gigantic a Medicaid payoff Ohio's Rob Portman, Nevada's Dean Heller and West Virginia's Shelley Moore Capito are demanding for their support. They'd watch supposed conservatives such as Tennessee's Bob Corker

help in this accountability effort. Conservative grass-roots groups have tried to play a constructive role throughout this debate, but they have had it with Senate egos. They're mobilizing to name names. The chairman of the Faith and Freedom Coalition, Ralph Reed, sent a letter to every senator on Thursday, explaining that his group would be watching the voting and documenting any "no" votes on "tens of millions of congressional scorecards and voter guides to be distributed in 117,000 churches nationwide in 2018."

A flood of other conservative outfits—the Club for Growth, FreedomWorks, Tea Party Patriots—are launching websites and Twitter campaigns to highlight holdouts. Some groups are planning primary challenges against those who refuse to debate a bill. The Murkowskis of the world may be hoping nobody will remember by the time they're up for re-election, but they shouldn't count on that.

What the Senate leadership most needs to stress these coming days is that senators who claim they can't "support" debating a flawed bill are snowing voters. Don't like the bill? Get it to the floor and offer amendments. But do it in the open. Do it with some accountability.

Maybe, finally under the public glare, Republicans will get their act together.

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

## The Martyrdom of Father Jacques Hamel

**HOUSES OF WORSHIP** Dominique Lebrun, the archbishop of Rouen, France, was attending the Catholic Church's World Youth Day in Poland last July when the news came. One of his priests, 85-year-old Father Jacques Hamel, had been murdered by Islamic State-inspired terrorists while celebrating morning mass on July 26.

Archbishop Lebrun soon received an urgent request from François Hollande, then the French president. Fearful of civil unrest between the nation's Christians and Muslims, Mr. Hollande requested the archbishop speak with him before making any public statements. "What will you say?" the president asked the archbishop. "I am going to pray and ask God to help me love my enemies," he replied.

A few months later, Mr. Hollande admitted the prelate had stunned him: He actually seemed to believe what he was saying, and his tone of forgiveness and reconciliation was crucial after the attack. The following week, Muslims throughout the country were encouraged by Islamic leaders to attend Mass as a show of solidarity with their Catholic neighbors.

The killing moved millions of people, including Pope Francis. In September the pope described Hamel as a martyr. He urged Catholics to ask for the intercession of the late priest so that he "gives us the courage to say the truth: to kill in the name of God is satanic." The Vatican has fast-tracked Hamel's path to sainthood, and Francis has already declared him "blessed," the first step in the canonization process.

In an earlier era, France's leader would not have been so shocked by the archbishop's words of forgiveness. Once thought of as a Catholic country, France, like much of Europe, has abandoned any overt association with its Christian heritage over the past several decades. If Europe's political leaders were somehow able to reclaim the attitude of sacrifice and solidarity embodied by Archbishop Lebrun's statement, it could reshape the way their ailing continent deals with terrorism and the anti-immigrant, populist backlash it produces.

In the aftermath of World War II, when nations throughout Europe were on the verge of collapse, the project of European integration was born to ensure that the war's atrocities could never be repeated.

There was a strong sense that those who had died in the war had sacrificed themselves so that others could live in freedom and prosperity. In the new European project, stronger countries would help weaker ones. They had a moral responsibility.

**After the murder, his archbishop asked God for help loving his enemies. It worked.**

And while the European Union has at times been hostile to religious concerns, it nonetheless has been undergirded by the Catholic doctrine of solidarity. This principle demands shared responsibility and sacrifice in spiritual and physical matters, between nations and peoples, rich and poor. A core commitment to the belief in the dignity of all human beings means that the practice of solidarity isn't one of mere charity, but one of Christian duty.

Speaking to European heads of state this spring, Pope Francis argued that solidarity was the antidote to populism and extremism. "Politics needs this kind of

leadership, which avoids appealing to emotions to gain consent," he argued, adding that the European Union needs "a spirit of solidarity and subsidiarity."

Is it a coincidence that in an era of nationalist populism, the one country that offered a resounding rejection of such principles is the one where an elderly priest was brutally beheaded while offering his daily mass? Could it be that, in this secular European nation, Hamel's martyrdom triggered, unconsciously, an examination of conscience, stirring many French citizens to reconsider the type of future they want to build and the values they want to define them?

In his statement after Hamel's death, Archbishop Lebrun noted that the attack produced three victims: the priest and his two killers. Hamel's brutal end personalized true sacrifice while his attackers' deaths perverted it. Perhaps the witness of this modern martyr will lead to an embrace of this traditional teaching of solidarity, and therein shore up the foundation of a country and a continent.

*Mr. White is the director of Catholic Voices USA.*

## How to Beat the High Cost of Gravity

**By Taylor Dinerman**

**A** lot is going on in outer space. Recently Elon Musk's SpaceX launched three commercial Falcon 9 missions from Florida and California in less than two weeks. One reused a first stage from a previous flight. SpaceX will likely succeed in its aim of launching 20 or so Falcon missions this year, including an unmanned test of the Dragon capsule intended to carry American astronauts back and forth to the International Space Station.

At the same time Jeff Bezos' Blue Origins is continuing to test its New Shepard reusable suborbital tourism rocket. The next stage is the giant New Glenn Reusable Launch vehicle, which would dramatically reduce the cost of getting payloads and people into space.

Messrs. Bezos and Musk are both committed to spreading civilization beyond Earth. Mr. Musk wants to colonize Mars, while Mr. Bezos wants to develop an extraterrestrial economy with asteroid mining and space manufacturing. There are other, poorer entrepreneurs, sometimes called

"new space," dedicated to these goals.

If SpaceX keeps gaining market share and Blue Origins builds and launches its New Glenn rocket, the cost of getting off the ground (literally) will be dramatically reduced, possibly to as little as \$10 a pound to low-Earth orbit. That would make the dreams of both Messrs. Musk and Bezos possible, indeed highly profitable.

**Space is a happening place—from Musk to Bezos to Trump.**

Low-cost access to space also has military implications. For the U.S., it will be easier for the Pentagon to deploy communications, navigation and reconnaissance satellites. This will be especially useful if the Defense Department follows through on evident congressional desire to develop and deploy a comprehensive set of space-based missile-defense sensors to guide America's next generation of interceptor missiles.

Europeans are also interested in reducing the cost of launching. They're working on an Ariane 6 launch vehicle they hope will allow them to regain some of the market share they have lost to SpaceX. China and Russia are developing new rockets no doubt to imitate the American billionaires' success. Aviation Week reports China may be getting serious about developing its own reusable launch vehicles.

Further, China and Russia are reportedly working hard on a variety of antisatellite weapons. The debris from China's 2007 test of a kinetic space weapon is still floating around, a reminder of what the effects of a space war might be.

Cheap access to space will make it easier to put a variety of weapons into orbit—not just missile defense but space-to-Earth weapons. The high military value of space assets makes them obvious targets in any future conflict.

The temptation to believe that arms-control agreements could prevent a so-called arms race in space is strong, but in recent years we've watched while some of the most significant arms-control

agreements have been trashed. In Syria the Chemical Weapons Convention was ignored with minimal consequences. Russia has almost certainly violated the 1987 Intermediate Nuclear Forces agreement and both Iran and North Korea have reaped considerable benefits from departing, informally or formally, from the Non-Proliferation Treaty. Any agreement to control arms in space would be useless.

For good or ill, humanity is expanding into the solar system. Americans should hope for the best, but the future may not be peaceful, on Earth or in space. On June 30 President Trump kept his promise to re-establish the National Space Council, with Vice President Mike Pence as chairman. Its most important job will be to reconcile America's scientific, commercial and military interests in space. If currently pending legislation is enacted, the Space Council will have a role to play in establishing a new branch of the armed forces, the Space Corps.

*Mr. Dinerman writes on space policy and national security.*

**BOOKSHELF** | By John Donvan

## More Hugs Than Most Can Bear

### The Boy Who Loved Too Much

By Jennifer Latson

(Simon & Schuster, 290 pages, \$26)

**S**ometimes writers portraying people with genetic and developmental conditions are tempted to play the "fascination" card, framing individuals' behavior as tantalizingly exotic or charmingly otherworldly. Coverage of autism used to see a lot of this: There were headlines like "The Kids With the Faraway Eyes" (*Rolling Stone*), "The Trance Children" (*Time*) or "The Strangers in Our Midst" (*McCall's*). The goal of such an approach is obvious: to get general readers to feel and to care. But fascination-driven narrative can become exploitative, reducing real people with challenging conditions to convenient specimens, put on display for the public's voyeuristic curiosity.

Jennifer Latson avoids these pitfalls in "The Boy Who Loved Too Much: A True Story of Pathological Friendliness," even though her title does play the fascination card pretty hard. The book is an account of Williams syndrome, a genetic condition that affects cardiovascular function, visual perception, dexterity, growth, lifespan and learning ability.

But another symptom is always evident as well—a craving for amicable human contact, what Ms. Latson calls an "insatiable drive to connect." So powerful is this compulsion that, in the daily lives of people with Williams, it bursts through continuously, in ways both endearing and disruptive. People with Williams regularly declare their affection to people who just happen to be passing within eyesight or earshot, whether true acquaintances or random strangers. They like to get physical, too. The mailman, the ticket taker at the ballgame, the fellow passenger on a plane—around a Williams person, all become targets for unannounced, unrequested and unnerving hugs.

That is an exotic behavior, and Williams—which only affects 1 in 10,000 people and is therefore considered "rare"—hardly gets any attention in the media. Ms. Latson asks us to care by suggesting that "the findings from this rare disorder have far-reaching repercussions for the rest of us," and in fact she makes this case convincingly: The key breakthrough was the unambiguous discovery of specific gene deletions in people with the condition—including, curiously, the gene that governs production of the substance that helps skin bounce back to its starting shape after being pinched or stretched. Its role in Williams is unclear, but the specificity gives researchers a genetic address to work from. Related genes, she reports, have led to new insights about high blood pressure.

The narrative that takes up most of the book's pages is a sensitively drawn portrait of the boy referred to in the title, who is given the pseudonym Eli and whose daily reality Ms. Latson appears to have made an extraordinary effort to get to know. The author's acquaintance with Eli is longitudinal, covering the three years beginning just after he had turned 12. She clearly spent significant amounts of time with Eli and his family, which also included his single-parent mother, Gayle (also a pseudonym), and sometimes his grandmother. Long stretches of dialogue—during lengthy car rides, at family gatherings, in counseling sessions—indicate that Ms. Latson had a tape recorder running, or else was a phenomenal notetaker, because the conversation rings true. It also works to let this family tell its own story.

**People with Williams syndrome regularly declare their affection to passing strangers. They like to get physical, too.**

That story, painfully, is one of constantly threatening heartbreak, as Ms. Latson chronicles Eli's aspirations of instant intimacy with all those he meets, and witnesses their repeated failure of his efforts to connect. Too quick with a compliment, too ready with a smile of his extra-wide mouth (which, along with an upturned nose, small chin and puffiness around the eyes, is part of the classic set of facial features that go with Williams), he is all too often met with snickers, shrugs or the backside of a shoulder. As Ms. Latson lays it out, his dreams of friendship seemed doomed from the start, because of a certain ironic truth of human nature: Most of us set limits to the intensity of affection we can tolerate coming from others. If asked to clarify for someone else where we draw that line, most of us would probably be hard-pressed to place it exactly. For Eli, who crossed it all the time, it was virtually invisible.

Thankfully, Eli seems oblivious to the snubs. Not so his mother, who opened up to Ms. Latson about the many ways in which raising a boy like Eli caused an unwanted revolution in her life. Hurting over every rejection she sees Eli encounter, fearful that a cruel world will treat him shoddily, Gayle makes herself his full-time friend and protector. She gives herself over to this role fully, but not without some sorrow over the limits the responsibility places on her own life. Only late in the story, when she learns that the other children in his mainstream classes have been looking out for him all along—because they'd had their entire school lives to get used to his ways—does Gayle catch a glimpse of a future where, perhaps, Eli will be able to get along without her.

This raises the question of society's acceptance of difference, a discussion that gains much from Ms. Latson's efforts to explore the importance of social contexts in shaping the experience of people with Williams. She reports, for example, that those with the syndrome who live in Japan face a great deal more public hostility than who reside in the U.S.: To the Japanese, the gregarious behaviors that come with Williams are more in conflict with long ingrained social norms of reserve, personal space and privacy. This suggests Eli's chances for success or failure in life might still depend meaningfully on how he is met by those of us who know little of Williams syndrome. It's an open question whether we will respond as positively as his classmates did, but Ms. Latson's book makes a persuasive case that we should try.

*Mr. Donvan is the co-author, with Caren Zucker, of "In a Different Key: The Story of Autism."*

### Coming in BOOKS this weekend

How human creativity evolved • Traveling the world with Lowell Thomas • Claude Shannon's information age

• The novels of Ngugi wa Thiong'o • Ladies who lunched

• Hitler in the dock • Shakespeare's Rome • & more

## OPINION

### REVIEW & OUTLOOK

#### Trump's Nafta Stakes

President Trump campaigned on tearing up Nafta, but maybe he's learning on the job. The White House this week rolled out its objectives for renegotiating the North American Free Trade Agreement that could allow him to claim victory without doing too much protectionist damage.

The President has blamed Nafta for U.S. manufacturers moving jobs to Mexico. In April Mr. Trump came close to terminating the deal before cooler heads in the Administration persuaded him that withdrawing would be a disaster for U.S. businesses, especially farmers.

Nafta has helped American businesses stay competitive and prevented a larger exodus of jobs overseas by integrating cross-border supply chains. Consider Cummins, which makes the engine for Chrysler's RAM truck outside Columbus, Ind. Cummins exports its engines to a Chrysler plant in Mexico, where the trucks are assembled and sent back to the states. Prior to Nafta, Mexico imposed tariffs as high as 20% on automotive imports as well as local content requirements of 80% that shut out U.S. suppliers like Cummins.

American inputs make up 40% of Mexican products exported to the U.S. Since 2007 U.S. exports of auto parts to Mexico have more than doubled. Nafta has enabled U.S. auto makers to compete with the Japanese, and many cars assembled in Mexico with American parts are shipped to Asia and Europe. Another example of cross-border integration: Canadian manufacturers use U.S. scrap metal, coal and iron to produce steel slab and coil for American vehicles, airplanes and public works.

Some of Nafta's biggest winners are American farmers. Nafta cut Mexico's high agricultural tariffs—ranging from 15% on soybeans and processed vegetables to 215% on corn—to zero on most products. U.S. exports of feedstock to Mexico have soared. Soybean sales to Mexico have quintupled since Nafta was finalized in 1993. Farm and ranch exports to Mexico and Canada have more than quadrupled.

It's true that Canada's supply-managed dairy system remains walled off from competition, and pricing policies discriminate against such U.S. products as a milk-protein used to make cheese. Canada also maintains high tariffs on U.S. poultry, eggs and wine. Mr. Trump should seek to ease these trade barriers in return for giving up some U.S. farm subsidies.

A major focus of U.S. Trade Representative Robert Lighthizer's agenda will be e-commerce,

#### How to renegotiate the treaty without blowing up the economy.

financial services, telecommunications and intellectual property. This recognizes that trade in services is growing fast and an area in which the U.S. has a significant comparative advantage. For instance, the Administration says it aims to "secure commitments not to impose customs duties on digital products" and to prevent restrictions on sending and storing data.

The Administration will also try to "strengthen the rules of origin," which require a certain share of products to be sourced in North America—e.g., 62.5% for autos—to qualify for preferential trade treatment. One risk of raising the thresholds is that manufacturers may decide it makes more sense to move abroad and pay an import tariff.

Canada and Mexico adopted many of the Administration's objectives in the stillborn Trans-Pacific Partnership, so the biggest sticking points will likely be trade remedies. Mr. Lighthizer has called for eliminating Nafta's "global safeguard exclusion" to allow the U.S. to take action if a surge of imports imperils its domestic industries. He also wants to let the U.S. "impose measures based on third country dumping." So the U.S. could, say, levy duties on Mexican products with Chinese steel, though such actions would likely be challenged and invite retaliatory tariffs.

Nafta allows investors to arbitrate disputes with foreign governments. The Administration is targeting this system as some on the right claim that it undermines U.S. sovereignty. Unions also hate arbitration because it reduces the risk of investing in Canada and Mexico. But the system has protected American investors from arbitrary policies, and the U.S. government has never lost a case.

The White House wants to conclude negotiations by the end of this year, though they could drag on if it tries to back Canada and Mexico into protectionist corners. While the President may think he has the whip hand, the U.S. can't afford to jilt its neighbors. Mexico is currently renegotiating its 2000 trade accord with the European Union to boost its trade in services and agriculture. It is also seeking to reduce its dependence on U.S. agriculture. During 2017's first four months, Mexican imports of U.S. soybean meal fell 15%. Canada has just concluded a deal with Europe.

If Mr. Trump wants a political victory, he'll push to further open Mexican and Canadian markets rather than impose trade barriers that hurt American businesses and consumers.

#### Sessions Hangs In There

The White House said Thursday that President Trump still has confidence in Attorney General Jeff Sessions, but after the past two days the better question is whether Mr. Sessions still has confidence in the President. Mr. Trump needs the AG at this point more than the reverse.

Mr. Trump is like no other President, and he proved it on Wednesday by telling the New York Times that he would never have tapped Mr. Sessions for AG if he had known he would recuse himself from the investigation into Russia's 2016 campaign meddling. "He should have told me before he took the job and I would have picked somebody else," Mr. Trump said, but Mr. Sessions didn't know at the time he would be presented with such a choice. He did so after news came out that he had met with the Russian ambassador during the campaign, and Mr. Sessions didn't want any political doubt hanging over the investigation.

Mr. Trump is understandably upset about the special counsel probe into Russia, but Deputy AG Rod Rosenstein didn't appoint counsel Robert Mueller until months after Mr. Sessions recused himself. The political trigger for the

#### Trump needs the Attorney General more than he realizes.

special counsel appointment was Mr. Trump's dismissal of FBI Director James Comey followed by his tweet implying that he had tapes of his meetings with Mr. Comey.

Mr. Sessions might have resigned after this presidential outburst, but we're glad he didn't. The AG said Wednesday he'd serve "as long as that is appropriate" and that "we

love this job." We have our policy differences with the AG (see nearby on asset forfeiture), but no one doubts that he is a man of integrity who will defend the Justice Department against improper political interference.

President Trump has shown he isn't bound by political norms, and he needs advisers like Mr. Sessions to say when one of his impulses would be a mistake. The same goes on national security with Defense Secretary Jim Mattis, or on economic policy with adviser Gary Cohn. Working for a President who can be as willful and rash as Mr. Trump can't be easy, and some advisers may find it impossible over time. But Mr. Trump needs people who can protect him and the country from his worst instincts, and if Mr. Sessions quits, Mr. Trump might not find anyone else who'll take the job.

#### The Other Sessions Issue

In today's polarized Washington, Jeff Sessions has managed the feat of uniting folks on the left and right. We're referring to the Attorney General's decision this week to revive an asset forfeiture program whose overreach proved too much even for the Obama Administration.

Civil asset forfeiture allows law enforcement officers to seize property such as homes and cars and cash thought to be paid for or generated by criminal activity. In 2015 then Attorney General Eric Holder restricted the practice. But before an audience of law-enforcement officials on Wednesday, Mr. Sessions revived it as a "key tool" to "hit organized crime in the wallet." That's the theory. But it has many problems.

The first is that taking property from citizens who have been convicted of no crime is constitutionally dubious. Mr. Sessions is also reviving a program that allows local law enforcement to seize these assets in conjunction with the feds. This lets them evade the laws in 14 states that bar asset forfeiture absent a criminal conviction. The feds and local cops share the spoils, an obvious incentive for abuse.

Mr. Sessions says he's added new safeguards to prevent abuse. But Robert Johnson, an Institute for Justice lawyer who specializes in property rights, points out that these mostly

#### Giving law enforcement a license—and incentive—to steal.

come down to "a pledge to be more careful." For example, Justice says it will now require a "form that state and local law enforcement must fill out," which will then be reviewed by the department's lawyers. This is due process?

It's not even clear this program helps actual law enforcement. In March the Justice Department Inspector General released a report on cash seizures and forfeiture. It focused in particular on the Drug Enforcement Agency, which accounted for 80% of Justice's cash seizures from 2007 to 2016.

The IG found a fundamental problem. Because Justice has no "seizure-specific metrics" to evaluate how these seizures and forfeitures relate to criminal investigations, no one knows. In a sample of 100 cash seizures, the DEA could verify only 44 that "advanced or were related to criminal investigations."

In the past decade forfeitures under Justice's Asset Forfeiture Program have reached \$28 billion. We all know what it's like to be ticketed by a police officer who is doing so as part of a quota designed to raise revenue. But what happens when you give the cop the right to take the car too? This dangerous practice cries out for a slap from the Supreme Court or an override by Congress that for once seems to have bipartisan agreement.

## LETTERS TO THE EDITOR

#### California GOP Stopped a Much Worse Folly

Regarding your editorial "California's Climate Cap and Spend" (July 19): As sea levels rise, wildfires rage and climate science becomes more alarming, the Journal has once again aligned itself with the Flat Earth Society. While scientists like Stephen Hawking warn us that organized human existence hangs in the balance and implore us to take swift climate action, your readers are encouraged to focus on low politics. Republicans, who voted for this bill, we're instructed, "will now have a harder time using cap and trade as an issue next fall."

This editorial board remains so blinded by politics that it can't even recognize it's railing against a program that embodies the same free-market approach it supports. While bemoaning the costs "manufacturers, refiners and other employers" face, the Journal doesn't tell readers why, in fact, these groups wholeheartedly support California's cap-and-trade program. Like Republicans who have long backed cap and trade, and those who just voted for its extension, these employers understand that this program is the most cost-effective way to reduce carbon emissions—three to five times cheaper than the alternative.

Just hours before the vote, Ronald Reagan's Secretary of State George Shultz put it this way: "Passing this bill on a bipartisan basis is something on which Ronald Reagan, as with the Montreal Protocol, would be proud."

Here in California, we think it's a good thing when Republicans and Democrats set aside their differences. We hope others—including the Journal—join us before it's too late and honestly confront climate change.

GOV. JERRY BROWN  
Sacramento, Calif.

Let's be clear about the victories Republicans achieved with our cap-and-trade reforms in a deep blue Democrat state. We protected over 200,000 jobs, increased personal income by over \$20 billion and reduced costs for California consumers by over \$15 billion. We served our people and did our jobs as legislators by rolling back taxes, cutting regulations and protecting Cali-

fornians from higher costs. Those are the facts. This is what we as Republicans fight for everyday all day.

Progressive Democrats and radical environmental-justice groups strongly oppose this bill, while every major business group and industry supports it. That should tell you all you need to know. There is a lot of misinformation about this reform, and the record needs to be set straight that this isn't SB 32 (reduction in greenhouse gases) or SB 1 (gas-tax increase). We were able to reform the cap-and-trade program to create a market-based system that allows companies to achieve required environmental goals in what has irrefutably been recognized as the most effective and efficient manner possible.

Without this reform, the far left would have created and implemented a carbon-tax command and control that would have caused taxes to skyrocket. We are talking about the cost of gas, food, utilities—all things that Californians who can't afford a Tesla in the driveway and solar panels on their roof care about.

When the Democrats passed SB 32 with a majority vote, it gave broad authority for unelected bureaucrats at the California Air Resources Board to impose burdensome and costly regulations on California businesses. Further, in 2010 at the height of the 2007-09 recession, California voters were given the chance to overturn the original GHG reduction bill with Proposition 23. It failed by more than a 20% margin. Even a majority of Republican-held districts voted against it.

Republicans in California must live with the realities of a deep-blue Democratic state. This isn't Washington, D.C., or Kansas. We have to cut taxes and regulations every chance we get. Refusing to engage on issues such as climate change because it is not deemed Republican enough doesn't help the people we came here to represent.

CHAD MAYES  
ROCKY CHAVEZ  
Sacramento, Calif.

Mr. Mayes is California Assembly Republican Leader; Mr. Chavez is an assemblyman.

#### The Real Infrastructure Problem Is Politics

Regarding your editorial "If You're Riding Through Hell . . ." (July 15): The saga of rail and transit neglect in New York City makes a sad story, but it's played out in many forms in other places. To public-works professionals,

the message is clear: Let us run our systems as businesses and hold us accountable. That maxim of good government got a jump start in New York a century ago, with budgeting reforms that showed how to direct money to where it's needed and avoid siphoning it off politically. How best to balance social needs such as subsidies for low-income people? Don't expect the businesses to do that. Handle that part transparently and from independent funding sources. That lesson must be learned if we are ever to stop "riding through hell."

PROF. NEIL S. GRIGG  
Colorado State University  
Fort Collins, Colo.

New York, New Jersey and Connecticut are overwhelmingly progressive states. It stands to reason, therefore, that a majority of metropolitan New York-area commuters who will have to endure the protracted, exorbitant renovation of New York's transit system themselves voted for the politicians overseeing their fate. They asked for it; they got it.

BRUCE GARRISON  
Ossining, N.Y.

I have long posited that the end game in America will be a war between public employees and the taxpayers that they and their unions continually fleece. Look to Illinois, California and Connecticut for examples of beholden politicians willing to bankrupt the public coffers to prop up unrealistic public-employee pension plans. As long as public-worker unions are allowed to finance elections, that sucking sound of wasted money will continue to keep Lady Liberty up at night.

JONATHAN WILLIAMS  
Longmont, Colo.

In contrast to the \$4 billion World Trade Center Transportation Hub "architectural masterpiece" serving 46,000 daily commuters, Tokyo's Shinjuku Station lies underneath a pile of beautiful department stores and shopping arcades. It is utilitarian to a fare-

thee-well; squeaky clean, including the platforms and rail beds; polite, helpful staff are located everywhere and the trains run on time. It serves 3.5 million people every day. We have a long way to go.

KEN MORIARTY  
Shaftsbury, Vt.

Crumbling roads and bridges don't demonstrate or vote; public employees and other seekers of government benefits do.

PROF. E.S. SAVAS  
Bernard Baruch College  
City University of New York  
New York

#### Westaby Warns America About British Single-Payer

Regarding Laura Landro's review of cardiac surgeon Stephen Westaby's "Open Heart" (Bookshelf, July 14): Dr. Westaby's comments on Britain's health-care system should be a wake-up call to those in our country advocating a single-payer, government-run health-care system. Ms. Landro states: "One theme in 'Open Heart' is Dr. Westaby's frustration with Britain's National Health Service, which, he says, values saving money over saving lives. . . . There are other problems too:

Dire situations often get worse, he says, because of treatment delays and poor attention to best practices, like administering clot-busting drugs after a heart attack. Medical directors, he says, seem intent on ensuring that 'no one does anything new or interesting.'

JIM DARNELL  
Palm Harbor, Fla.

#### Pepper ... And Salt

THE WALL STREET JOURNAL



"Have your parents sign this waiver concerning violations of personal space, then you can play tag."

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## OPINION

# The Dumbing Down of 'Dunkirk'

By Dorothy Rabinowitz

**O**n May 28, 1940, Winston Churchill held a meeting of his government's ministers. "I described the course of events and showed them plainly where we were, and all that was in the balance," Churchill later wrote. "Then I said quite casually . . . 'Of course, whatever happens at Dunkirk, we shall fight on.' . . . I was sure that every Minister was ready to be killed quite soon, and have all his family and possessions destroyed, rather than give in. . . . There was a white glow, overpowering, sublime, which ran through our island from end to end."

**Winston Churchill is missing in action from the new film by the director of 'Batman.'**

"Dunkirk," opening in theaters Friday, is noteworthy in many respects. Not least for its creator's decision—on the interesting ground that it would make things clearer for audiences—to avoid any appearance of Churchill. Of, that is, the newly appointed prime minister central to this story: the voice of that embattled Britain whose citizens, answering their government's call, set out to rescue its army, stranded on the beaches of northern France in May of 1940.

Director Christopher Nolan, whose credits include "Batman Begins" and "The Dark Knight," has said he wanted to avoid making a film "not

relevant to today's audiences" and that he didn't want to get them bogged down in "politics."

This says more than Mr. Nolan intended about his estimate of today's moviegoers—whose capacities, he fears, would not be equal to a film involving images of a historic figure. There were other worries. Mr. Nolan didn't want to make a film that could be seen as old-fashioned, he informed his interviewer. It appears further that the director wanted to avoid taxing today's film audiences with any specifics about the foe that had the British Expeditionary Force fighting for its life on those beaches.

"We don't have generals in rooms pushing things around on maps," Mr. Nolan explained. "We don't see Churchill. We barely glimpse the enemy." All true. Though there are quite a number of enemy planes, bombers smashing the troops on the beach. The bare glimpse Mr. Nolan mentions is of the insignia identifying the nation to which those planes belong. Who could it be?

On the other hand, the markings on the British fighters engaging the enemy in dogfights loom large and clear. As do the reasons for all of the above. For, as Mr. Nolan has told us, he considers Dunkirk "a universal story . . . about communal heroism." Which explains why this is—despite its impressive cinematography, its moving portrait of suffering troops and their rescuers—a Dunkirk flattened out, disconnected from the spirit of its time, from any sense even of the particular mighty enemy with which England was at war.

When an event in history has become, in the mind of a writer, "universal" it's a tip-off—the warning bell that we're about to lose most of



MELINDA SUE GORDON

A scene from Christopher Nolan's 'Dunkirk.'

the important facts of that history, and that the story-telling will be a special kind—a sort that obscures all specifics that run counter to the noble vision of the universalist.

No wonder those German Stukas and Heinkels bombarding the British can barely be identified as such. Then there is Mr. Nolan's avoidance of Churchill lest audiences get bogged down in "politics"—a strange term for Churchill's concerns during those dark days of May 1940. One so much less attractive, in its hint of the ignoble and the corrupt, than "communal" and "universal"—words throbbing with goodness. Nothing old-fashioned about them either, especially "universal"—a model of socio-babble for all occasions.

The certainty of the Nazis' threat is what preoccupied Churchill. His testament to the sterling attitude of his ministers, quoted above, kindly omits mention of the protracted arguments

from those in his war cabinet who pressed for some respectable accommodation with Hitler, for some effort at least to open talks.

There was, for Churchill, no acceptable accommodation with Hitler. He knew the disastrous impact on British morale of any word of talks or arrangements with the Nazis. They would instead hear from their new prime minister only the iron determination to defeat the enemy, the confidence that it would be done—which had not a little to do with the strengthened spirit of the British public. They had been asked to fight for victory at all costs, and most knew why they must—among them those pilots of small boats braving German fire to rescue the army.

The film's aim, as its director says, is to tell a universal story of individuals struggling for survival. A struggle for survival under terrifying assault is exactly what we see through

most of the action. Left out of this saga is any other sense of the importance of Operation Dynamo, the unexpectedly successful rescue of 338,000 soldiers who could, instead of being marched off to captivity by that barely visible enemy—call it Nation X—return to an England desperate for manpower.

Continuing the fight was, to this England facing invasion, everything. To leave out of this story, in addition to Churchill, any sense of England's peril or the might of its enemy is to drain much of the life out of history.

All this falls into the category of facts, irrelevant history, that Mr. Nolan would consider wrong for today's audiences. To the very end no image of Churchill defiles the sanctity of this film's safe space. One of the final scenes does present an exhausted evacuee returned from Dunkirk, reading aloud to himself from a newspaper of Churchill's most famous address, of June 4, 1940. The "We shall never surrender" speech is spoken by a young soldier, making it all reassuringly relevant—no trace of the man himself.

It's possible of course that a director less apprehensive about appearing old-fashioned might have risked an actual clip of the prime minister without undue harm to the audience.

In the bleak days of 1940, Churchill told his cabinet: "If this long island story of ours is to end at last, let it end only when each of us lies choking on his own blood on the ground." If Batman ever said anything remotely as interesting, he'd have our devoted attention.

*Ms. Rabinowitz is a member of The Wall Street Journal's editorial board.*

## 'Neutrality' for Thee, but Not for Google, Facebook and Amazon

By Ev Ehrlich

**G**oogle, Facebook and dozens of major internet companies joined forces last week for a "Day of Action" to rally support for "net neutrality." That's the idea that everything on the internet—email, e-commerce transactions, cat videos and so forth—must travel at the same speed and under the same conditions. This latest stir-up comes as the Federal Communications Commission is moving to overturn large parts of the Obama administration's 2015 net-neutrality policy.

Both sides, including broadband providers, agree that no one should selectively block websites or chop the internet into fast and slow lanes. But lost in the debate is that companies like Google and Amazon, which cry out in favor of a neutral web, are virtual monopolies built on the same practice of prioritizing that they publicly decry.

Since the birth of broadband, net neutrality's cheerleaders have feared that service providers might begin to act as the internet's "gatekeepers," undermining its inherent free-for-all character. But cyberspace's

dirty secret is that the gatekeepers aren't the broadband providers lampooned by the likes of John Oliver. The real distortions come from massive "platform monopolies" like Google, Facebook and Amazon, whose proprietary algorithms decide what users see online.

The supposed purpose of "net neutrality" is to stop any internet company from getting a leg up over others. But that's exactly what happens when Google's search results prioritize its own services—and profits—over competitors'. This skewing of results has "stifled competition on the merits," according to the European Commission, which fined Google \$3 billion last month for the practice. If Google's favoring its own products while pushing potential competitors down its rankings doesn't create "fast" and "slow" lanes, what on earth does?

Similarly, avowed net-neutrality supporter Amazon was granted a patent in May for "Physical Store Online Shopping Control," a system to block shoppers in brick-and-mortar stores from using Wi-Fi to view competitors' prices. Isn't "no blocking" the heart of net neutrality?

The costs of such abuses from the platform monopolies are obvious and many. Newspapers have nearly been "prioritized" out of existence by Google's shameless appropriation of their work: Why click through and read a whole article when Google News will pluck out the most important bits and show them to you free—alongside its own ads, of course. Music could be next, since Google's YouTube service serves up pirated digital streams that leach money from artists and record companies. Last year, the FCC chairman tried and failed to

Facebook, meanwhile, has virtually abandoned chronology in its News Feed in favor of picking and choosing what users see—and what they don't—based on what the company has learned about them.

### The internet giants driving net neutrality are happy to skew your web experience to goose their profits.

The costs of such abuses from the platform monopolies are obvious and many. Newspapers have nearly been "prioritized" out of existence by Google's shameless appropriation of their work: Why click through and read a whole article when Google News will pluck out the most important bits and show them to you free—alongside its own ads, of course. Music could be next, since Google's YouTube service serves up pirated digital streams that leach money from artists and record companies. Last year, the FCC chairman tried and failed to

force TV companies to make their feeds available on set-top devices made by—wait for it—Google, Apple and Amazon.

The internet giants behind the Day of Action can now track users' physical location 24 hours a day, learning where they live and work, by logging where their phones are at different times of day or the Wi-Fi networks they pass. If two phones sit side by side overnight, advertisers know what that means—and appropriately "targeted" pitches are sure to follow.

Whether it's just a massive blind spot or neck-snapping hypocrisy, a net-neutrality campaign led by companies that manipulate how Americans experience the web in these ways is an Orwellian embarrassment.

The implications are frightening. Today, online news stories are so narrowly targeted that defining events—this generation's Selma, Vietnam or Watergate—might be seen only by a small slice of users prepared to believe them. Whatever role "fake news" played in the 2016 election, it will be merely the tip of the iceberg if secret algorithms are

allowed to continue shaping America's information reality.

But for the internet giants there is enormous money at stake. Facebook and Google alone already earn more from advertising than every newspaper, magazine and radio station in the world combined.

Unlike the internet service providers, who have a limited share of any market, the platform giants are close to completing actual monopolies. Google now controls nearly 80% of the global market for web search, and 88% of the world's smartphones run on its data-mining Android operating system. Amazon's "everything store" was a quasi-monopoly, accounting for nearly a third of total U.S. retail growth in 2016, even before its acquisition of Whole Foods.

America needs a fair and open internet ecosystem. Allowing Google, Facebook and the like to prioritize, discriminate and mine users' data at will threatens democracy and makes the internet neither open nor free. Let's not let these monopolists hide behind the slogan of "neutrality."

*Mr. Ehrlich served as undersecretary of commerce, 1993-97.*

## In the Netherlands, the Doctor Will Kill You Now

By Kees van der Staaij

**I**n 2002 the Netherlands became the first country to legalize euthanasia and physician-assisted suicide for those suffering deadly diseases or in the last stages of life. Not long after the legislation was enacted, eligibility was expanded to include those experiencing psychological suffering or dementia. Today pressure is mounting for the Dutch government to legalize a "euthanasia pill" for those who are not ill, but simply consider their lives to be "full."

Proponents of assisted suicide continue to claim that safeguards already built into Dutch law are sufficient to reduce the risk of abuse. They point out that medical professionals are required to assess whether a person's suffering

is indeed unbearable and hopeless.

These safeguards do exist. In practice, however, they are hard to enforce. A poignant illustration was recently aired on Dutch television. An older woman stricken with semantic dementia had lost her ability to use words to convey meaning. "Upsy-daisy, let's go," she said. Both her husband and her physician at the end-of-life clinic interpreted her words to mean, "I want to die." A review committee judged her euthanasia was in accordance both with the law and her earlier written instructions, an outcome very few would have imagined possible as recently as 10 years ago.

Such episodes have many Dutch people worried about the erosion of protections for the socially vulnerable and medically fragile. A broad and heated public debate recently

flared about whether doctors may administer fatal drugs to those with severe dementia based on a previously signed "advance directive."

In several controversial cases, assisted suicide was not directly discussed with patients who were incapable of reaffirming earlier written death wishes. In one case, a doctor slipped a dementia patient a sleeping pill in some apple sauce so that he could be easily taken home and given a deadly injection.

Hundreds of Dutch physicians signed a declaration outlining their moral objection to these increasingly common practices. Nonetheless, the Dutch government stands by its claim that the law permits doctors to end such patients' lives. Meanwhile, the Dutch Right to Die Society, a national euthanasia lobby, keeps pressing to take further steps, arguing that individuals should have the option to "step out of life."

But is this argument really convincing? Those seeking death because their lives are "full" are often haunted by loneliness and despair. Some elderly people fear bothering

their children with their social and medical needs. They don't want to be perceived as burdensome.

Legalizing the euthanasia pill could put even more pressure on the vulnerable, disabled and elderly. More than 60% of geriatric-care

### Healthy people who consider their lives 'full' may soon be eligible for assisted suicide.

specialists already say they have felt pressure from patients' family members to euthanize elderly relatives. Will the day come when society considers it entirely normal—even "natural"—for people who grow old or become sick simply to pop the pill and disappear? If so, those who desire to continue living in spite of society's expectations will have some serious explaining to do.

All of this clearly shows the

slippery slope of the euthanasia path. Contrary to the emphatic advice of a special advisory committee

chaired by a prominent member of a liberal-democratic party, the outgoing Dutch government wishes to expand and extend the euthanasia law to those who consider their lives to be full. The pressing question is where the slope ends and the abyss begins. Will those with intellectual disabilities or physical defects also be "empowered" to step out of life? Will those battling thoughts of suicide be encouraged to opt for a " dignified death" in place of excellent psychiatric care?

The government's most fundamental task is to protect its citizens. The Dutch government, to its credit, often speaks out when fundamental human rights are under threat around the world. Now that the fundamental right to life is under threat in the Netherlands, it's time for others to speak out about the Dutch culture of euthanasia.

*Mr. van der Staaij is a member of the Dutch Parliament.*

## Notable & Quotable: Peeling the Onion

From a July 6 blog post by Cynthia Weber, a professor of international relations at the University of Sussex:

The US satirical website *The Onion* recently ran a fake testimonial video featuring a remorseful Donald Trump supporter. The 2-minute clip is entitled 'Trump Voter Feels Betrayed By President After Reading 800 Pages of Queer Feminist Theory'. The video features the character 'Mike Bridger, Former Trump Supporter', a middle-aged, working class, cishet white

male from a small steel town in Pennsylvania. The balding Mike is shot in documentary talking-head style. Mike sits facing the camera, both so that his truthfulness can be evaluated by viewers and so that what US Americans will recognize as his iconic working-class garb is fully in view—dark tan zip-up jacket, olive-green button-down shirt open at the collar, white t-shirt visible underneath. Accompanied by slow music which sets a troubled, post-catastrophe tone, Mike tells his story. . . .

Because it relies upon right-wing

populism to inform its caricatures of 'the queer feminist' and 'the Real US American', *The Onion* video not only lays the blame for the unbridgeable gap it constructs between 'cultural elites' and 'the people' squarely at the feet of queer feminists. More troublingly, it encourages the idea that to reject anti-genderism is to reject the genuine concerns of 'the people'. This is nonsense. . . .

In the age of Trump, the stakes of *The Onion* video and its various uses are much higher than who is laughing and why.

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Robert Thomson  
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Gerard Baker  
Editor in Chief

William Lewis  
Chief Executive Officer and Publisher

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## Regulators Retrench on Pay Rules

Move is part of effort to pull back from measures deemed unfriendly to business

By DAVE MICHAELS

WASHINGTON—Several regulators have dropped pursuit of a long-running plan to restrict bonuses on Wall Street, as part of a wider effort to stop working on unfinished rules put in place after the financial crisis.

Government agencies, including the Securities and Exchange Commission and several banking regulators, were directed under the 2010 Dodd-

Frank law to develop compensation rules intended to curb excessive risk taking. Former President Barack Obama, during his last year in office, personally urged regulators to finish the rules before his term ended.

The six agencies delivered a new proposal in April 2016, but that was too late to push through a final version of the rule before President Donald Trump took office in January.

New regulatory agendas unveiled Thursday by the SEC and others show leaders excluded any mention of the restrictions, including longer deferment periods for bonuses and the amount of time payouts are subject to potential clawbacks.

The proposal had targeted executives at some of the nation's largest financial firms, including investment managers and mortgage-finance companies Fannie Mae and Freddie Mac, but the stiffest rules were reserved for big banks.

The shift, disclosed in a semiannual list of pending regulations federal agencies provide to the White House's budget office, discloses how regulators in the Trump administration have started pulling back from post-financial crisis rules. New SEC Chairman Jay Clayton has outlined a more business-friendly agenda, including promoting more ways for companies to raise capital in public markets.

"We've moved beyond commissioners and staff who were deeply involved in trying to fix things after the crisis," said Tyler Gellasch, a former Democratic Senate aide who is now executive director of Healthy Markets Association, a group of mutual-fund managers and pension funds. "The priorities are more commensurate with where the economy and financial system is today."

Rules requiring compromise among multiple regulators have proved to be heavy lifts. Agencies first proposed the incentive-compensation regulation in 2011, but questions about which employees should be covered and how to apply the restrictions to firms with

different business models bogged down further progress.

It isn't clear what consequences agencies would face if they abandon the proposal. Republican lawmakers, who control both houses of Congress and opposed Dodd-Frank, won't force action. Some advocacy groups that backed Dodd-Frank have sued the SEC to finish rules, including one that required oil and gas companies to report payments they make to governments for mining rights.

"It's pretty outrageous that independent financial regulatory agencies appear to be thumbing their nose at Congress and statutory man-

Please see RULES page B2

## Microsoft Forges Ahead In Cloud

By JAY GREENE

Microsoft Corp. continued its rebirth as a force in cloud-computing, posting stronger-than-expected gains in its business of selling web-based services to corporate customers.

The software giant has been working to expand that business, and now has solidified its spot as the No. 2 provider of on-demand computing processing and storage behind market pioneer Amazon.com Inc. In its just-ended fiscal fourth quarter, Microsoft notched gains in its Azure cloud-computing business and Office 365, the online version of its widely used productivity software.

The Redmond, Wash., company said Thursday that revenue in its Intelligent Cloud segment, which includes Azure, rose 11% to \$7.4 billion. In the Productivity and Business Processes segment, which includes the Office franchise, revenue climbed 21% to \$8.4 billion.

Microsoft doesn't disclose revenue figures for its Azure and Office 365 businesses, but it said Azure revenue jumped 97% and Office 365 revenue rose 43%.

## 11%

Rise in revenue for company's Intelligent Cloud segment

"Azure was the primary source of our outperformance in the quarter," Microsoft finance chief Amy Hood said in an interview. "It's higher than I was expecting."

Overall, Microsoft posted \$6.51 billion, or 83 cents a share, in profit for the quarter ended June 30, compared with a profit of \$3.12 billion, or 39 cents a share, a year earlier. Excluding the impact of revenue deferrals and other items, adjusted earnings climbed to 98 cents from 69 cents. Per-share earnings in the most recent quarter included a 23-cent tax benefit related to the winding down of Microsoft's mobile-phone business.

Total revenue rose 13% to \$23.32 billion and was \$24.7 billion when adjusted to reflect Windows 10 revenue deferrals.

Analysts surveyed by S&P Global Market Intelligence expected Microsoft to report adjusted per-share earnings of 71 cents, a figure that didn't include the 23-cent tax benefit, on \$24.29 billion in adjusted revenue.

Please see CLOUD page B2

## PepsiCo 'Stretches' Managers At Top

By JENNIFER MALONEY

PepsiCo Inc.'s longtime leader, Indra Nooyi, is promoting one of her lieutenants into the vacant No. 2 position at the company, in a move that shuffles potential successors to her job.

Ramon Laguarta, head of the company's Europe and sub-Saharan Africa business, will become PepsiCo's president, a headquarters role covering global operations, corporate strategy, public policy and government affairs. The spot has been unoccupied for nearly three years.

Mr. Laguarta's current duties will be given to Laxman Narasimhan, who will continue to oversee the snack-and-beverage giant's Latin America division. Both appointments will take effect Sept. 1.

In an interview, Ms. Nooyi, 61 years old, said she intends to keep running the Purchase, N.Y.-based company "for the foreseeable future." The two promotions are the latest in a series of moves over the past few years to "stretch" executives and prepare them to be contenders for the top job, she said. The company's division heads will continue to report to her.

The leading internal candidates to succeed Ms. Nooyi include Mr. Laguarta, Mr. Narasimhan and Hugh Johnston, PepsiCo's chief financial officer, who in 2015 was named vice chairman and put in charge of e-commerce and information technology.

PepsiCo, which has a market value of about \$165 billion, has been using higher prices, smaller packaging and a broader product portfolio to help boost results amid shifting consumer tastes that are pressuring the packaged-food and beverage industries. Despite falling soda demand and other industry challenges, the company's profit margins are rising and its shares are trading near all-time highs.

During Ms. Nooyi's 11-year tenure, two potential successors have been promoted to the No. 2 role of president only to leave the company later on. The job has been vacant since the 2014 departure of Zein Abdalla.

Ms. Nooyi, who was chief financial officer and president before she was named chief executive in 2006, said Mr. Laguarta shouldn't be presumed to be her successor.

She took over as chairman in 2007 and led the spinoff of Yum Brands Inc. as well as acquisitions of Tropicana and Quaker Oats. She has fended off calls to break up the company and has pushed into healthier snacks and beverages.

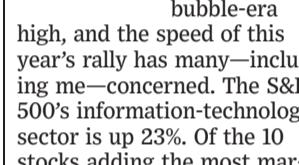
"There is no heir apparent," she said. "When the time comes for succession, whenever it is, I think the wonderful thing is our board is going to have so many people to choose from."

Mr. Laguarta, 53, a native of

Please see PEPSI page B2

STREETWISE | By James Mackintosh

## No Bubble in Tech Rally, Just Catch-Up



U.S. technology stocks have finally passed their 17-year-old bubble-era

high, and the speed of this year's rally has many—including me—concerned. The S&P 500's information-technology sector is up 23%. Of the 10 stocks adding the most market value, eight are tech stocks, when [Amazon.com](#) is included. Those who missed out surely regret it.

But take a step back, and a lot of the gains look more like catch-up than bubble. There might be an everything bubble, but neither tech stocks nor megacapitalization companies stand out as particularly frothy when looking at performance.

In the past, froth was obvious. In the dot-com bubble of 2000, the tech sector produced clearly unsustainable returns—annualized at 53% including dividends for five years—that were miles ahead of everything else. In the "peak oil" bubble of 2008, the energy sector had similarly unrealistic five-year annualized gains of 31%.

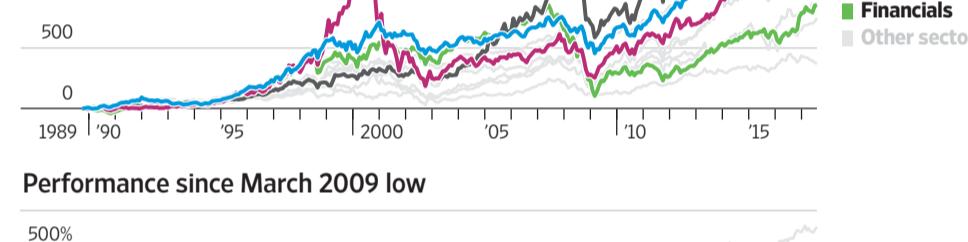
There has been nothing like this in recent years. It is true that tech stocks have been wonderful for investors this year, particularly the big names of [Alphabet](#), [Amazon](#), [Apple](#), [Facebook](#) and [Microsoft](#). But they were mostly just catching up with under-performance in the aftermath of the election, when Silicon Valley was obviously out of favor with the new president, and hopes of tax cuts boosted companies that actually pay U.S. tax.

Look instead at one-year or five-year performance and the tech sector is in line with the financial sector. Or go all the way back to the stock-

### Forever Spotting Bubbles

The dot-com mania in technology stocks and the 2008 peak in energy stocks stand out. The S&P 500 tech sector is finally above its 2000 high, but it's hard to see overvaluation in any sector today.

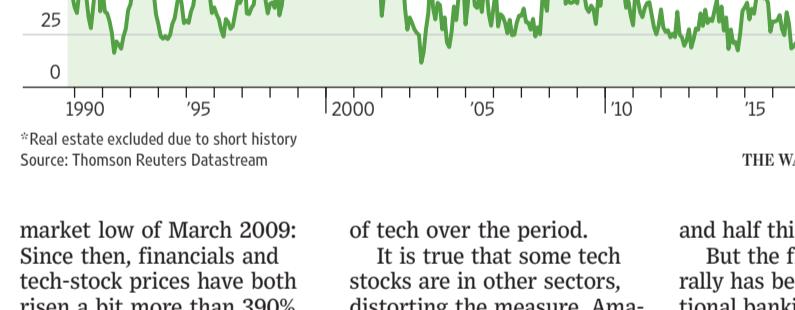
S&P 500 sector performance since September 1989\*



Performance since March 2009 low



One-year performance gap, best vs worst S&P 500 sectors



\*Real estate excluded due to short history

Source: Thomson Reuters Datastream

THE WALL STREET JOURNAL.

market low of March 2009: Since then, financials and tech-stock prices have both risen a bit more than 390%, as bank failure risk was priced out; including dividends, the real-estate, financials and consumer discretionary stocks are all ahead

of tech over the period.

It is true that some tech stocks are in other sectors, distorting the measure. Amazon is classed as retail, and its stellar performance generated about a fifth of the consumer discretionary sector's gains since the 2009 low—

and half this year's gains.

But the financial sector rally has been about traditional banking and insurance—not fintech—while real estate is as offline as a stock can be.

Another way to judge ex—  
Please see STREET page B2

## INSIDE



### FIRST THING, LET'S RANK ALL THE LAWYERS

LAW, B6



### VISA CHARGES AHEAD ON TARGETS

FINANCE, B10

## Life Insurance Doesn't Begin at 100

By LESLIE SCISM

When Gary Lebbin turns 100 years old in September, hanging over any celebration will be one very costly fact: His life insurer aims to cancel two policies totaling \$3.2 million in death benefits.

The Lebbin family has run up against a provision that exists in many life insurance policies. Policies have expiration dates, and the one in the Lebbin family's two contracts is age 100 for the policyholder.

It is a standard feature of permanent life insurance, a product combining a tax-deferred savings component with a tax-free death benefit. The provision calls for the termination of the death benefit and payout of all of the built-up savings when the policyholder reaches the specified age.

The limits weren't an issue in the many decades when very few people lived beyond 100. But they increasingly are a problem for the U.S. life insurance industry as more people become centenarians.

There were an estimated 53,364 centenarians in the U.S. as of 2010, up from 37,306 in 1990 and 32,194 in 1980, according to a U.S. Census report published in December 2012.

Since the middle to latter part of the last decade, the industry has used age 121 as the standard maturity date in new contracts. But an unknown number of older contracts with the 100-year-old limit remain in consumers' hands. Some insurers previously offered older policyholders the opportunity to extend the age in their older policies with

varying financial terms.

The Lebbin family's insurer, a unit of [Transamerica](#) Corp., didn't offer an extension.

Lawrence Rybka, president of insurance brokerage [Valmark Financial Group](#) in Akron, Ohio, worries many people

Please see LIFE page B2

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Please see LIFE page B2

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

### A

Aegon	B2
Alphabet	B1,B2
Amazon.com	B1,B2
American Express	B2
Anheuser-Busch InBev	B2
Apollo Global Management	B3
Apple	B10
ASG Security	B3
<b>B</b>	
Bank of New York Mellon	B10
Bed Bath & Beyond	B12
Best Buy	B11
Blackstone Group	B3,B10
Boring	B4
BP	B3
<b>C</b>	
Capital One Financial	B10
Chipotle Mexican Grill	B3
Citigroup	B10
<b>D</b>	
Dalian Wanda Group	A2
Discover Financial	B10
<b>E</b>	
Eaton Vance	B4

### Energy Transfer Partners

Exxon Mobil	A1
<b>F</b>	
Facebook	B1
FelCor Lodging Trust	B3
Franklin Resources	B4
<b>G</b>	
Geely Automobile Holdings	B6
General Motors	B6
Goldman Sachs Group	B10
<b>H - I</b>	
Home Depot	B11
iHeartMedia	B4
<b>J - K</b>	
J.P. Morgan Chase	B10
Kraft Heinz	B3
<b>L</b>	
Lowe's	B11
<b>M</b>	
Mallinckrodt	B12
Microsoft	B1
Murphy Oil	B6
<b>N - P</b>	
Neuralink	B4
Northern Trust	B10
PayPal Holdings	B10

### PepsiCo Protection 1

Publicis Groupe	B3
<b>Q</b>	
Qualcomm	B11
<b>R</b>	
RLJ Lodging Trust	B3
<b>S</b>	
Sears Holdings	B11
Shanghai Hode	B4
Sherwin-Williams	B3
Singapore Exchange	B11
SpaceX	B4
Sunac China Holdings	A2
<b>T</b>	
Tesla	B2,B4,B6
Thomas H. Lee	B4
Transamerica	B1
Twitter	B4
<b>U - V</b>	
Unilever	B3
Valspar	B3
Visa	B10
Volvo Car	B6
<b>W - Z</b>	
Wal-Mart Stores	B10
Wells Fargo	B10
Zhejiang Geely	B6
Zillow Group	B2

## INDEX TO PEOPLE

### A

Abdalla, Zein	B1
<b>B</b>	
Barth, Brett	A1
Barwell, Richard	B12
Brenner, Jonathan	A2
<b>C</b>	
Chavez, Martin	B10
Crowl, Sandra	B11
<b>D</b>	
Das, Arnab	B11
Drogen, Leigh	B12
<b>E - G</b>	
Eccleshall, Toby	B6
Edwards, Tim	B2

### Gibbons, Todd

Hassell, Gerald	B10
Heisman, Eileen	A2
Iannelli, Andrea	B12
James, Hamilton "Tony"	B10
Jianlan, Wang	A1
<b>K - L</b>	
Kelly, Al	B10
Kolko, Jed	A2
Laguarda, Ramon	B1
Larson, Cindy	B6
Lebbin, Gary	B1
Lee, Thomas H.	B4

### Legate, Fiona

<b>M</b>	
Moszkowski, Guy	B10
Musk, Elon	B4
<b>N</b>	
Neves, João Castro	B2
Nooyi, Indra	B1
<b>P</b>	
Piwowar, Michael	B1
Prabhu, Vasant	B10
Pradere, Gilles	B12
<b>R - W</b>	
Roberts, Jennifer	B10
Rybka, Lawrence	B1
Wiggs, Justin	B11

### H - I - J

### K - L

### M

### N

### P

### R - W

### W - Z

### ECCLES

### EDWARDS

</

## BUSINESS NEWS

# Apollo Readies Offering For ADT

Private-equity firm **Apollo Global Management LLC** is preparing an initial public offering for ADT, just a year after it bought the home-security company.

Apollo could file paperwork for the offering with the Securities and Exchange Commission by the fall and list the shares around the end of the year, according to people familiar with the matter.

By Maureen Farrell,  
Dana Mattioli  
and Matt Jarzemsky

The offering could value ADT at well over \$15 billion, including debt, some of the people said, making it one of the largest IPOs of the year.

There is no guarantee a listing will take place, and the expected timing could slip. Such planning is always subject to the whims of the volatile IPO market.

Should Apollo pull it off, the IPO would mark a quick turnaround for the private-equity firm, which began consolidating home-security providers two years ago. The New York firm bought **Protection 1** and **ASG Security** simultaneously in 2015, put them together, and then used the combined company to acquire ADT for about \$7 billion last year.

The former competitors were jointly valued at about \$15 billion, including debt, Apollo said in May of last year.

That Apollo is already teeing up a sale is surprising and indicates the investment could prove to be lucrative.

Private-equity firms routinely buy a company intending to use it as a vehicle for additional acquisitions, but they rarely do so at such a quick pace and on such a scale.

The deals have already started to pay off. In February, an ADT unit sold \$800 million in debt to finance a dividend to its owners.

ADT makes security products ranging from burglar-alarm systems to wireless cameras for homes and businesses.

It has worked to position itself as a player in the smart-home market, which aims to connect consumers wirelessly to various household devices.

ADT was once part of the former Tyco conglomerate assembled by L. Dennis Kozlowski. ADT had merged with Tyco in the late 1990s in a roughly \$5 billion deal.

Tyco used ADT's Bermuda domicile to relocate abroad and lower its tax rate. In 2012, Tyco spun off ADT to shareholders in an effort to refocus the sprawling conglomerate's operations.

Apollo, based in New York, was founded by veterans of junk-bond pioneer Drexel Burnham Lambert.

The firm is known for its willingness to make aggressive, sometimes contrarian, bets. Apollo recently raised \$23.5 billion for the world's largest-ever buyout fund.

IPO activity has picked up this year, with 94 companies raising \$28.5 billion on U.S. exchanges, according to Dealogic.

That is nearly triple the volume at this point last year, when 48 companies had raised \$10.6 billion amid the worst new-issue drought in more than a decade.

It isn't clear whether the momentum will continue, however, especially after some recent debuts stumbled.

### Offering Size

The biggest U.S. IPOs this year by market value of issuer

**Altice USA** June 21

**\$2.1 billion**

**Snap** March 1

**20.0**

**Invitation Homes** Jan. 31

**6.3**

**Ardagh Group** March 14

**4.5**

**Antero Midstream** May 3

**4.4**

Note: Post-deal market value includes overvaluation

Source: Dealogic

THE WALL STREET JOURNAL

# BP in Talks to Sell North Sea Assets

Discussions are at an early stage, with private-equity firms among potential buyers

LONDON—**BP PLC** has approached potential buyers of its oil-and-gas fields in the

By Sarah McFarlane,  
Matt Jarzemsky  
and Ben Dummett

North Sea, people familiar with the matter said, a half-century after the company helped pioneer deep-water extraction there.

BP said it remained "committed to the U.K. North Sea," which the British company sometimes calls its "heartland." The company said it planned to ramp up its U.K. North Sea production to 200,000 barrels a day and pointed to important new developments there west of the Shetland Islands.

But the company has held discussions about selling the full range of its currently producing assets in the U.K. North Sea, people familiar with the matter said. The collection of oil-and-gas fields now produce the equivalent of about 150,000 barrels a day, with some nearing the end of their production lives.

The potential buyers include private-equity firms, the people said, which in recent years have swooped in to buy North Sea fields, lower their costs and extract profit.

The people said the talks were at an early stage, and it isn't clear yet which fields BP would ultimately be willing to part with, if any.

"Our aim is to sustain a material business in the region for decades to come," said BP, which produces more oil and gas from the British North Sea than any other company.

The value of the assets BP approached buyers about wasn't known. Earlier this year, when BP's British-Dutch



Queen Elizabeth II at the launch in 1975 of the flow of oil from the North Sea to one of the company's refineries.

rival Royal Dutch Shell PLC sold stakes in U.K. North Sea fields that produce about 115,000 barrels a day, the assets fetched \$3.8 billion.

The talks come as BP and other big energy companies reassess their portfolio of oil-and-gas fields while the crude-price downturn enters its fourth year. With prices stuck around \$50 a barrel, BP, Shell and others have been looking to ditch oil fields that are nearly tapped out for cheap, quicker-hit options like U.S. shale.

The North Sea is a prime example. BP has been a leader in the North Sea since the mid-1960s, when exploration and production began. Along with Shell and others, BP helped make it one of the world's premier oil basins in the 1970s and '80s; its produc-

tion peaked in the 1990s.

Since the peak, however, it has become more expensive to extract the remaining barrels from aging fields. BP already sold part of its interest in the North Sea's Magnus field to EnQuest PLC earlier this year.

"They can't get the returns in the North Sea compared to more attractive, lower-cost opportunities globally," said Fiona Legate, an analyst at Wood Mackenzie, the Scottish energy consultancy.

BP said it was firm about its commitment to the British North Sea. It is a major employer in Aberdeen, the Scottish port where its North Sea operations are based.

BP is under pressure to raise cash this year to pay for continuing costs related to the Deepwater Horizon

blowout that killed 11 people in 2010 and spilled millions of barrels of oil into the Gulf of Mexico. The company wants to raise \$5.5 billion with various divestments this

## Northern Exposure

U.K. North Sea oil production by the largest producers, in thousand barrels a day

### 2017 oil production forecasts\*

BP	154
Total	151
Chrysaor	124
Shell	114
Nexen (CNOOC)	106

\*Includes oil equivalents

Source: Wood Mackenzie

THE WALL STREET JOURNAL

year. It is considering spinning off some of its U.S. pipelines into a separate public company.

BP is moving into a period of growth, which may require it to shed some of its older North Sea assets, said Oswald Clint, analyst at Sanford C. Bernstein.

"It's the same as Shell; they're selling producing assets, but not development or growth assets," Mr. Clint said.

Selling assets in the U.K. North Sea isn't straightforward. It costs billions to dismantle and dispose the North Sea oil rigs when the fields are fully tapped. As part of its deal to sell North Sea fields this year, Shell agreed to pay up to \$1 billion in decommissioning costs.

—Sarah Kent contributed to this article.

## BUSINESS WATCH



PATRICK T. FALLON/BLOOMBERG NEWS

The acquisition of Valspar is proving more expensive than Sherwin-Williams had anticipated.

PUBLICIS GROUPE

### North America Boosts Results

**Publicis Groupe SA** kicked off earnings season for ad-holding firms with better-than-expected results that showed an improvement in its North American business.

Revenue in the second quarter amounted to €2.52 billion (\$2.9 billion), reflecting a rise of 0.8% on an underlying basis compared with the same period last year. Analysts had projected a 0.5% decline.

The numbers were lifted by the company's North America business, where year-on-year organic revenue returned to positive territory, increasing 0.2%.

—Nick Kostov

UNILEVER

### Earnings Increased Steeply in First Half

**Unilever PLC** on Thursday reported a sharp rise in first-half profit and forecast better-than-expected margins for the full year, making good for now on its promise to improve its performance after fending off a \$143 billion takeover approach from **Kraft Heinz Co.** this year.

For the six months to June 30, Unilever reported net profit attributable to shareholders of €3.11 billion (\$3.58 billion), up from €2.51 billion in the same period last year. Revenue rose to €27.73 billion from €26.28 billion.

The Anglo-Dutch company raised its forecast for full-year profit margins.

—Rory Gallivan

SHERWIN-WILLIAMS

### Valspar Costs Are More Than Expected

**Sherwin-Williams Co.**'s \$9.3-billion takeover of fellow paintmaker **Valspar** isn't going as smoothly as planned.

Sherwin-Williams cut its full-year earnings outlook by more than a dollar and said integration costs would be over six times more expensive than previously anticipated.

The company now expects a \$2.50 per-share charge for the year related to the acquisition, compared with a prior estimate of a 40-cent per-share charge. It now sees annual earnings of \$12.30 to \$12.70 a share, down from \$13.65 to \$13.85 a share forecast in April.

—Imani Moise

# Illness Reports Rise at Chipotle

By JULIE JARGON

Chipotle Mexican Grill Inc. on Wednesday reopened a location in Virginia it temporarily closed this week, although reports of illness associated with that store last week continue to rise.

The chain closed the Sterling, Va., restaurant on Monday after learning of anonymous complaints posted on iwaspoisoned.com from a small number of customers who complained of getting sick after eating there. The company said it conducted a "thorough sanitization" of the location, saying it suspected the culprit was norovirus, a common virus that can be spread through food that has been handled by people who are sick.

As of Thursday afternoon, Patrick Quade, the founder of the food-poisoning website, said the site had received reports of 137 people sickened at the Sterling Chipotle.

"We know that maintaining the highest level of safety in all of our restaurants is incumbent upon us. I made a commitment on behalf of Chipotle to make our restaurants the safest place to eat, and I am confident in the programs and procedures we have implemented," Chipotle founder and Chief Executive Steve Ells said in a statement, referring to the many changes Chipotle has made to its food-safety system in the last two years.

On Tuesday, Jim Marsden,

Chipotle's executive director of food safety, said: "Norovirus does not come from our food supply, and it is safe to eat at Chipotle."

Chipotle is working with the local health department, which is investigating the cause.

Dr. David Goodfriend, director of the Loudoun County Health Department, which handles reports of illnesses in Sterling, said on Thursday morning that his office so far had received approximately 60 reports of people getting sick from the Chipotle location in question but that food-borne illnesses tend to be underreported, especially in cases when people recover quickly. "Our expectation is that the number of people who were sickened last week will go up as people let us know," Dr. Goodfriend said.

He said the symptoms and time span of the reported illnesses is consistent with norovirus but that the department won't have preliminary results from stool samples collected from customers until Friday at the earliest. "We have no indication at this point that it was anything from the food supply chain, but we are looking at that," he added.

Mr. Quade said he is closely monitoring illness reports coming to his website from different Chipotle restaurants in Virginia and Maryland but says it is too early to determine if those might constitute other outbreaks.

# Blackstone Made \$3 Billion Bid for RLJ REIT

By CRAIG KARMIN

**Blackstone Group LP** recently made a roughly \$3 billion bid to acquire **RLJ Lodging Trust**, a move that if successful would end RLJ's agreement to acquire rival hotel investor **FelCor Lodging Trust Inc.**

RLJ said in a securities filing Monday that it had rejected a \$24-a-share offer from an unnamed private-equity

firm.

That party was Blackstone, people familiar with the matter said Thursday. It isn't clear if Blackstone intends to make another offer.

RLJ and FelCor, both real-estate investment trusts, in April agreed to merge in a deal that would create an entity valued at about \$4.2 billion and house about 160 hotels.

RLJ, which owns about 120 hotels with brands like Mar-

riott and Hilton, disclosed that it had received the unsolicited proposal on June 12 from a private-equity investor that offered to buy the lodging company without FelCor.

After RLJ rejected the bid as "not reasonably likely" to be superior to its plan to acquire FelCor, the private-equity firm twice raised its offer, eventually reaching \$25.50 a share on June 23, the filing said.

RLJ's board then said it would consider the offer.

But after the private-equity firm conducted an additional examination of RLJ, it resubmitted its bid on July 6 at the original price of \$24. RLJ's board rejected that offer.

RLJ shares surged Monday on news of the bids, but have since given back most of the gain and closed Thursday at \$20.17.

RLJ is expected to put its all-

stock acquisition of FelCor to a shareholder vote in August.

FelCor, owner of about 40 hotels including New York City's Knickerbocker Hotel at Times Square and the Fairmont Copley Plaza in Boston, had fended off a hostile bid from Ashford Hospitality Trust Inc., another upscale hotel owner, before agreeing to be bought by RLJ.

—David Benoit contributed to this article.

## TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

# Video Websites and Fans Feel Beijing's Chill



In the Chinese government's relentless policing of the internet, political

news and discussions draw heavy scrutiny while entertainment has generally been given wide leeway. As a result, many Chinese millennials grew up watching videos of South Korean soap operas, American TV shows and Japanese animation series.

This generation spends a lot of time watching videos of sports and entertainment; research firm Analysys International says over 70% of China's mobile-video users are under 30 and nearly three-quarters of them watch at least one to two hours of video daily. Many take little note of politics.

Their indifference is being shaken up. Under President Xi Jinping's more assertive guidance, the Communist Party is trying to instill patriotism and reinsert ideology into public life. Instead

of American TV comedies, Beijing wants Chinese youth to watch revolutionary-themed series and other politically inspiring fare.

The effect is unsettling for many young Chinese—and for the online companies building businesses catering to them.

"It feels like the government is yelling into your ears about its existence every day now," says Gloria Liu, a 23-year-old law graduate student in the northeastern city of Changchun.

**S**torm clouds have been gathering for some time. Earlier this year, Chinese video websites pulled popular South Korean music videos and TV dramas after Beijing clashed with Seoul over its deployment of a U.S. missile-defense system. Last month, after meeting with regulators, social-media sites deleted many entertainment accounts.

The real blow came last week when video-streaming

sites Bilibili and AcFun—popular among teenagers and young Chinese—removed most of their U.S., U.K., Japanese and South Korean movies, TV dramas and shows to comply with what they say are regulatory requirements.

On social media, young people said they were

*The Communist Party is trying to reinsert ideology into public life.*

"shocked" and "confused" and "powerless" when they found out their bookmarked videos on those sites had disappeared overnight.

Bilibili says all of its film and TV content is being reviewed to ensure it meets regulatory standards and that foreign films and TV shows comprise only about

10% of all content. AcFun says the company is making changes based on the regulator's guidance and its site won't carry any illegal or inappropriate content.

The State Administration of Press, Publication, Radio, Film and Television didn't respond to a request for comment.

This curtailing of content is hitting businesses that, according to industry people, aren't yet profitable.

Both Bilibili and AcFun started out catering to animation fans and then expanded into more mainstream content. Viewers can post real-time comments that scroll across the screen—a huge draw for the young audience.

Bilibili, founded in 2009 and owned by Shanghai Hode Information Technology, says it has 150 million monthly active users, three-fourths of whom are below the age of 24. AcFun, which was launched in 2007 and has Alibaba Group Holding's

Youku Tudou video site as an investor, declined to disclose user numbers. Both companies, which rely on advertising and games for revenue, declined to comment on their profitability.

**T**he latest crackdown, if sustained, is likely to affect their revenues,

according to investors. It has already poured cold water on investing in other online entertainment startups, one of the hottest plays over the past two years because of the demand from millennials.

Investors feel "anxious and powerless" about the current situation, says a venture capitalist whose fund suspended negotiations with startups creating online entertainment content.

Upset fans aren't taking to the streets; so far their protests are confined to social media. But the forced changes to their viewing diets are causing some to rethink their relationship with a government seen largely as

a distant presence until now.

Ms. Liu, the law student, views herself as patriotic, like many of her generation. She's also a fan of South Korean pop culture, especially the band EXO. She taught herself Korean and uploaded subtitled shows and media coverage of the band on Bilibili. Now, she says, the website no longer allows uploading of these videos.

Frank Guo, a marketing executive at an online-game company in the southern city of Guangzhou who studied in Ireland, says he doesn't understand why the government doesn't trust people to be responsible for their own viewing behavior.

Like Ms. Liu, Mr. Guo thought the government was a remote force.

"Now it's infiltrating every detail of your life, including what entertainment you watch," he says.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.



Elon Musk has long talked about his desire to eventually create a so-called hyperloop, a high-speed, tunnel-based travel system.

## Elon Musk's New Tunnel Vision

By TIM HIGGINS

Billionaire entrepreneur Elon Musk, known for his teasing tweets and ever-expanding list of high-tech ambitions, set observers abuzz again with a vague claim he received "verbal" approval for a high-speed, tunnel-based travel system along one of the busiest corridors in the U.S.

In a message Thursday on his official Twitter account, Mr. Musk said he had "Just received verbal govt approval" to build a "Hyperloop" along the East Coast that could deliver people from New York to Washington in 29 minutes. Amtrak's Acela Express travels between New York and Washington in slightly less than three hours.

He didn't immediately say which government agency or official had given approval, or elaborate on issues such as timing or cost, but later added he aimed to build similar systems in suburban Los Angeles

and Texas. Infrastructure projects of large sizes often take years—if not decades—to receive government approvals.

"Still a lot of work needed to receive formal approval, but am optimistic that will occur rapidly," Mr. Musk wrote.

A spokesman for Mr. Musk's tunnel venture, the Boring Co., said in a written statement that the company has had "promising conversations" with local, state and federal government officials, without disclosing names. He added that the company expects to receive formal government approvals to "break ground" later this year.

The Transportation Department referred questions about the hyperloop to the White House, which confirmed conversations with Mr. Musk and other Boring Co. executives. But the White House didn't say whether it had provided any kind of approval for the hyperloop.

A White House spokesman said in a statement: "We have

had promising conversations to date, are committed to transformative infrastructure projects, and believe our greatest solutions have often come from the ingenuity and drive of the private sector."

Depending on the route, such a project could require approvals from five or six state governments, said Lynne Kiesling, associate director of Purdue University's Research Center in Economics. Ms. Kiesling's research includes the effect of regulatory institutions on technological change.

"Stringing together five or six such approvals would be a long, costly and fractious process," she said.

Mr. Musk has long talked about the creation of a so-called hyperloop, a system for high-speed transportation in a near-vacuum state that takes place in miles-long tubes. Since Mr. Musk floated the idea in 2013, others have tried to commercialize the concept.

Hyperloop One has raised

\$180 million but has faced delays in rolling out a prototype.

Mr. Musk's tweets convey his wide-ranging interests. He is chief executive of electric-car maker Tesla Inc., which last year merged with energy company SolarCity, another business he backed. Mr. Musk also leads the rocket maker Space Exploration Technologies Corp.

In April, Mr. Musk announced plans for a new company called Neuralink Corp., where he also is CEO, aiming to merge computers with brains so humans could one day engage in "consensual telepathy."

In his tweets Thursday, Mr. Musk said the hyperloop system, a network linking New York, Philadelphia, Baltimore and Washington, would be accessible from city centers.

"Support would be much appreciated!" Mr. Musk said in one tweet.

—Eliot Brown contributed to this article.

## Fight at iHeart Reaches Pivotal Point

By SOMA BISWAS

A nearly two-year-long battle between iHeartMedia Inc. and a bondholder group led by Franklin Resources Inc. is coming to a head in the wake of the company's proposal of a sweetened offer. A resolution to the standoff could allow iHeart to avoid bankruptcy.

In its battle to win over bondholders who hold the key to its fate, iHeart Communications has signed up a group of funds led by Eaton Vance Investment Management, Symphony Asset Management and OppenheimerFunds to convince holders—especially Franklin—that it is better to take the new deal than push the company into bankruptcy, according to people familiar with the matter.

iHeart is one of the last of several companies taken over in the private-equity megadeals of a decade ago that is still grappling with debt it took on in its 2006 leveraged buyout by Thomas H. Lee Partners and Bain Capital. The target companies in other big private-equity deals from that era that subsequently soured filed for bankruptcy long ago. These include Caesars Entertainment Corp. and Energy Future Holdings Corp., both of which are still making their way through chapter 11.

For months, iHeart had circulated an offer that hands over as much as 49% of the equity in both iHeart and its valuable Clear Channel Outdoor Holdings billboard unit to bondholders if a substantial group of them agree to extend maturities and take haircuts, or markdowns, on their debt. In that proposal, private equity owners Thomas H. Lee and Bain would hold on to a 51% stake. The proposal garnered little interest, and the holdout group, of which Franklin has the biggest slice of iHeart debt, has argued that they are entitled to more equity in both companies, according to people familiar with the matter.

Earlier this week, the company disclosed details of talks with another group of bondholders led by Eaton Vance, Symphony and OppenheimerFunds over the new deal. In its revised proposal, iHeart is offering bondholders a number of sweeteners, chief among them an additional \$500 million in debt backed by 51% of the shares in iHeart and in Clear Channel, according to public filings. The new slug of debt will effectively delay Thomas H. Lee's and Bain's ability to monetize their shares in the company until the debt is paid off, according to a person familiar with the matter.

iHeart is one of the last of several companies taken over in the private-equity megadeals of a decade ago that is still grappling with debt it took on in its 2006 leveraged buyout by Thomas H. Lee Partners and Bain Capital. The target companies in other big private-equity deals from that era that subsequently soured filed for bankruptcy long ago. These include Caesars Entertainment Corp. and Energy Future Holdings Corp., both of which are still making their way through chapter 11.



Actress Hailee Steinfeld at an iHeartMedia event in December.

## Twitter Claims Progress Against Abuse

By GEORGIA WELLS

**T**witter Inc. said it has clamped down on harassment on its service, a campaign that is forcing the company to confront tricky questions about how it applies its standards.

Twitter suspends or restricts accounts for abusive content at 10 times the rate of a year ago, the company said during a media briefing at its San Francisco headquarters this week. Twitter declined to say how many of its 328 million monthly active users are affected.

Compared with the previous four months, Twitter over the past four months has removed twice as many new accounts created by repeat offenders banned for abuse, said Ed Ho, general manager of consumer product and engineering teams.

Over the past year Twitter has increasingly used artificial

intelligence to flag potential abuse, instead of leaving detection to users. This marks a drastic change for a company that had been loath to police its platform, former employees say.

But tweets posted by President Donald Trump on his per-

sonal account in recent weeks have raised the question of whether he is violating the social network's rules.

In late June, Mr. Trump ridiculed the appearance of television news host Mika Brzezinski; in July, he posted a doctored video of

himself beating up a man whose face had been digitally altered to show the CNN logo.

Asked this week whether the site treats Mr. Trump like other users, Twitter's head of trust and safety, Del Harvey, said, "We apply our policies consistently. Rules are rules."

Those rules ban graphic content, threats of violence and the targeted abuse of others, though comments judged hateful or abusive can be exempted if they are deemed newsworthy. Twitter last year created a Trust and Safety Council to advise it.

"The Trump tweets are a litmus test for folks in the safety council, folks who work for Twitter and observers on the outside," said council member Stephen Balkam, founder of the nonprofit Family Online Safety Institute.

A spokeswoman for Twitter declined to comment on Mr.

Trump, citing a policy of not commenting on specific users.

The White House has defended the tweets. Deputy press secretary Sarah Huckabee Sanders said Americans "knew what they were getting when they elected Donald Trump."

How Twitter applies harassment policies to public figures suggests the limits of its willingness to censor. "For our democracy, I think we should all see what Trump is saying," said council member Danielle Citron, a professor at the University of Maryland School of Law who studies online harassment.

Other academics disagree. Retired professor Michael Hawley, formerly of the Massachusetts Institute of Technology Media Lab, wrote to Twitter in early July urging a temporary ban on Mr. Trump's accounts, @realdonaldtrump and @potus, for violating the terms of service.

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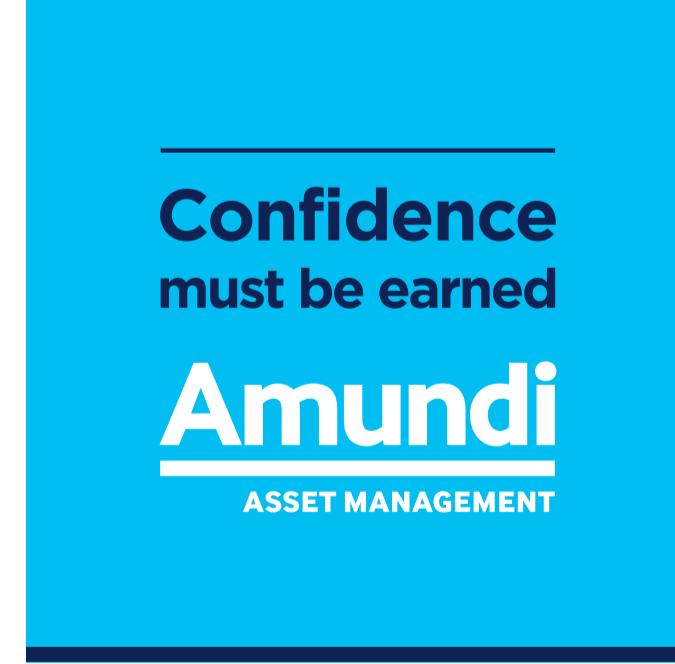
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## BUSINESS NEWS

# Time to Rank the Rankers of Lawyers?

Business of assigning awards to attorneys has gotten out of control, say some

BY SARA RANDAZZO

Stroking lawyers' egos has become big business.

A proliferation of attorney awards and rankings—more than 1,200 by one count—is inundating law-firm marketing departments, and an industry of consultants has popped up to guide firms through the submissions process.

Lawyers vie for rankings such as Super Lawyers, which touts its "patented selection process," Lawdragon, self-described as "the most elite guide in the legal profession," and Chambers and Partners, whose latest annual guide to U.S. lawyers came in at 3,239 pages.

There is also Best Lawyers, the Legal 500, Benchmark Litigation, Leading Lawyers, Martindale-Hubbell, Who's Who Legal—and hundreds of others.

"It's gotten out of control," said Megan Braverman, a principal at Berbay Marketing & Public Relations, which tracks more than 200 contests for law-firm clients.

Another public-relations firm, Jaffe, says its list of 1,200 rankings and awards globally that include lawyers is up from 700 a decade ago.

Law firms spend \$157,000 annually on average in employee time and expenses to complete awards submissions, according to a study released last year by the Legal Marketing Association, Law Firm Media Professionals and BTI Consulting Group. For larger firms, the average is \$691,000, with one reporting spending \$5 million.

Attorneys have received accolades for decades. Former Democratic presidential nomi-



bership dues.

Topping that list is Gary Naftalis, a name partner at Kramer Levin Naftalis & Frankel LLP, a firm based in New York.

Mr. Naftalis, whose website bio lists dozens of honors he has received in his more than 40-year career representing chief executives and major corporations, said he didn't know he was being used in promotional materials. "Look, obviously everybody has egos," he said. "If you work hard, if you're good at what you do, it's nice to be recognized."

Some marketing professionals are getting fed up with endless nomination requests and have begun to push back—and urge attorneys to be more discerning. Ms. Braverman said attendees cheered at a marketing conference earlier this year when a senior-in-house lawyer said he didn't care about rankings.

Kent Matsumoto, general counsel of specialty-paper maker Glatfelter, said he hires lawyers who show an interest in the industry and can serve as an extension of the company, qualities he says that can't be ascertained in a lawyer directory.

As awards makers tap out the law-firm market, some have started conferring prizes on corporations' law departments, then asking law firms to take out advertisements to congratulate their clients.

Edward Ryan, the general counsel of Marriott International, said he weighs the prestige and value of an accolade against the pressure it would put on law firms he hires to buy tables at awards dinners. So, he politely declines some, but accepts others.

"It can be hard to celebrate your successes," he said. "Recognition from an outside source really helps people say, wow, we did something special."

One public-relations firm says its list of 1,200 rankings and awards globally that include lawyers is up from 700 a decade ago.

nee Hillary Clinton used to tout that she was one of the National Law Journal's "100 Most Influential Lawyers" in 1988 and 1991.

But since the recession, the awards race has intensified, in part as legal-trade publications look to monetize honors to prop up revenue.

Many of the rankings are bestowed by trusted brands that vet lawyers' reputations by calling clients and reviewing court victories or major deals. Even these can ask winners to pay \$500 for plaques, \$5,000 for advertisements or \$10,000 for tables at awards banquets. Newer contests are often pay-to-play, requiring several-hundred dollar submis-

sion fees or even withholding awards if certain products aren't purchased.

"A whole cottage industry has developed on playing off of lawyers' egos and insecurities," said the head of one large New York-based law firm. "It's accelerating dramatically because people see that there's money to be had."

Many law firms say the awards do more to help internal morale than to acquire new business. In a 2016 survey of general counsel by BTI, 4.6% said they looked to the attorney directories first when hiring law firms, while 25% said they use them to confirm observations about a hire.

Chambers USA's editor,

Toby Eccleshall, said they hear about clients who rely on the guide. "It's not just intended to be a vanity project for lawyers," he said. Super Lawyers, which awards the distinction to up to 5% of lawyers in each state, serves as a starting point to "help consumers navigate the legal realm," publisher Cindy Larson said.

Faced with a stagnant supply of high-end litigation and corporate deal work, law firms see the awards as a way to distinguish themselves and get an edge on the competition.

Joseph Andrew, global chairman of 8,000-lawyer law firm Dentons, said awards have gained prominence as firms compete internationally

and recognize the value of sharing successes on social media. "If you're the world's largest law firm, you want to make sure you've won more awards than anyone else," Mr. Andrew said.

Law-firm marketers say they have become accustomed to almost daily emails from partners forwarding awards pitches and asking some variation of "do we care about this?" One recently making the rounds to Manhattan attorneys congratulates them on their nomination as one of "America's Top 100 Attorneys" in New York, listing 79 other lawyers who have already "accepted this honor" and a link to pay \$1,000 onetime mem-

## Volvo Tightens Ties With Chinese Owner

BY WILLIAM BOSTON AND DOMINIC CHOPPING

STOCKHOLM—Volvo Car Corp. and its Chinese parent Zhejiang Geely Holding Group Co. on Thursday outlined a wide-ranging technical collaboration to further the Swedish auto maker's transformation into an all-electric brand and as well Geely's global ambitions.

Under their agreement, they will create a China-based joint venture to build on their current technology sharing with the aim of accelerating electric-car development. Volvo Cars will also take a "significant minority stake" in Lynk & Co., a car brand the Chinese investment group created in its effort to become a global automotive force. Lynk will be jointly owned by Geely Holding, Geely Automobile Holdings Ltd and Volvo Cars.

"This venture will allow us to achieve lower prices in global markets, faster development of technology and to get more resources," Volvo Cars Chief Executive Hakan Samuelsson said in an interview. "The cooperation is primarily targeting Lynk & Co and gives us more influence."

Earlier this month, Volvo said all of its new models from 2019 would be either fully electric or a hybrid, making it

the first traditional auto maker to abandon the conventional internal combustion engine that has powered the industry for more than a century.

The announcement of the joint venture with Geely Holding comes as the Gothenburg, Sweden-based automotive group confirmed it is on track to achieve record sales for a fourth year in a row.

Volvo, a niche player in the global luxury-car market, has staged a strong recovery since Geely Holding acquired it from Ford Motor Co. in 2010. The car maker, long known in suburban America for its safety and reliability, is trying to leverage its brand recognition to become a force in new technology such as electric cars, connected vehicles and self-driving cars.

Volvo on Thursday said its second-quarter net profit rose 1.56 billion Swedish kronor (\$189.7 million) from 1.27 billion kronor last year, with operating profit rising 34% to 3.29 billion kronor.

New car sales in the period rose 9.2% to 148,493 units, riding strong results in China. Revenue rose to 54.47 billion kronor from a year-earlier 42.18 billion kronor, driven by demand for the company's XC60, S90 and V90 models and favorable exchange rates.

## GM Small-Car Plant Takes a Rest

BY ADRIENNE ROBERTS

Workers assembling General Motors Co.'s Tesla fighter are taking a month off this summer amid lukewarm demand, as American car buyers show little interest in vehicles that rely solely on battery power to get from Point A to B.

The Detroit auto giant's plant in Orion Township, Mich., began producing the Chevrolet Bolt late last year, with output hitting more than 15,000 vehicles before the company's typical summer shutdown at the start of July. That break usually spans two weeks, but workers at the Bolt plant—also building the slow-selling compact Chevrolet Sonic—remain on vacation the third week of the month as inventories of both cars climb.

A GM spokesman, saying the shutdown stems from the oversupply of Sonics, said workers will return to the Orion assembly line on Monday. However, they will take another one-week break in August.

The long layoff affecting the Bolt is unusual for a vehicle still considered to be in launch mode, and it delivers a blow to GM as Tesla Inc. is ramping up production of the Model 3, which is priced lower than its Chevrolet counterpart while offering a similar driving range on a single charge. The \$35,000 Model 3, Tesla's fourth model, already has amassed hundreds



The auto maker is extending a summer shutdown for the facility that makes Sonics and Bolts.

of thousands of reservations from potential buyers.

About 7,500 Bolts have been sold through June, though it is yet to go on sale in all 50 states. Sales of the \$37,000 Bolt roughly match the Nissan Leaf, a lower-range electric car that has been available in the U.S. for several years. Electric vehicles make up just 0.6% of U.S. auto market in 2017, according to Autotrader.com, as inadequate charging infrastructure, high costs and low gasoline prices have muted demand.

Haig Stoddard, an analyst with Wards.com, said the Bolt is a strong performer among the field of electric vehicles, but it is "not selling as strong as GM had hoped." Tesla represents nearly half of electric-vehicle sales in the U.S., Auto-trader estimates.

The Bolt, under development for several years, helps the company meet tightening emissions standards, and buyers qualify for a \$7,500 tax credit after the sale.

"Putting the Bolt into the

market should be looked at as part of GM's R&D in electrification," Mr. Stoddard said. "GM and the rest of the industry are preparing for the long term."

Jim Cain, a GM spokesman, said the company has more than 100 days' supply of Bolt inventory on Chevrolet dealer lots (compared with an industry average of 74 days'), but that number is distorted by the fact only some Chevy dealers currently offer the car.

—John Stoll contributed to this article.

## Mutual Funds | WSJ.com/fundresearch

### Explanatory Notes

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, assuming reinvestment of all distributions and after subtracting annual expenses. Figures don't reflect sales charges ("loads") or redemption fees.

NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes and s apply. k-Recalculated by Lipper, using updated data. p-Distribution cost apply, 12b-1 r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper. Data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Thursday, July 20, 2017

Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret	Fund	NAV	Net YTD%Ret
American Century Inv	62.52 +0.11 21.5	5.61	GlbFxdlnd	11.00 +0.01 2.0	9.55	DispValMCi	23.25 -0.08 0.8	9.55	PIMCO Fds Instl	NA	NA	DivIntlnst	NA	NA	STBondAdml	10.48	-1.4	TgtRe2050	34.29 +0.04 12.8	
Ultra	41.93 +0.09 20.2	20.2	SmcPap	53.97 +0.06 17.4	9.55	LowPrStkk	54.17 +0.09 9.5	9.55	JPMorgan Funds	NA	NA	HtYld	9.06 +0.01 5.8	5.8	TgtRetlncl	13.38 -0.01 5.3				
American Funds Cl A	12.99 +0.01 3.7	3.7	EmgMktEq	29.31 -0.09 22.7	9.55	OTC	106.66 +0.03 28.0	9.55	JPMorgan I Class	NA	NA	TotRtr	10.27 +0.01 4.7	4.7	TotBdAdml	10.80	-2.8	TotIntDfdxAdm	10.87 +0.01 0.8	
AmcPap	30.18 +0.03 12.5	12.5	Wshp	43.08 -0.01 8.7	8.7	StrdDivlnd	7.02 +0.02 0.02	8.7	Puritn	22.66	-1.1	CoreBond	11.67	-3.0	Prudential Cl Z & I	14.51 +0.01 4.7				
AMUtlia	39.52 +0.05 8.4	8.4	IntCoreEq	13.56 +0.04 17.9	17.9	StrdMktEq	5.83 +0.02 1.0	17.9	JP Morgan C	NA	NA	DivIntlnst	NA	NA	Schwab Funds	28.76 +0.07 18.4				
BaldA	26.63 -0.08 8.6	8.6	EqyDlnst	10.91	-1.1	StrdMktEq	12.02 +0.01 10.7	10.7	JP Morgan R Class	NA	NA	TotRtr	21.73 +0.01 0.8	0.8	Wellsl	26.52 +0.03 5.6				
BondA	12.96 -0.08 2.7	2.7	IntSvcs	11.27 +0.01 3.5	3.5	FF2020	16.24 +0.02 10.1	10.1	Puritn	11.67	-3.0	IncomeFd	NA	NA	Welltn	41.40 +0.03 7.3				
BlackRock Funds A	62.22 +0.14 9.7	9.7	IntSvcs	21.45 +0.02 12.5	12.5	FF2030	17.47 +0.02 12.5	12.5	JP Morgan I Class	NA	NA	IncomeFd	NA	NA	Wndrlsl	37.87 +0.04 8.8				
CapWGr	50.47 +0.12 16.5	16.5	IntSvcs	19.83 +0.01 9.1	9.1	Freedom	15.10 +0.01 10.0	10.0	Puritn	11.67	-3.0	JP Morgan R Class	NA	NA	VANGUARD INDEX FDs	13.63 +0.06 17.9				
EupacA	53.90 +0.18 22.0	22.0	IntSvcs	13.70 +0.01 3.7	3.7	Freedom	15.93 +0.02 10.8	10.8	StrdMktEq	11.49 +0.01 11.3	11.3	IncomeFd	NA	NA	VANGUARD INSTL FDs	22.58 +0.02 11.6				
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# ALL YOU NEED TO KNOW CHINA WATCH

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## 20 YEARS AFTER RETURN PRESIDENT'S MESSAGE MARKS HONG KONG ANNIVERSARY, P2



## FTZ, AS EASY AS CAN BE SHANGHAI ACTS AS MODEL FOR FREE TRADE ZONES, P3

# Friend of Animals Finds Way to Neuter a Beastly Problem

By ZHOU WENTING

Coralie Debras, a resident of Shanghai for the past 13 years, said she is relieved to have not found any pregnant cats in her community during this year's mating season.

Debras, 46, said it is a result of the trap-neuter-return method that she helped implement four years ago, which aims to control the population of stray cats.

"It has become less noisy at night and the streets are cleaner, and the number of complaints about stray cats that the residential committee received this year is half that of last year," said Debras, a French citizen living in a high-end community in Pudong New Area's Lujiazui financial area.

Her idea to introduce the TNR method was born five years ago when she discovered that cats in her community were dying because residents who were fed up with them fighting, making a mess of garbage and being noisy during mating season began poisoning their food.

"I even saw some cats with traps attached to their feet. I understood people's frustrations, but felt there was a better way to address the situation," said Debras, who is a stay-at-home mother and a child care and animal welfare volunteer.

"We have also made a fixed feeding area for stray cats so that the environment remains clean and the cats stay healthy."



Debras plays with a stray cat in her community. GAO ERQIANG / CHINA DAILY



President Xi Jinping with his U.S. counterpart Donald Trump in Hamburg on July 8. YAO DAEWEI / XINHUA

# China and U.S. to Join Forces on Economy

Second meeting of presidents promotes trade and military plans.

Zhang Yunbi and An Baijie report

A meeting between President Xi Jinping and his U.S. counterpart, Donald Trump, on July 8 was productive and reassuring to the world, experts said, as it confirmed discussions were continuing on an ambitious economic cooperation plan and a sequence of meetings involving senior military officers.

The two presidents' second meeting this year, on the sidelines of the G20 Summit in Hamburg, Germany, took place amid widespread concern about tensions on the Korean Peninsula and a U.S. warship's recent intrusion into Chinese waters in the South China Sea.

Both leaders agreed to maintain close high-level contact and to reinforce strategic mutual trust, the Foreign Ministry said.

The first round of a comprehensive economic dialogue was set for July 19, and Beijing and Washington will launch at an early date their first law enforcement and cybersecurity dialogue, as well as their first social and cultural dialogue, the ministry said.

During his meeting with Trump, Xi said the two sides are discussing a one-year cooperation plan, and that the 100-

day economic cooperation action plan initiated after the meeting with Trump at Mar-a-Largo, Florida, in April has made more progress.

On military-to-military relations, Xi proposed that the two countries' defense ministers exchange visits as soon as possible. He called for concerted efforts on such matters as the visit to China in August by the chairman of the U.S. Joint Chiefs of Staff, the first dialogue between the joint staffs of the two countries' militaries in November and the Chinese Navy's participation in the U.S.-led 2018 Pacific Rim military drill.

Trump hailed his "wonderful relationship" with Xi and expressed confidence in success in tackling common problems together with China, the White House said.

Xi said both sides should respect the core interests and major concerns of each other and appropriately tackle their differences and sensitive issues.

The two sides should have mutual respect, seek win-win results, expand pragmatic cooperation in all fields and reinforce coordination with respect to global and regional issues, Xi said.

The two leaders agreed to further communication and coordination on

the Korean Peninsula nuclear issue.

Xi said the world should increase efforts in promoting dialogue and controlling the situation when responding to violations by the Democratic People's Republic of Korea of U.N. Security Council resolutions.

Xi also reiterated China's objection to the deployment of the U.S. Terminal High-Altitude Area Defense anti-missile system in the Republic of Korea.

Teng Jianqun, director of the Department of American Studies at the China Institute of International Studies, said the personal ties between Xi and Trump are adding to people's hope for upcoming meetings, including a state visit by Trump to China later this year.

Chen Fengying, a senior researcher on the world economy at the China Institutes of Contemporary International Relations, said the way the two countries work with each other on economics and trade "directly influences the improving process of the world economy."

Two-way trade is increasingly reciprocal, meeting the needs of both sides and the world, and any bilateral trade imbalance should be viewed with a cool head, Chen said.

# A Big-City Heart Beats Once More

By LIA ZHU

It can be seen in the numbers: At least 20 skyscrapers are being built; more than 5,000 condos are being built; and 46,000 jobs were forecast to be created from 2015 to 2020 in the hospitality and tourism industry.

Downtown Los Angeles is undergoing a rejuvenation, and Chinese property developers are playing a major role.

Not only is the new construction reshaping the city's skyline, it is also redefining urban living style by creating a vibrant new shopping, dining and entertainment destination.

The foot traffic in downtown Los Angeles is steady, young adults and families are opting for an urban lifestyle and new restaurants, stores and entertainment venues are taking advantage of the scene.

Five years ago downtown Los Angeles was a place you did not want to go at night, said Robert, an Uber driver who gave only his first name. "It was empty at night and weekends. People didn't really live down here."

Robert said he used to avoid driving through the downtown area at night, but now he has many passengers going to downtown restaurants and nightclubs.

"It has totally changed face."

K. Allen Anderson, senior vice president and general counsel of Greenland U.S.A., said, "Los Angeles downtown wasn't at all the kind of downtown you see in other international cities, or even other major cities in the U.S."



I think Greenland U.S.A.'s Metropolis is taking a leading role in the development in the downtown area."

HU GANG  
PRESIDENT AND CHIEF EXECUTIVE OF GREENLAND U.S.A.

"For various reasons, cultural and land restriction reasons, for many years, buildings could not be taller than the city hall, which is about 20-stories high," he said. "So you never had the inner city growth. People grew out into the suburbs."

That started to change 15 years ago when the Staples Center and the Ritz Carlton and JW Marriot hotels came to Los Angeles, and "that's been really accelerated by Chinese developers," Anderson said.

Now those developers, such as Greenland, Oceanwide, Shenzhen Hazens and Lifan, are pumping billions of dollars into the city, adding thousands of new residential units in high-rise towers.

Stephen Cheung, president of World Trade Center Los Angeles, said Los Angeles is going through a renaissance that "we haven't seen in decades."

"Looking at the population and the

industry growing, you start seeing a new vibe that we haven't experienced before."

Over the past 15 years investment in downtown has exceeded \$15 billion, and the weekday population has grown to more than 500,000.

More than 700 restaurants, bars, retail and night life venues opened between 2008 and 2014, the Downtown Center Business Improvement District said.

Greenland started the wave of Chinese investment with a \$150-million acquisition of 6.33 acres of land, a parking lot, in South Park in late 2013. Now that site is "Metropolis," a high-rise tower complex.

With investment exceeding \$1 billion, the four-building complex includes an 18-story, 350-room hotel that opened on March 31 and a 38-story residential tower with 308 condos that opened in April. A 40-story tower with 514 condos and another 56-story tower with 685 condos are still being built, the first to open next year and the other in 2019.

"I think Greenland U.S.A.'s Metropolis is taking a leading role in the development in the downtown area," said Hu Gang, president and chief executive of Greenland U.S.A., a subsidiary of the Chinese real estate giant Greenland Group.

"Now we are taking the leadership of the market, also, and we are creating the market as well."

SEE "LOS ANGELES" ON P2

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CHINA DAILY

## 21 Perspectives



Chinese developers are pumping billions of dollars into the inner city of Los Angeles, adding thousands of new residential units in high-rise towers. LIA ZHU / CHINA DAILY

## LOS ANGELES: Chinese Play Role in Downtown Renaissance

FROM PAGE 1



New residents help drive the downtown renaissance, and we are clear about the demand, which is mixed-use buildings."

THOMAS FENG  
CHIEF EXECUTIVE AND PRESIDENT OF OCEANWIDE PLAZA

majority in the workforce, especially on the West and East coasts."

A 2015 report by Beacon Economics for the Central City Association of Los Angeles and the Downtown Center Business Improvement District of Los Angeles said the demand for apartments in downtown Los Angeles tripled between 2000 and 2013.

Now there are 5,636 condos, and more than 5,000 are being built, most of them invested in by Chinese.

"New residents help drive the downtown renaissance, and we are clear about the demand, which is mixed-use buildings," Feng said.

He also said that more young people, especially the millennium generation, want to live in

downtown Los Angeles to avoid commuting and have more time for entertainment and being on the internet.

Chinese investors started coming to Los Angeles after the financial crisis, around 2010, said Andrew Pan, senior vice-president and head of Chinese business and strategy at East West Bank.

"When China's real estate market cooled down, major Chinese developers had to find a market to keep their capacities going, and the U.S. developers were still recovering from the crisis," said Pan, who has worked in downtown Los Angeles for more than 10 years and watched the changes.

Los Angeles was the Chinese investors' first stop because it is a gateway city, and the downtown is the metropolitan area closest to China, he said, adding that the area was attractive for developers because of relatively low construction costs and more reasonable property prices.

In Manhattan, a condo can cost more than \$1,500 a square foot and in San Francisco more than \$1,200 a square foot, but in Los Angeles the average condo cost is \$700 a square foot.

The Los Angeles city government has been aggressively attracting foreign direct investment, especially in the real estate industry for its downtown renaissance plan.

The renaissance was also a result of the change in industrial and family structure, Feng said.

"After manufacturing started fading in the 1990s, the lifestyle of big families living in a big house had changed, and the younger generation became the

majority in the workforce, especially on the West and East coasts."

A 2015 report by Beacon Economics for the Central City Association of Los Angeles and the Downtown Center Business Improvement District of Los Angeles said the demand for apartments in downtown Los Angeles tripled between 2000 and 2013.

Now there are 5,636 condos, and more than 5,000 are being built, most of them invested in by Chinese.

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## News Digest

### World feels impact of Governance

A book on governance written by President Xi Jinping recently marked the 1,000-day anniversary of its debut and has set a record in China's publication history dating back 40 years with more than 6.25 million copies in 22 languages in print worldwide. The book, *Xi Jinping: The Governance of China*, provides an insight into China's leaders and the country's economic success. A dozen of the 22 language editions were published at the request of various countries, and by the end of 2018 another 13 language versions are expected to be added, according to Xu Bu, president of Foreign Languages Press, the book's publisher.

### Smooth subway trip for women

Shenzhen Metro Group launched "ladies first" subway cars on June 26, with the aim of providing more comfortable and safer travel for women. It is the first subway in the country to offer the service. In a trial operation, the operator has designated the first and last compartments of every train on Lines 1, 3, 4 and 5 as priority cars for women.

### Express delivery spending up

Chinese customers spent more on express delivery services last year, and average delivery costs continued to decline, according to an industry report. Average spending in China on express delivery stood at 287 yuan (\$42) last year, up 42.7% year-on-year, according to the State Post

Bureau. Average costs dropped from 13.4 yuan per item to 12.7 yuan, and consumers were increasingly satisfied with the services. A total of 31.3 billion parcels were delivered last year, up 51.4% year-on-year. The sector generated 397 billion yuan in revenue last year, up 43.5%, the bureau said. The target annual revenue of the courier sector will be 800 billion yuan in 2020, according to a policy document issued by the State Council in October.

### Large dinosaur fossil site found

Paleontologists have discovered a large fossil site in Chongqing, according to a news conference held by the city government. More than 5,000 fossils have been excavated from a "fossil wall" in Pu'an township in Yunyang County, since October, just a year after a local farmer discovered the site. It is estimated that many dinosaur fossils are buried at least 65 feet underground. The unearthed fossils belong to at least five dinosaur categories, such as ornithopods, sauropods and stegosaurs, according to the Chinese Academy of Sciences' Institute of Vertebrate Paleontology and Paleoanthropology.

### Drones as guardians of crops

The drone maker DJI Innovation Technology of Shenzhen signed a memorandum of understanding with Dow AgroSciences of Indianapolis to work on the research and application of crop protection drones and technology. The two companies will



Lotus and the circle of life

People do yoga exercises by a lotus pond at Zhuyuwan Park in Yangzhou, Jiangsu province on June 20. The following day is International Yoga Day. MENG DELONG / FOR CHINA DAILY

test crop protection products carried and sprayed by drones.

### China Mobile to begin 5G tests

China Mobile Communications Corp., the world's largest telecom carrier by subscribers, will start 5G scale tests next year and launch a pre-commercial service in 2019, with the aim of fully commercializing 5G — the next major phase of mobile telecommunications standards — in 2020. The company recently established the country's first 5G base station in Guangzhou, Guangdong province, and carried out a 5G outdoor test with a telecom equipment maker.

### Industrial firms show profit growth

China's big industrial firms are expected to enjoy stable profit growth in the coming months, after a double-digit year-on-year increase in cumulative profit from January to May laid a solid foundation for the year. Industrial companies with annual sales of more than 20 million yuan (\$2.9 million) posted 2.9 trillion yuan in profits in the first five months, up 22.7% cumulatively year-on-year, according to the National Statistics Bureau. In May alone, profits of major industrial firms rose 16.7% year-on-year, up from 14% in April, data showed.

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## CONTACT US

### China Daily

15 Huixin Dongjie, Chaoyang, Beijing, China 100029  
+86 (0) 10 64918366  
[chinawatch@chinadaily.com.cn](mailto:chinawatch@chinadaily.com.cn)  
Advertising:  
+86 (0) 10 64918631;  
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### China Daily U.S.A.

1500 Broadway, Suite 2800, New York, NY 10036  
+1 212 537 8888  
[editor@chinadailyusa.com](mailto:editor@chinadailyusa.com)

### China Daily Asia Pacific China Daily Hong Kong

Room 1818, Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong  
+852 2518 5111  
[editor@chinadailyhk.com](mailto:editor@chinadailyhk.com)  
[editor@chinadailyasia.com](mailto:editor@chinadailyasia.com)

### China Daily U.K.

90 Cannon Street, London EC4N 6HA  
+44 (0) 207 398 8270  
[editor@chinadailyuk.com](mailto:editor@chinadailyuk.com)

### China Daily Africa

P.O. Box 2728100100, Nairobi, Kenya  
+254 (0) 20 522 3498  
[editor@chinadailyafrica.com](mailto:editor@chinadailyafrica.com)

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# Xi Calls for Unity in Face of Challenges

President makes rallying call as Hong Kong Special Administrative Region celebrates 20th anniversary of return.

An Baijie reports

A trip that President Xi Jinping made to Hong Kong that concluded on July 1 boosted the confidence of its people for a better future, despite challenges that remain ahead, analysts and residents said.

During his 49-hour visit to the special administrative region, Xi took part in 20 activities and held talks with people from all walks of life, ranging from schoolchildren and teenagers to top government officials.

He also inspected the People's Liberation Army's Shek Kong barracks in Hong Kong on June 30. The garrison should champion State sovereignty and ensure the region's prosperity and stability, he said.

In a speech on July 1 marking the 20th anniversary of Hong Kong's return to China, Xi called on the fifth-term government of the Hong Kong Special Administrative Region to unite people to fully implement the principle of "one country, two systems."

China's rapid development provides an invaluable opportunity, he said, calling on people to "cherish the opportunity, seize it and focus your energy on Hong Kong's development."

There are many challenges for Hong Kong, he said. For example, it has yet to build public consensus on some important political and legal matters; the Hong Kong economy faces a number of hurdles; and housing and other issues that affect the people's daily lives have become more serious.

To tackle the challenges, Xi said, "We must stay on the right and steady course, gain a full understanding of the policy of 'one country, two systems' and faithfully implement it."

In his speech, Xi warned against moves to undermine national sovereignty or challenge the central government's power.

"Any attempt to endanger China's sovereignty and security, challenge the power of the central government and the authority of the Basic Law of the Hong Kong Special Administrative Region or use Hong Kong to carry out infiltration and sabotage activities against the mainland is an act that



We must stay on the right and steady course, gain a full understanding of the policy of 'one country, two systems' and faithfully implement it."

XI JINPING  
CHINESE PRESIDENT

crosses the red line, and is absolutely impermissible."

Many Hong Kong people expressed appreciation for Xi's visit, saying they hoped the public would heed the president and reunite to achieve a bright future.

Lau Siu-kai, vice-president of the Chinese Association of Hong Kong and Macao Studies, said he was delighted to see Xi reaffirming the central government's firm stance in implementing the "one country, two systems" principle in Hong Kong.

Xi's commitment to it helps increase confidence in Hong Kong's long-term prosperity and stability, and helps it focus on devising strategies to push forward its own development along with the country's, Lau said.

Confidence was a recurring theme in Xi's speeches in the city. At an official banquet hosted by the Hong Kong government on the second day of his visit, Xi called on Hong Kong people to have confidence in themselves, in the special administrative region and in the country.

Chan Yung, chairman of the New Territories Association of Societies, said the past 20 years were a perfect demonstration of the central government's continuous support to the region.

"When Hong Kong faced crises, the central government was always there to help," Chan said, adding that with strong support Hong Kong is well-positioned to be confident in pursuing growth.

Luis Liu in Hong Kong contributed to this story.

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CHINA DAILY

Business | 13

# Trade Zone Becomes a Mighty Model

More than 60,000 free trade accounts help serve more than 27,000 domestic and overseas companies in about 110 countries and regions. **Shi Jing** reports

**I**t has become a blueprint for success and a model for economic growth. The China (Shanghai) Pilot Free Trade Zone, opened in September 2013, was the first of its kind.

Since then it has been a major driver in economic expansion in the city and across the country.

"The Shanghai zone became a national test model," said Weng Zuliang, Party secretary of Pudong New Area. "It was not just a local initiative."

Impressive figures illustrate the achievements of the free trade zone over the past three-and-a-half years.

The zone has expanded to nearly 30,000 acres from its original size of about 8,650 acres. Last year it produced 75% of GDP for the Pudong New Area, where it is located.

It also accounted for one-fourth of the city's GDP.

The negative list for foreign investment has been dramatically reduced, and the number of newly registered companies has increased to more than 40,000 since 2013.

This equals the total number posted in the 20 years before the trade zone opened.

"Over the past three-and-a-half years the zone has made major strides in investment, trade, financial reform and the change of government functions," Weng said.

Time needed for imported container goods to be cleared has been cut by 25% and time for air freight to be cleared has been cut by 11%.

More than 60,000 free trade accounts are also in operation, serving more than 27,000 domestic and overseas companies in about 110 countries and regions.

But there are still challenges ahead for the free trade zone as it continues to grow.

"One of the main tasks is for it to become more closely linked to the Belt and Road Initiative so more companies can reach overseas markets."



The Shanghai free trade zone's performance of the past three-and-a-half years is wrapped up in impressive figures.

WU JUN / FOR CHINA DAILY



**One of the main tasks is for it to become more closely linked to the Belt and Road Initiative so more companies can reach overseas markets.**

WENG ZULIANG  
PARTY SECRETARY OF PUDONG NEW AREA  
IN SHANGHAI

trade zone have reported trade valued at 333.9 billion yuan (\$49 billion) with economies involved in the Belt and Road Initiative.

In the first quarter of this year the value of trade exceeded 95 billion yuan, up 28.7% compared with the corresponding period last year.

By the end of last year companies registered in the trade zone had funded 108 projects in 25 countries related to the Belt and Road Initiative, which aims to connect Asia, Africa, the Middle East and Europe to the old Silk Road.

Another key area has been total investment, which has reached 4.38 billion yuan, fueled by Belt and Road projects.

Shanghai Zhenhua Heavy Industries, for example, has changed its strategy from being a purely exporting company to funding projects. The group, which was one of the world's largest makers of cranes and large steel structures, has invested in 14 economies involved in the initiative, Weng said.

"To better participate in the project, the Shanghai zone will first seek smoother communication with local governments. We will perfect the infrastructure in Pudong, further complete the financial system and ensure multilateral trade, so that local consumers can have greater choice with overseas product."

# China Leads Ice Pack in Search for Energy Solutions

By ZHENG XIN

So-called combustible ice and its successful mining in China is estimated to be 15 years from use, but it is seen as a breakthrough toward a global energy revolution.

Chinese researchers have explored about 7.4 million cubic feet of combustible ice trapped in frozen crystals in the South China Sea in the 30 days since a test drilling and production operation in early May. Daily production reached 240,140 cu ft.

It will be another energy revolution led by China following the U.S. shale revolution, reshaping the global energy mix, said Li Jinfa, deputy director of China Geological Survey, part of the Ministry of Land and Resources.

Reserves of gas hydrate, as combustible ice or flammable ice is known, in the South China Sea are estimated at 80 billion metric tons of oil equivalent, he said.

The ministry said it would formulate policies to encourage participation in the exploration of various types of combustible ice, while aspects including exploration block delineation, granting of licenses for mining, mining registration and development will be given priority to pave the way for commercialization of the frozen fuel.

According to a report on China's energy and mineral geology survey last year, the country's gas hydrate could last for 100 years and could well be its next big opportunity in energy.

China's choice of vigorous expansion of flammable ice mining at the moment is due to the urgency to replace conventional energy to optimize the energy structure and relieve problems caused by energy shortages, analysts said.

The country now relies heavily on crude imports. Successfully mining flammable ice will substantially improve its energy security while lifting the country's clean energy production technologies to a new



Above: A platform is used to collect combustible ice in the South China Sea recently, while researchers (inset) show off combustible ice in a laboratory in Zhuhai, Guangdong province.

PHOTOS BY GUO JUNFENG / FOR CHINA DAILY



Left: Workers on the platform searching for combustible ice in the South China Sea demonstrate how the equipment works.

and the U.S. government has been conducting research into the clean fuel for years.

However, no progress has been made, mostly because of technological barriers.

The successful mining of gas hydrate has turned China into a frontrunner in the clean energy mining field, Han said, whereas it has trailed international peers in exploring for oil, gas, shale gas and coal mining. The lack of technology or experience to borrow or learn from makes China's success even greater value, Han said.

The gas hydrate, which is usually located frozen deep in the Earth, requires advanced technologies and

comprehensive national strength, he said.

Once China comes up with a steady output of hydrate gas, international collaboration would be needed, as much of the gas hydrate is frozen deep beneath international seas, he said.

Qiu Haijun, director of the trial mining headquarters, said many countries along the 21st Century Maritime Silk Road have a demand for flammable ice mining.

With advanced technology, Qiu said, the gas hydrate could help resolve the problem of energy resources and boost economic development and exchanges between countries.

The test drilling and production operation conducted by China International Marine Containers Group and China National Petroleum Corp. created a solid foundation for commercial use of the resource before 2030, and the test-drilling will help facilitate China's deep-sea exploration capability, said Li, of the China Geological Survey.

Blue Whale 1, the ultra-deepwater semi-submersible drilling rig built by the country's largest semi-submersible platform maker, China Yantai CIMC Raffles Offshore Ltd., conducted the tests in the South China Sea.

Mai Boliang, president of CIMC, said Blue Whale 1 is the world's most advanced ocean drilling platform design, and it was important practice for CIMC to further enhance China's high-end energy exploration equipment.

Han, the Energy Research Institute's director, said the success after 20 years of research and exploration is only a small step in a very long journey.

The potential risks for the environment and technological barriers attenuate all the optimistic outlooks, he said.

Collection so far is more of strategic concern with vast uncertainties, and whether the frozen fuel will replace regular oil and natural gas remains to be seen, Han said.

level, said Lu Hailong, a professor at the Institute of Ocean Research at Peking University.

Han Wenke, director of the Energy Research Institute at the National Development and Reform Commission, said environmental concerns have been pushing China to further upgrade its energy mix.

Right now the country has a relatively high proportion of coal, which creates heavy pollution.

The International Energy Agency says China has been increasingly relying on imported oil as demand increases, and it is estimated that its reliance on oil imports in 2020 could be even greater than the government plan suggests.

All these are pushing China toward a cleaner fuel alternative.

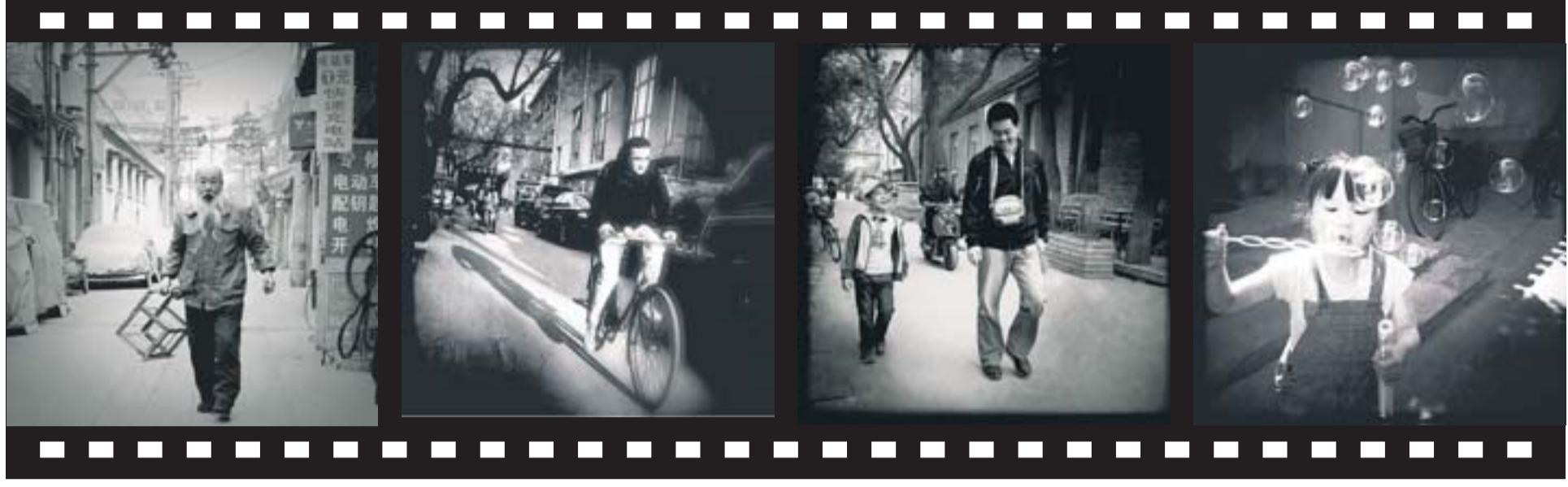
China is not the first country to try mining flammable ice. Japan made headway in 2013 and again in May,

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CHINA DAILY

4 | Life



Tan Siok Siok's black-and-white photos reveal a touching and lively side of daily lives in Beijing's *hutong*. PHOTOS PROVIDED TO CHINA DAILY

## A Picture of Life in the Alleyways

A foreign documentary filmmaker unveils her book of photos of a Beijing *hutong* — all taken on cellphone. **Deng Zhangyu** reports

Over the past five years, Tan Siok Siok has been recording the lives of people in a Beijing *hutong* (alley) on her cellphone and disseminating the photos through social media.

In her images from the old-style alleyways, chairs and bicycles, sleepy people and those with earmuffs are commonly seen.

In May the documentary filmmaker from Singapore, who now runs a video company in Beijing, published her book *People in Beijing* that features photos taken by her only on her phone. It records the daily lives of the residents of a *hutong* and, in particular, sheds light on details that are common but often ignored by others.

"Each of my photos is an independent story in Beijing," said Tan, 45. "You can say it's a story of Beijing but also a story of the world."

The expressions on people's faces

in her pictures — anxiety, dismay and happiness — can be found among the residents of any city, she said.

Tan used a smartphone to take the photos so she could quickly share them online.

"Many of my followers (on social media) are surprised (to know) that all the photos were taken in the same *hutong*," she said, adding that some thought she had visited different alleyways in the city.

Tan took the black-and-white images through the different seasons as well as the changes in natural light in the Fangjia *hutong*, which is located near tourist spots such as the Lama Temple and the Imperial College.

Over the past five years she has visited this alleyway that is close to her office to click the pictures, almost daily.

"You can say they were taken recently or dozens of years ago," Tan said of the color treatment.

One of Tan's friends, who moved to New Zealand two years ago, has since put up several of Tan's *hutong* photos



“  
**Each of my photos is an independent story in Beijing.”**

TAN SIOK SIOK  
SINGAPOREAN FILMMAKER

on the walls of her home as a way to recall her days in Beijing.

When she came to Beijing in 2010 from Singapore, Tan was interested in everything a *hutong* had to offer to newcomers, especially foreigners: bikes lying on the ground locked with a chain and empty chairs to dissuade people from parking vehicles outside houses in the crammed lanes.

But even after more than 1,000 days of work in the *hutong* her passion did not fade as she tried to capture daily life from different angles.

One winter morning she noticed an old man riding a three-wheeled vehicle very slowly, with his wife sitting behind him.

Tan followed the couple for a while and discovered they were taking a sightseeing tour of the *hutong*. The wife was unable to move due to her poor health condition, so her husband was showing her around the city.

"People in the *hutong* are optimistic, and that touched my heart," Tan said.

Beijing is a city where the country's

rapid changes are clearly visible, and in some ways the same is true of the city's old alleyways, she said.

Tan once saw the owners of shops enjoying tea in front of their outlets in Fangjia, but found that the shops had been demolished the following day.

For her, taking photos is a way of easing the pressures of everyday work.

She is good at capturing people's expressions without them noticing her, a skill she gained from her years as a documentary filmmaker.

Before arriving in Beijing in 2010 she worked for the Discovery TV channel on many documentary films in Singapore.

She likes to focus on people stories, she said.

Bao Jihong, a longtime friend of Tan, said, "Tan's photos show us a Beijing that we are familiar with but largely ignore."

Tan's next project is to shoot a series of photos on Chinese women from different generations, with which she hopes to tell the story of how they view a rapidly changing society.

## Young Composers' Chance for Insight Into Chinese Culture

By ZHANG KUN

After listening to the Chinese ballad *Little Cabbage*, Chris Molina, a young composer from Boston, was reminded about stories he had heard about China.

Inspired by the stories of young people leaving the countryside and moving to the city, Molina composed *Little Girl in the Big City* for *dizi* (the Chinese flute) and orchestra.

The piece premiered at the Hearing China II concert at the He Luting Concert Hall of the Shanghai Conservatory of Music last November.

"Imagining *Little Cabbage* in the big city," the young composer writes in the introduction to his piece, "is both sad and uplifting at the same time."

"Hearing her song mingle, react, fight, take flight, and at times get swallowed up by the sounds of the city is a metaphor easy to understand."

The concert featured eight pieces of music by young composers from around the world.

Molina is a student at the University of Hawaii, and the other musicians are from the Shanghai Conservatory of Music, Oxford, Yale, Poland and New Zealand.

The Hearing China project was launched in 2015, inspired by Ye Guohui, a dean at the conservatory.

Ye is an award-winning composer, with works featuring Chinese culture and music heritage.



Ye Guohui (right), a dean at the Shanghai Conservatory of Music, has initiated many cultural exchange programs among musicians from home and abroad, such as a recent concert (above) by C ASEAN Consonant Ensemble in Shanghai. PHOTOS PROVIDED TO DAILY

He, who has produced electronic, experimental and conceptual works, said the aim of the program is to have "an international platform for composers to understand traditional Chinese music culture and to create and perform innovative works. It is a window for cultural exchanges."

Ingenious ideas have to be used to make China's culture interesting and Chinese art easy to understand, he said.

A few years ago, Ye composed a piece for soprano and orchestra, *Drinking Wine by the Stream's Choice*, based on an essay by Wang Xizhi (AD 303-361) called *Lanting Ji Xu*, which

documents a literati gathering in the fourth century.

Ye presented the piece at music festivals abroad, performing the music, as well as telling the story of how ancient Chinese scholars partied.

According to Wang's essay, artists, writers and poets would sit on a river bank with a special cup that floated on the water.

When the cup floated near one of them, he would compose a stanza and drink the wine.

Ye even had an installation designed to allow the audience to play the game.

"It is a great device to tell a story to an international audience, and let them participate in the creative experience. We want to have in-depth communication with other countries."

"Cultural influence is a subtle process. It does not work by feeding others what you produce."

Communication between artists and intellectuals from different cultural backgrounds is important to inspire new works, Ye said.

As a member of an educational institution, he believes communication can be achieved between musicians all over the world.

The 2017 Hearing China concert

will begin with a concert at the Shanghai Symphony Hall on Nov. 12.

Young musicians from Australia, Canada, Israel and Russia will present traditional Chinese opera, folk songs and traditional melodies, with their adaptations, arrangements and compositions based on the motif.

While Hearing China is about the international music community's understanding of Chinese music, the recent concert by the C ASEAN Consonant Ensemble was different.

The ensemble has been active since 2015, and comprises musicians from the 10 member states of the Association of Southeast Asian Nations, each playing traditional music instruments.

When Ye learned about the group's tour plan earlier this year, he urged them to add one more concert to their schedule — in Shanghai, to play compositions by the students and teachers of the Shanghai Conservatory of Music.

After the ensemble arrived in Shanghai, the musicians worked with the composers on the music.

"It was a great opportunity to learn about the folk music of Southeast Asia," said Ye.



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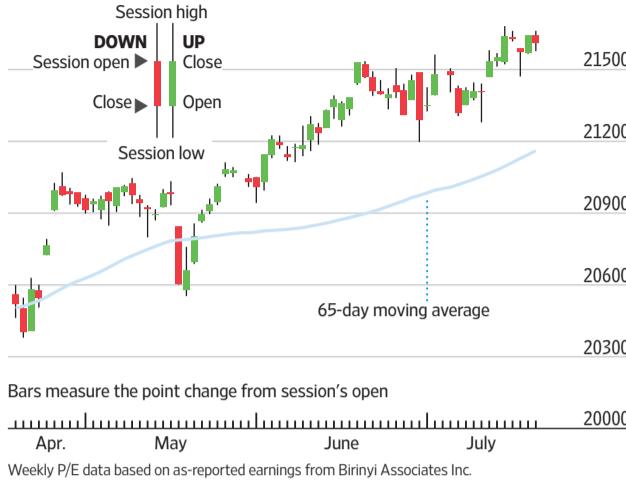


## MARKETS DIGEST

### EQUITIES

#### Dow Jones Industrial Average

**21611.78** ▼28.97, or 0.13%  
High, low, open and close for each trading day of the past three months.

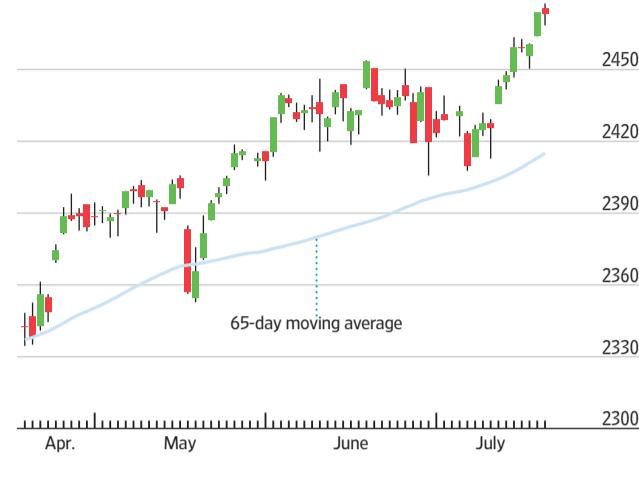


Bars measure the point change from session's open  
Current divisor 0.14602128057775

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

#### S&P 500 Index

**2473.45** ▼0.38, or 0.02%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
Trailing P/E ratio 21.01 19.44

P/E estimate \* 18.41 17.74

Dividend yield 2.33 2.52

All-time high 21640.75, 07/19/17

#### Nasdaq Composite Index

**6390.00** ▲4.96, or 0.08%  
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open  
Trailing P/E ratio 26.14 23.52

P/E estimate \* 20.91 19.39

Dividend yield 1.12 1.26

All-time high: 6390.00, 07/20/17

#### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.	
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	SPDR S&P 500	Microsoft	General Electric	iShares MSCI Taiwan Capped EWT	65-day moving average
<b>Industrial Average</b>	21661.91	21576.96	<b>21611.78</b>	-28.97	-0.13	21640.75	17888.28	<b>16.7</b>	9.4	<b>8.1</b>	21800
<b>Transportation Avg</b>	9565.43	9451.75	<b>9483.09</b>	-92.64	-0.97	9742.76	7648.44	<b>20.7</b>	4.9	<b>4.2</b>	21500
<b>Utility Average</b>	720.62	715.39	<b>719.81</b>	5.10	<b>0.71</b>	737.51	625.44	<b>1.3</b>	9.1	<b>8.8</b>	21200
<b>Total Stock Market</b>	25676.50	25584.08	<b>25635.26</b>	-4.26	-0.02	25639.52	21514.15	<b>14.8</b>	10.1	<b>7.5</b>	20900
<b>Barron's 400</b>	660.65	657.46	<b>659.19</b>	-0.74	-0.11	659.92	521.59	<b>21.3</b>	9.6	<b>7.4</b>	20600

#### Nasdaq Stock Market

Nasdaq Composite	6398.26	6365.68	<b>6390.00</b>	4.96	<b>0.08</b>	6390.00	5046.37	<b>25.9</b>	18.7	<b>13.0</b>
Nasdaq 100	5932.61	5896.61	<b>5921.22</b>	5.06	<b>0.09</b>	5921.22	4647.02	<b>27.4</b>	21.7	<b>14.5</b>

#### Standard & Poor's

500 Index	2477.62	2468.43	<b>2473.45</b>	-0.38	-0.02	2473.83	2085.18	<b>14.2</b>	10.5	<b>7.7</b>
MidCap 400	1781.91	1774.97	<b>1778.61</b>	-1.84	-0.10	1780.45	1476.68	<b>15.3</b>	7.1	<b>8.0</b>
SmallCap 600	873.68	869.80	<b>872.27</b>	0.32	<b>0.04</b>	872.27	703.64	<b>18.4</b>	4.1	<b>9.5</b>

#### Other Indexes

Russell 2000	1445.06	1438.96	<b>1442.35</b>	0.58	<b>0.04</b>	1442.35	1156.89	<b>19.8</b>	6.3	<b>7.8</b>
NYSE Composite	11963.55	11928.67	<b>11944.49</b>	3.15	<b>0.03</b>	11944.49	10289.35	<b>11.0</b>	8.0	<b>2.8</b>
Value Line	532.96	530.97	<b>532.00</b>	-0.19	-0.04	532.19	455.65	<b>11.4</b>	5.1	<b>2.3</b>
NYSE Arca Biotech	4031.84	3965.55	<b>4013.34</b>	51.74	<b>1.31</b>	4016.86	2834.14	<b>23.9</b>	30.5	<b>13.8</b>
NYSE Arca Pharma	543.68	539.10	<b>542.43</b>	5.34	<b>0.99</b>	554.66	463.78	<b>-0.5</b>	12.6	<b>1.3</b>
KBW Bank	95.73	94.65	<b>95.02</b>	-0.19	-0.20	99.33	66.90	<b>41.6</b>	3.5	<b>10.3</b>
PHLX® Gold/Silver	83.38	82.30	<b>83.09</b>	0.48	<b>0.58</b>	112.86	73.03	<b>-20.1</b>	5.4	<b>-6.6</b>
PHLX® Oil Service	141.21	136.82	<b>137.95</b>	-2.06	-1.47	192.66	126.75	<b>-16.2</b>	-24.9	<b>-23.2</b>
PHLX® Semiconductor	1117.89	1104.58	<b>1116.62</b>	3.43	<b>0.31</b>	1138.25	738.30	<b>51.2</b>	23.2	<b>20.2</b>
CBOE Volatility	10.28	9.50	<b>9.58</b>	-0.21	-2.15	22.51	9.51	<b>-24.8</b>	-31.8	<b>-7.4</b>

\$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
SPDR S&P 500	SPY	7,858.0	247.14	0.04	<b>0.02</b>	247.21	246.95
Microsoft	MSFT	7,473.8	74.45	0.23	<b>0.31</b>	77.24	73.37
General Electric	GE	6,834.0	26.69	...	unch.	29.68	26.65
iShares MSCI Taiwan Capped	EWT	4,211.1	36.62	...	unch.	36.68	36.62
eBay	EBAY	4,034.5	35.25	-1.93	<b>-5.19</b>	37.75	34.32
AT&T	T	3,792.5	36.67	0.15	<b>0.41</b>	36.67	36.13
PwrShrs QQQ Tr Series 1	QQQ	3,791.6	144.13	-0.04	<b>-0.03</b>	144.37	144.00
Yamana Gold	AUY	3,647.8	2.55	0.01	<b>0.39</b>	2.55	2.54

#### Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
athenahealth	ATHN	2,124.6	154.00	10.20	<b>7.09</b>	160.50	143.80
Verastem	VSTM	5.8	3.65	0.14	<b>3.99</b>	3.65	3.52
ProShult Bloomberg Nat Gas	BOIL	16.0	9.99	0.33	<b>3.42</b>	9.99	9.64
AECOM	ACM	33.8	33.26	0.99	<b>3.07</b>		

## COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

### Futures Contracts

#### Metal & Petroleum Futures

	Contract		Open		Open	
	Open	High	Low	Settle	Chg	Interest
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.						
July	2.7045	2.7090	2.7025	<b>2.7085</b>	0.0055	1,521
Sept	2.7075	2.7230	2.6985	<b>2.7160</b>	0.0055	139,906
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.						
July	1236.60	1236.80	1236.60	<b>1244.80</b>	3.60	12
Aug	1240.60	1247.20	1234.60	<b>1245.50</b>	3.50	193,720
Oct	1244.00	1250.20	1230.00	<b>1248.70</b>	3.40	24,152
Dec	1247.40	1253.90	1241.50	<b>1252.10</b>	3.30	215,431
<b>Feb'18</b>	1249.60	1257.40	1245.40	<b>1255.80</b>	3.30	15,306
June	1256.30	1264.40	1254.90	<b>1262.70</b>	3.20	8,140
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.						
July	837.90	837.90	837.90	<b>852.60</b>	-11.55	7
Aug	873.45	873.45	873.45	<b>852.85</b>	-11.55	4
Sept	857.50	857.90	833.55	<b>847.60</b>	-11.55	30,008
Dec	851.20	852.20	833.00	<b>843.95</b>	-11.50	3,320
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.						
July	920.00	920.00	920.00	<b>930.50</b>	8.90	15
Oct	923.00	934.50	915.50	<b>932.20</b>	9.00	65,725
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.						
July	16.180	16.325	16.135	<b>16.299</b>	0.048	163
Sept	16.250	16.395	16.110	<b>16.345</b>	0.048	153,013
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.						
Aug	47.09	47.55	46.66	<b>46.79</b>	-0.33	20,387
Sept	47.27	47.74	46.81	<b>46.92</b>	-0.40	634,987
Oct	47.44	47.91	47.00	<b>47.10</b>	-0.40	170,113
Dec	47.93	48.37	47.49	<b>47.60</b>	-0.39	326,958
<b>June'18</b>	48.74	49.07	48.31	<b>48.41</b>	-0.40	125,301
Dec	49.20	49.53	48.73	<b>48.87</b>	-0.40	169,604
<b>NY Harbor ULSD (NYM)</b> -42,000 gal.; \$ per gal.						
Aug	1.5504	1.5780	1.5416	<b>1.5436</b>	-0.078	54,110
Sept	1.5546	1.5805	1.5459	<b>1.5478</b>	-0.074	117,037
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.						
Aug	1.6152	1.6341	1.6028	<b>1.6062</b>	-0.017	45,890
Sept	1.5768	1.5960	1.5685	<b>1.5720</b>	-0.064	125,459
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.						
Aug	3.066	3.114	3.017	<b>3.043</b>	-0.023	87,585
Sept	3.058	3.101	3.008	<b>3.033</b>	-0.022	296,480
Oct	3.091	3.131	3.042	<b>3.066</b>	-0.022	190,470
Jan'18	3.393	3.424	3.349	<b>3.371</b>	-0.021	117,071

#### Contract

#### Open High hilo Low Settle Chg interest

March 3.312 3.339 3.275 **3.296** -0.016 84,870

April 2.907 2.917 2.895 **2.907** .003 102,149

#### Agriculture Futures

**Corn (CBT)**-5,000 bu.; cents per bu.

Sept 382.50 393.25 380.50 **391.00** 8.50 556,082

**Oats (CBT)**-5,000 bu.; cents per bu.

Sept 292.25 297.00 289.25 **295.75** 2.75 1,470

**Soybeans (CBT)**-5,000 bu.; cents per bu.

Aug 99.90 101.25 99.00 **101.32** 13.50 82,653

**Soybean Meal (CBT)**-100 tons; \$ per ton.

Aug 326.60 332.50 324.80 **330.50** 3.90 35,274

**Soybean Oil (CBT)**-60,000 lbs.; cents per lb.

Aug 33.46 34.03 33.42 **33.97** .51 59,678

**Rough Rice (CBT)**-2,000 cwt.; \$ per cwt.

Sept 117.00 120.00 117.40 **120.00** 13.50 8,377

**Wheat (CBT)**-5,000 bu.; cents per bu.

Sept 504.50 508.25 495.00 **505.75** 2.75 199,071

**Wheat (KC)**-5,000 bu.; cents per bu.

Dec 528.25 531.50 518.75 **529.25** 2.50 131,313

**Wheat (MPLS)**-5,000 bu.; cents per bu.

Sept 776.50 780.00 760.75 **778.00** 2.50 32,270

**Cattle-Feeder (CME)**-50,000 lbs.; cents per lb.

Aug 154.60 154.975 152.025 **152.275** -2.225 23,992

**Cattle-Live (CME)**-40,000 lbs.; cents per lb.

Aug 117.475 118.200 115.700 **115.875** -1.400 69,615

**Hogs-Lean (CME)**-40,000 lbs.; cents per lb.

Aug 82.650 82.800 81.050 **81.100** -1.475 44,355

**Lumber (CME)**-110,000 bd ft.; \$ per 1,000 bd ft.

Sept 393.30 394.90 386.50 **388.60** -20 3,357

**Steel (HRC) (A)**-USA, FOB Midwest Mill-s

Nov 375.10 377.60 370.30 **371.40** -1.90 671

#### Contract

#### Open High hilo Low Settle Chg interest

**Milk (CME)**-200,000 lbs.; per lb.

July 15.53 15.54 15.50 **15.51** -.05 5,215

Aug 16.53 16.56 16.27 **16.30** -.25 4,993

**Cocoa (ICE-US)**-10 metric tons; \$ per ton.

Sept 1,946 1,973 1,933 **1,956** 12 129,002

**Coffee (ICE-US)**-37,500 lbs.; cents per lb.

Sept 135.10 135.80 134.15 **135.00** -.80 106,934

**Sugar-World (ICE-US)**-112,000 lbs.; cents per lb.

Oct 14.60 14.63 14.33 **14.41** -.09 425,158

**Sugar-Domestic (ICE-US)**-112,000 lbs.; cents per lb.

March 15.27 15.31 15.04 **15.15** .05 185,615

**Interest Rate Futures**

**Treasury Bonds (CBT)**-\$100,000; pts 32nds of 100%

Sept 153-270 154-220 153-250 **154-020** 4.0 724,344

Dec 152-230 153-130 152-210 **152-250** 4.0 431

**Treasury Notes (CBT)**-\$100,000; pts 32nds of 100%

Sept 126-005 126-085 125-310 **126-020** .5 3,141,900

Dec 125-220 125-295 125-205 **125-230** .5 19,458

**5 Yr. Treasury Notes (CBT)**-\$100,000; pts 32nds of 100%

Sept 118-035 118-080 118-030 **118-045** .2 3,000,140

Dec 117-262 117-262 117-262 **117-257** .2 6,021

**2 Yr. Treasury Notes (CBT)**-\$200,000; pts 32nds of 100%

Sept 108-040 108-050 108-037 **108-042** ... 1,363,749

**30 Day Federal Funds (CBT)**-\$5,000,000; 100-daily avg.

July 98.840 98.850 98.848 **98.850** ... 269,066

Oct 98.820 98.825 98.815 **98.820** .05 274,001

# BIGGEST 1,000 STOCKS

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## 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, ISE 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.

**Footnotes:**  
i-New 52-week high.  
d-Indicates loss in the most recent four quarters.  
f-FIRST day of trading.  
h-Does not meet continued listing standards.  
l-First filing.  
q-Temporary exemption from Nasdaq requirements.  
t-NYSE bankruptcy.  
v-Trading halted on primary market.  
y-In bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies.

**Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.**

Thursday, July 20, 2017

Stock	Net		Net				
	Stock	Sym	Close	Chg	Stock	Sym	Close
<b>NYSE</b>							
<b>Stock</b>							

Stock	Sym	Close	Chg	Stock	Sym	Close	Chg
BcoSantaChile	BSAC	56.20	-0.23	Coca-Cola E	CCE	42.01	-0.08
BancoSantander	SAN	6.67	0.12	Coca-Cola Femsa	FEM	90.86	-0.07
BankofAmerica	CIB	43.94	-0.07	Colgate-Palmolive	CL	72.09	-0.40
BankofMontreal	BMO	76.78	-0.14	ColonNorthStar	CLNS	14.51	-0.19
BnkyNylon	MELLON	53.91	0.85	Comerica	CMA	72.43	-0.06
Bard	SCBS	62.22	0.10	SABESP	SBS	11.20	-0.01
Barclays	BCS	10.81	0.08	ConagraBrands	CAG	33.75	-0.10
Barr CD	BCR	322.90	1.21	Conocophillips	COP	43.23	-0.17
BartGold	ABX	16.23	0.19	ConEd	ED	82.41	-0.04
BaxterIntr	BAX	63.04	0.59	ConstBrands	STZ	198.12	-0.18
BectonDickinson	BDX	203.33	1.31	ContinentalRcs	CLR	32.44	-0.17
BellSouth	BFS	10.70	0.37	Corporation	COR	254.00	-0.04
BellSouth	WBK	10.71	0.79	Cook	CDO	100.00	-0.01
BerkHathaway	BRKA	25761.51	151.00	Corning	GLW	31.71	-0.02
BerkHathaway	BKR	171.33	0.13	Coty	COTY	18.89	-0.01
BerryGlobal	BERRY	57.36	-0.38	CreditCorp	CAP	185.16	-0.40
BestBuy	BYY	5.93	-2.21	CreditSuisse	CS	15.27	-0.09
Bio-RadLab A	BIO	233.84	-0.21	CrestwoodEquity	CEP	24.40	-0.25
Bio-RadLab B	BIOB	235.05	10.55	CrownCastle	CCI	97.27	-0.19
Bio-RadLab C	BIOCB	23.84	-0.20	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab D	BIOCD	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab E	BIOEBK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab F	BIOEFK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab G	BIOGK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab H	BIOHK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab I	BIOIK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab J	BIOJK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab K	BIOLK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab L	BIOML	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab M	BIOMK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab N	BIONK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab O	BIONK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab P	BIOPK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab Q	BIOQK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab R	BIORK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab S	BIORK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab T	BIOTK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab U	BIOUK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab V	BIOVK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab W	BIOWK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab X	BIOXK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab Y	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab Z	BIOZK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab A	BIOAK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab B	BIOBK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab C	BIOCK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab D	BIODK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab E	BIOEK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab F	BIOFK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab G	BIOGK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab H	BIOHK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab I	BIOIK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab J	BIOJK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab K	BIOLK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab L	BIOML	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab M	BIONK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab N	BIOQK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab P	BIOVK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab Q	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab R	BIOZK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab S	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab T	BIOZK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab U	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab V	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab W	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab X	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab Y	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab Z	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab A	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab B	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab C	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab D	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab E	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab F	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab G	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab H	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab I	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab J	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab K	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab L	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab M	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab N	BIOYK	42.93	-0.18	CrownHoldings	CCK	59.85	-0.77
Bio-RadLab O	BIOYK	42.93	-0.18</td				

## BANKING & FINANCE



A Costco store. Visa is the network for many in-demand credit cards. Costco recently switched to Visa from American Express.

# Visa Lifts Financial Targets

Payment network beats expectations as transactions swell; global recovery cited

By MARIA ARMENTAL AND ANNAMARIA ANDRIOTIS

Visa Inc. raised its financial targets for the year as its quarterly results beat Wall Street expectations, driven by a higher number of transactions.

Profit surged to \$2.06 billion, or 86 cents a share, from \$412 million, or 17 cents a share, a year earlier when results were hurt by charges related to the acquisition of its European operations. Net operating revenue rose 26% to \$4.57 billion. Analysts surveyed by Thomson Reuters had expected profit of 81 cents a share on \$4.36 bil-

lion in net operating revenue. Visa shares, which have been trading at all-time highs, rose 1.2% to \$99.37 after hours.

Operating expenses rose by 31% after adjustments, largely tied to the Visa Europe acquisition that the company completed in June 2016.

San Francisco-based Visa has delivered a string of earnings beats fueled by a growing credit-card market. Payments volume for the quarter rose 38% from a year earlier on a constant-dollar basis to \$1.9 trillion, while total processed transactions rose 44% to 28.5 billion.

Visa is the network for many in-demand credit cards, including the J.P. Morgan Chase Sapphire Reserve card, and has also benefited from Costco Wholesale Corp. cards' switch to the Visa network from American Express. Visa processes credit- and debit-

card transactions and makes most of its money from transaction-related fees.

The company is also benefiting from the global economic recovery, said Vasant Prabhu, Visa's chief financial officer, on the company's earnings call. Visa's cross-border volume increased 11% on a constant dollar basis from a year prior when Europe is included in last year's results.

Visa is also trying to make inroads in China. Chief Executive Al Kelly said on the earnings call that the company filed an application on Wednesday with the People's Bank of China for a domestic license. The company has been trying to get more cards to be issued by Chinese banks to consumers for use inside the country. The U.S. and China reached an agreement in May that is supposed to result in more access

to the Chinese economy for electronic-payments providers.

With one quarter to go, Visa again raised financial targets for the current business year, saying it now expects adjusted profit to increase about 20%, compared with its earlier view of an increase at the high end of the midteens. It also expects net revenue to increase about 20%, up from its previous view of an increase at the high end of 16% to 18%.

On the earnings call, Mr.

Kelly reiterated the company's commitment to get more customers to stop using cash—a key piece of Visa's growth strategy. The company last week announced an initiative that offers up to 50 restaurants and food vendors in the U.S. \$10,000 apiece to pay for technology upgrades and marketing costs if they agree to stop accepting cash from customers.

On the earnings call, Mr.

# Capital One Posts 10% Rise in Net

By ANNAMARIA ANDRIOTIS

Capital One Financial Corp. said its second-quarter earnings and revenue rose, helped by a ramp-up in credit-card balances industrywide and the rise in interest rates.

Profit for the quarter increased 10%, to \$1.04 billion, or \$1.94 a share, from \$942 million, or \$1.69 a share, in the year-ago period. Revenue rose 7% to \$6.7 billion. Results beat analyst estimates, and shares jumped in after-hours trading.

Capital One, which has large credit-card and auto-lending divisions, said its net interest margin increased 0.15 percentage point from the year-ago quarter, largely due to higher interest rates and growth in its domestic card business. Credit-card interest rates generally rise following Federal Reserve rate increases.

Despite beating analyst expectations, borrower performance remains a top issue for the bank, which is known for its history as a large subprime credit-card lender. The company is a good indicator of the general state of consumers' ability to repay their debts because, unlike some other card issuers, it primarily doesn't focus on extending credit to the affluent.

The bank wrote off more delinquent loans as losses and set more money aside to cover for future losses. Both issues are being watched by shareholders amid concerns over whether consumer credit is in the early stages of deteriorating.

Credit concerns resurfaced on Thursday after another credit-card company reported earnings. Shares of Alliance

Data Systems Corp., a large store credit-card issuer, closed down 9.5% on Thursday, after the issuer that had projected a 2017 credit-loss rate in the mid-5% range was noncommittal on its charge-off rate outlook on its earnings call. ADS also cut 2017 core earnings per share estimates from \$18.50 to \$18.10.

Capital One's net charge-off rate for domestic credit cards was 5.11% for the second quarter, down slightly from the first quarter, but up 1.04 percentage points from a year ago.

Provisions for overall credit losses hit \$1.8 billion in the second quarter, down 10% from the prior quarter but up 13% from the year-ago period.

In April, the company reported first-quarter earnings that missed analyst estimates, largely due to a 33% jump in

The credit-card issuer set aside more money last quarter to cover loan losses.

provisions for loan losses in the company's U.S. credit-card business from the previous quarter.

In June, the Federal Reserve conditionally approved Capital One's capital plan in the regulator's annual "stress tests," saying the firm would have to resubmit its plan by Dec. 28 to address shortcomings in its process.

The Fed said Capital One "exhibited material weaknesses in its capital planning practices."

## Results Diverge at 2 Big Trust Concerns

By JUSTIN BAER

Bank of New York Mellon Corp. on Thursday posted a quarterly profit that beat estimates, renewing investor attention on a disappointing second quarter for rival Northern Trust Corp.

The shares of Northern Trust tumbled 8% on Wednesday and fell an additional 1.9% Thursday following a disclosure of profit that was below analysts' expectations. Bank of New York Mellon's shares rose 1.6% Thursday.

A key difference between the two trust banks: how each navigated the rise in short-term interest rates in the U.S. The Federal Reserve raised the benchmark federal funds rate in March and June.

BNY Mellon's net interest revenue rose 4% to \$826 million from the first quarter. At Northern Trust, revenue on interest fell 7% from the same period.

Northern Trust attributed the decline to a drop in U.S. deposits and an increase in those from the U.K. and Europe, where lending rates have remained at historic lows. The shift in mix squeezed interest margins at the firm.

BNY Mellon has a smaller wealth-management business, whose clients tend to move their deposits more quickly than large institutions, said longtime finance chief Todd Gibbons in an interview Thursday. Contractual obligations with some of those clients limited defections even as rates rose, he said.

Bank of New York's net income rose to \$926 million, or 88 cents a share, in the second quarter from \$825 million, or 75 cents, a year earlier. Analysts had predicted per-share profit of 84 cents.

Fees from investment services, the bank's core custody business, rose 4% to \$1.86 billion. Money-management fees climbed 6% to \$879 million.

The results were the last for Gerald Hassell as BNY Mellon's chairman and chief executive. Mr. Hassell, who turns 66 this year, on Monday ceded his post to Charles Scharf, the former CEO of Visa Inc.

## Goldman Sachs Partners Are Pulling Back

By LIZ HOFFMAN

Goldman Sachs Group Inc. became a public company 18 years ago. It is starting to look more like one.

Goldman's 450 or so partners own just 4.8% of the firm today, according to a securities filing late Wednesday. That is the lowest level since its initial public offering and slips under a 5% regulatory threshold that for years has mandated public disclosures that opened a window into the sway held by this elite inner circle.

Goldman won't have to disclose its partners' stakes, or

their buying and selling of the bank's shares, unless the group's collective stake jumps back over 5%.

That would shield from public view when partners unload shares en masse, which happened last winter as Goldman's stock touched highs.

The filings are the last outward vestige of the old private partnership that once ruled Goldman. The document itself is defiantly old-school, using a stripped-down format abandoned by most companies for Securities and Exchange Commission submissions.

The private-partnership era, which stretched from

Goldman's 1869 founding to its 1999 IPO, once meant that access to its upper echelons meant tying one's personal fortunes to the firm's capital.

Still, the ritual of selecting partners every two years has remained a vital part of the firm's identity, a way to reward and motivate its most promising employees and help guard the firm's culture as Wall Street changes around it.

Partner slots carry minimum salaries of about \$1 million and bonuses that can be multiples of that. Partners also get access to invest in firm deals and other perks.

Goldman's IPO made its

partners much more wealthy. But it also set in motion a slow-motion transformation of the firm. With more than 95% of its shares held by outside investors, Goldman is now, more than ever, a public company.

That lesson was hammered home this week, when Goldman faced tough questions from analysts about whether it has moved quickly enough to address weakness in its core trading business.

The firm posted steep declines in fixed-income trading that sparked a 2.6% drop in shares.

Analysts are also pressuring

Goldman on its signature secrecy, a privilege afforded to private partnerships but not public companies.

On its earnings conference call Tuesday, one analyst questioned why Goldman doesn't, as peers do, tell investors what they can expect in dividends and share repurchases.

"Analysts and investors are grown up enough" to understand that forecasts might change, the analyst, Autonomous Research's Guy Moszkowski, told Goldman Chief Financial Officer Martin Chavez.

"I just don't think you're doing yourselves any favors by not telling us."

J.P. MORGAN CHASE

### Deal Enables Link To PayPal Accounts

Two of the highest-profile companies providing mobile wallets in the U.S., J.P. Morgan Chase & Co. and PayPal Holdings Inc., will now be partners as well as competitors under terms of a deal announced Thursday.

The agreement helps broaden the reach of J.P. Morgan's Chase Pay service, a smartphone application the bank launched last year to drive usage of its credit and debit cards for in-store and internet purchases.

The deal, expected to be fully rolled out by 2018, will also make it easier for customers to load their J.P. Morgan cards into PayPal's rival application and let them use their reward points to pay for goods and services through PayPal.

"These are parallel strategies," said Jennifer Roberts, the J.P. Morgan executive overseeing Chase Pay. "We want to be where our customers are."

The rapid growth in mobile-payment transactions has drawn interest from firms in several industries, from smartphone makers like Apple Inc. to credit-card networks like Visa Inc. and retailers like Wal-Mart Stores Inc., and led them to develop their own digital wallets to capitalize on the opportunity.

The volume of mobile online retail payments in the U.S. is expected to reach nearly \$319 billion in 2020 from \$122 billion in 2015, according to consulting firm Javelin Strategy & Research.

PayPal has a leg up over many of those other companies

thanks to its nearly 20-year history in e-commerce. The company says it has 94 million active U.S. customers, and Morgan Stanley analysts said last year that PayPal was accepted at 73% of large internet retailers.

Since last summer, the San Jose, Calif., company has been angling to handle more payments that happen at physical retailers. The J.P. Morgan agreement enables its cardholders to pay via PayPal in stores. Previously

signed deals gave the same option to PayPal users who hold cards issued by Citigroup Inc., Discover Financial Services and Wells Fargo & Co as well as users of Android Pay and Samsung Pay.

—Peter Rudegeair

BLACKSTONE GROUP

### Private Equity, Real Estate Lift Results

Blackstone Group LP's second-quarter profit rose, helped

by appreciation in its private-equity and real-estate holdings, though a measure of its income came in lower than Wall Street expected.

Global economic growth and sustained investor appetite for stocks, debt, real estate and other assets have buoyed the portfolios of the New York private-equity firm and its peers and given them an open window to sell prior years' investments.

Blackstone's private-equity holdings appreciated 2.8% during the quarter. Its "opportunistic" real-estate funds, which make speculative investments in offices, warehouses and shopping centers, rose 5.4%.

"Globally we see a benign business environment, with steady if unspectacular growth across most major economies," Blackstone President Hamilton "Tony" James said on a call with reporters.

The firm's \$104 billion real-estate business, its largest division by assets, led earnings growth as it sold shares of Hilton Worldwide Holdings Inc. and office buildings acquired in the 2007 buyout of Equity Office Properties Trust during the quarter.

A decade of recovery in real-estate markets has reversed early losses on the pre-financial crisis bets of investors such as Blackstone, which acquired Hilton for \$18.5 billion and Equity Office for \$39 billion in 2007.

In June, Blackstone struck a deal to sell Logicor, a European logistics real-estate firm, to affiliates of China Investment Corp. for about \$14 billion.

For the quarter, Blackstone's earnings rose to \$342.8 million, or 51 cents a share, from \$198.6 million, or 30 cents a share, a year earlier.

Its economic profit, a closely watched measure of performance that reflects changes in the value of unrealized investments, rose 36% to \$705.4 million, or 59 cents a share, though it missed analysts' estimates for 62 cents.

Assets under management rose to \$371.1 billion from \$368.2 billion the prior quarter and \$356.3 billion a year earlier.

—Matt Jarzemsky



MAXIM ZHIEV/REUTERS

An Apple Watch payment is demonstrated. Mobile-payment transactions have grown rapidly.

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—Peter Rudegeair

BLACKSTONE GROUP

### Private Equity, Real Estate Lift Results

Blackstone Group LP's second-quarter profit rose, helped

## MARKETS

# Euro Surges as ECB Worries Ease

Currency hits more than 2-year high against dollar, but bonds remain calm

BY CHRISTOPHER WHITTALL

LONDON—The euro jumped against the dollar to its highest level in nearly two years after European

**EUROPEAN MARKETS** Central Bank President Mario Draghi said the ECB will

discuss when to trim its huge bond purchases in the fall.

But bond markets remained broadly calm as Mr. Draghi's tentative language failed to spark the kind of volatility that followed his comments in June, when he hinted at winding down the stimulus program.

The euro traded at \$1.1638 late in the European afternoon on Thursday, up 1.1% on the day against the dollar and its highest intraday trading level since August 2015.

Late in New York trading, the euro was up 1% on the day at \$1.1632, the highest late New York rate since Jan. 15, 2015.

Meanwhile, 10-year German bond yields were little changed at around 0.54%, and riskier eurozone debt rallied, as financial markets showed signs of mixed reactions to the ECB's messaging.

That contrasts to the concurrent rises in bond yields and the euro that followed Mr. Draghi's comments in late June on the improving outlook in the euro area that investors took as the first clues that the ECB is moving closer to ending its easy-money policies. Yields rise as prices fall.

The ECB's policies of ultra-low interest rates and mass asset purchases have helped pin down the euro and bond yields in recent years.

But with a strengthening European economy, many investors are asking whether the time is nearing when that stimulus will start to be withdrawn. That could mark an important turning point for markets, given that the Federal Reserve is already tightening its own monetary policy and making plans to reduce the size of its balance sheet.

Mr. Draghi described the eurozone economy as "robust" on Thursday, but also high-



RALPH OLOWSKI/REUTERS

**Mario Draghi says the ECB will wait to discuss paring bond buys.**

lighted the lack of inflation in the region, suggesting that there are still reasons to keep stimulus in place.

And while he said the central bank would discuss the issue of scaling back its bond-buying program in the fall, he refused to set a date. The bank's Governing Council left monetary policy unchanged on Thursday.

The ECB is likely eager to avoid the sharp rise in bond yields that followed the Fed raising the prospect of trimming its bond purchases in 2013, often referred to as the taper tantrum.

Mr. Draghi has "delivered a balanced and nuanced approach to the thorny issue of tapering," said Arnab Das, head of EMEA and emerging-

market macro research at Invesco Fixed Income. "They are keeping their options open, but they are putting tapering on the table to try to avoid another minitantrum."

Both bond yields and the euro have moved sharply since Mr. Draghi first hinted at tapering in June. The euro has gained around 4.5% against the dollar over the past month, while the 10-year German bond yield has more than doubled.

Still, there are signs that investors aren't overly worried about the impact of the withdrawal of stimulus on riskier assets.

On Thursday, Italian and Spanish bond prices rose. These two markets have benefited from the ECB's bond-buying program.

"The European story is good right now with growth, and political risk has receded. It's a positive backdrop for both the euro and risk assets right now," said Ryan Myerberg, a senior portfolio manager at Janus Henderson Investors.

He said he believes the euro could break through \$1.17 over the summer.

# Treasurys Take Their Cue From Overseas

BY MIN ZENG

The U.S. government bond market got a boost as comments from European Central Bank President Mario Draghi deflated some anxiety over a shift toward less monetary stimulus.

The ECB held its interest-rate policy and bond-buying program steady

**CREDIT MARKETS** During a press conference, Mr. Draghi gave a nod to the eurozone's economic recovery, but signaled that inflation isn't showing convincing signs of picking up.

The ECB chief added that policy makers haven't set a precise date on when to discuss policy changes.

Bond investors took the remark as less hawkish than the one Mr. Draghi made last month that kick-started the recent selloff of government bonds in the developed world. Mr. Draghi on June 27 signaled that the central bank might start winding down its monetary stimulus as the eurozone economy picks up speed.

"The hawkish Draghi view has turned into cautious ECB thesis," said Victor Xing, founder and investment analyst at Kekselias Inc.

The buying sent the yield on the 10-year Treasury note to as low as 2.239% during early trading, the lowest level since June 28. Yields fall as bond prices rise. The yield pared its decline in the afternoon. It settled at 2.266%, compared with 2.268% Wednesday.

Bond yields have fallen after a recent rise. The 10-year yield nearly topped 2.4% on July 7 before turning lower. The shift bolsters some money managers' belief that without signs of accelerated inflation, it would be difficult for a rise in yields to have staying power.

Major central banks are still struggling to push up inflation to their desired target, making it difficult for policy makers to dial back monetary stimulus even as the global economy has been showing broad improvement, said analysts.

## AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

### 10-YEAR TIPS

Applications	\$27,001,042,400
Accepted bids	\$14,321,777,400
*noncompetitively	\$23,992,300
Auction price (rate)	98,936/936
Interest rate	(0.48%)
Bids at clearing yield accepted	0.375%
Cusip number	912828L3

The Treasury inflation-protected securities, dated July 31, 2017, mature on July 15, 2027.

## Treasury Auctions

The Treasury Department will auction \$175 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Monday:** \$39 billion in 13-week bills, a reopening of an issue first sold on April 27, 2017, maturing Oct. 26, 2017. Cusip number: 912796LZ0.

Also Monday, \$33 billion in 26-week bills, dated July 27, 2017, maturing Jan. 25, 2018. Cusip: 912796NP0.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

◆ **Tuesday:** \$26 billion in two-year notes, dated July 31, 2017, maturing July 31, 2019. Cusip: 912828K5. Noncompetitive tenders must be received by noon EDT Tuesday; competitive tenders, by 1 p.m.

◆ **Wednesday:** \$15 billion in two-year floating-rate notes, dated July 31, 2017, maturing July 31, 2019. Cusip: 912828M1.

Also, \$34 billion in five-year notes, dated July 31, 2017, due July 31, 2022. Cusip: 912828P4.

Noncompetitive tenders for the FRNs must be received by 11 a.m. EDT Wednesday; competitive tenders, by 11:30 a.m. Those for the five-year notes are due by noon and 1 p.m., respectively.

◆ **Thursday:** \$28 billion in seven-year notes, dated July 31, 2017, maturing July 31, 2024. Cusip: 912828N9. Noncompetitive tenders must be received by noon EDT Thursday; competitive tenders, by 1 p.m.

## Singapore Exchange Brings Back the Lunch Hour



ROSLAN RAHMAN/AP/GTET IMAGES

Traders in Singapore soon won't have to worry about being chained to their desks for lunch.

**Singapore Exchange**, known as SGX, said it would reinstate a daily one-hour lunch break, in which trading will stop from noon to 1 p.m. local time each day. The move, which will take effect in November, is part of the exchange operator's efforts to boost interest and trading volume in its market.

The exchange scrapped its

longstanding lunch break in March 2011.

While going out for lunch is a dying tradition in the U.S. during the working week, the meal is still sacrosanct in many countries across Asia, not just for eating but also for networking. In 2012, hundreds of brokers in Hong Kong protested when the Hong Kong stock exchange cut its onetime two-hour midday trading break down to the current 60 minutes.

Stock exchanges in mainland

China, Malaysia and Tokyo also have midday lunch intermissions. The Indonesia Stock Exchange has a 90-minute break each day, an intermission that swells to 2½ hours on Fridays.

Still, continuous trading occurs on exchanges in India, South Korea and Australia. And no major Western stock exchange has a midday break. In the U.S., the New York Stock Exchange gave up its lunch intermission in 1871.

Singapore had originally

scrapped the lunch hour to increase competitiveness with its Asia-Pacific peers, but critics said trading volume dried up during what were normal lunch hours anyway.

The exchange has also announced plans to increase the minimum bid sizes for some listed securities and other measures to boost trading volume.

Many appear to feel a proper lunch break will help concentrate traders' minds.

—Steven Russolillo

## Appliance Retailers Send Dow Lower

BY RIVA GOLD  
AND CORRIE DRIEBUSCH

The Dow Jones Industrial Average pulled back from a record Thursday, as a drop by **Home Depot** took roughly 43 points off the blue-chip index.

**Appliance equities** tailed off after **Sears Holdings** said it would start selling its Kenmore line of refrigerators and stoves on Amazon.com's website, its first distribution of its kitchen appliances outside its own stores.

Sears shares rose 92 cents, or 11%, to \$9.60, while **Lowe's** sank 4.27, or 5.6%, to 72.56 and Home Depot fell 6.27, or 4.1%, to 147.03. **Best Buy**, which also sells appliances, fell 2.21, or 3.9%, to 53.96.

The Dow industrials fell 28.97 points, or 0.1%, to 21,611.78, while the S&P 500 fell 0.38 point, or less than 0.1%, to 2,473.45. The Nasdaq Composite rose 4.96, or less than 0.1%, to 6,390.00, a fresh high and its 10th straight session closed at records Wednesday.

"At this point, the market is viewed as so frothy, it's definitely a 'sell first and sort it out later' mentality," said Justin Wiggs, managing director in equity trading at Stifel Nicolaus.

Event-driven strategies, which include the closely followed activist investors who shake up corporate boardrooms, were a laggard, with nearly \$4 billion of outflows in the most recent quarter, according to HFR.

**PATRICK FALLON/BLOOMBERG NEWS**



Meanwhile, corporate earnings drove swings in individual stocks. **Qualcomm** slid 2.81, or 4.9%, to 53.97 after the producer of smartphone chips said profit dropped in the latest quarter. **American Express** declined 58 cents, or 0.7%, to 85.35 after second-quarter earnings fell from last year.

Monetary policy was also in focus for most investors, with a pair of central-bank meetings driving stocks, bonds and currency markets.

The European Central Bank

left its key interest rates unchanged, as expected, and delayed discussion over whether to wind down its bond-buying program.

The Stoxx Europe 600 declined 0.4%. The euro initially fell but later climbed during ECB President Mario Draghi's news conference, rising 1% to \$1.1632 for its highest settlement since January 2015.

The wider WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, fell 0.3%.

Japan's Nikkei Stock Average led markets in Asia higher after the Bank of Japan pushed back its inflation forecast, boosting hopes for extended monetary stimulus. The Nikkei Stock Average added 0.6%, also in a weaker yen. Early Friday, the Nikkei was down 0.2%. Elsewhere early Friday, Australia's S&P ASX 200 was off 0.6%, while Hong Kong's Hang Seng Index and South Korea's Kospi were flat.

Also, \$34 billion in five-year notes, dated July 31, 2017, due July 31, 2022. Cusip: 912828P4.

Noncompetitive tenders for the FRNs must be received by 11 a.m. EDT Wednesday; competitive tenders, by 11:30 a.m. Those for the five-year notes are due by noon and 1 p.m., respectively.

◆ **Thursday:** \$28 billion in seven-year notes, dated July 31, 2017, maturing July 31, 2024. Cusip: 912828N9. Noncompetitive tenders must be received by noon EDT Thursday; competitive tenders, by 1 p.m.

# MARKETS

# Europe's Most Fragile Bonds Strengthen

Expectations ECB will reduce stimulus aren't causing investors to flee weak economies

By MIKE BIRD

Even as Europe prepares to tighten the monetary taps, investors appear unfazed about the prospects for its most fragile economies.

The bonds of the weakest economies have risen in value relative to those of ultrasafe Germany, despite expectations that the European Central Bank will reduce its stimulus—which has benefited these economies the most.

That speaks to the cautious path the ECB is treading in communicating the end of monetary policy that has shaped markets, and the more positive outlook for the region's economy and politics, investors say.

On Thursday, the ECB left its stimulus measures unchanged but signaled it would discuss how to proceed with interest rates and bond buying—part of its bid to stimulate the regional economy—in the fall.

Bond yields in so-called peripheral nations—including Spain, Portugal and Italy—have slid sharply since the summer of 2014, when ECB President Mario Draghi first hinted that the bank would kick off a quantitative-easing program. As the eurozone's economy strengthened, investors began eyeing an end to the unprecedented stimulus.

At the start of 2017, less than a fifth of investors surveyed by Citi Research believed that peripheral European spreads—the gap between yields on those nations' debt and German bonds—would end the year lower. Yields move in the opposite direction to prices. Nearly half believed they would end the year sharply or moderately higher.

## Hanging in There

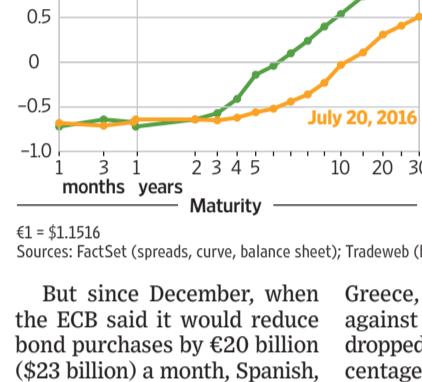
Despite increasing expectations that the ECB will wind back its bond buying, potentially reducing demand for all sorts of debt, spreads on the bonds of Europe's more fragile economies haven't surged.

Change in spreads between selected countries' 10-year government bonds and Germany's

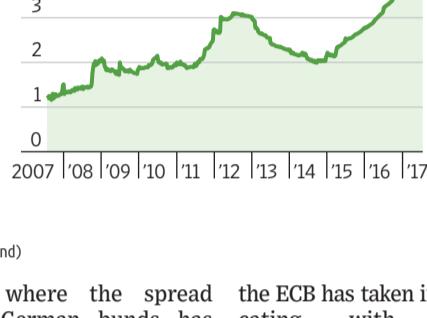


The ECB's quantitative-easing program has now been running for more than two years, and expectations for the withdrawal of stimulus have risen.

### German yield curve



### ECB balance sheet



### Yield on 10-year German bund



But since December, when the ECB said it would reduce bond purchases by €20 billion (\$23 billion) a month, Spanish, Portuguese, Irish and Greek bond yields have declined in comparison with German yields. The spread between German yields and those on other bonds is commonly used as a measure of the risk that investors attach to holding other debt.

"We don't think we're going to see a car crash, a European government-bond market tantrum," said Andrea Iannelli, fixed-income investment director at Fidelity International.

The sharpest fall in yields this year has been in

Greece, where the spread against German bonds has dropped from more than 6 percentage points to around 4.5. The country, which once seemed on the verge of leaving the eurozone, received its latest tranche of bailout funds from international creditors earlier this month and is even considering returning to private markets by issuing its first bond in three years.

Investors have also returned to bonds from Ireland and Spain, two countries where economic growth has outperformed and budget deficits have fallen sharply.

One reason for the lack of widening in spreads is the care

the ECB has taken in communicating with investors, said Gilles Pradere, a senior bond-fund manager at RAM Active Investments.

"It's still a very dovish message that they're sending overall," said Mr. Pradere. "They talk about patience, that they're not done yet."

On Thursday, Italian, Spanish, Portuguese and Greek bonds continued to rally, in a sign that investors are becoming increasingly relaxed about holding the debt of these countries, which they once sold heavily.

Mr. Pradere said the ECB doesn't want to repeat the mistake he believes the U.S. Fed

the Federal Reserve made in 2013. That May, the Fed's announcement that it would begin reducing bond-buying sparked the so-called taper tantrum, when U.S. 10-year Treasury yields rose from 2% to 3% by early September.

Many analysts now expect the ECB to announce in September a reduction in the bond-buying program for a fixed period—for example, cutting monthly purchases to €40 billion for a particular number of months. The Fed trimmed its buying by a set amount every month until it was no longer accumulating bonds.

Investors' concerns over the periphery countries have been

soothed by stronger growth in the eurozone, which has recently outstripped that in the U.S.

"The economy is definitely in a better place than it was last year—that helps sentiment and risk appetite," said Mr. Iannelli at Fidelity International.

Worries about regional political risk that capped investors' enthusiasm for Europe through much of this year have also waned. The anti-euro political candidates that had ridden high in French and Dutch opinion polls failed to win their elections, while support for Germany's antiestablishment party has fallen.

Some analysts and investors still believe that debt markets in Europe's periphery are most exposed to a scaling back of stimulus, or tapering.

"We remain firmly biased toward peripheral spreads widening going forward," said Rabobank strategists in a recent research note. The Dutch bank said that as investors begin to price in tapering, financing costs will rise for these countries, which will feed into concern over their ability to eventually pay back debts.

Analysts say that Italian debt is most at risk from tapering. The country's government debt is equivalent to around 133% of gross domestic product, compared with 97% in France and 68% in Germany. Spreads on other financially stressed eurozone countries' debt have fallen relative to German bonds, but the differential on Italian 10-year debt is effectively unchanged compared with eight months ago.

Political risk in Italy hasn't faded. The country will go to the polls early next year, with the anti-euro populist 5 Star Movement regularly leading in national surveys.

"The Italian risks are just coming later; they've not been resolved," said Richard Barwell, senior economist at BNP Paribas.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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# How Quants Are Calming the Stock Market

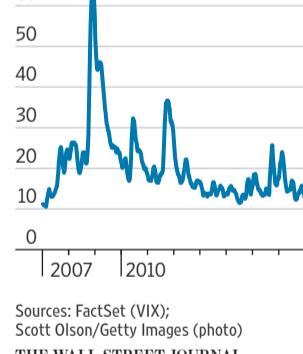
"It's quiet out there. Too quiet."

The number of times that this movie cliché turned trading cliché has appeared in market commentaries recently is a testament to how dull trading has been and how nervous investors are about it.

Stock-market volatility was so low in the first few months of the year that some analysts said bad times were coming soon. Then the market got calmer. Over half of the 25 lowest readings ever in the VIX, the CBOE Volatility Index that is widely cited as a proxy for investor caution, have occurred since May. This month the VIX hit its lowest-ever 30-day moving average.

The main explanation why options prices, upon which the VIX is based, are showing little concern about volatility in the future is that actual, realized volatility of stocks also has been so low. The most commonly cited

### Quiet Riot



Sources: FactSet (VIX); Scott Olson/Getty Images (photo)



Traders fill orders in the VIX pit at the Chicago Board Options Exchange.

factors are that central banks will save the day in the case of bad news and that there have been few recent economic surprises.

Neither will last forever, but there may be a less-noticed factor damping volatility with more staying power: quant trading. The share of trading done by funds run by algorithms has doubled in

just four years to over a quarter of U.S. stock turnover, according to Tabb Group. Their success is partly a result of new flows of information from satellites, credit-card transactions, social media and other sources being interpreted by an army of Ph.D.s with massive computing power.

"If there are fewer things

that lead to surprises because information is going from completely unknown to completely known...then you should have less volatility," says Leigh Drogen, a former quant trader and chief executive officer of crowdsourced earnings-estimate provider Estimite.

Investors sell when they hear bad news about a company, but if they get that news from multiple sources over time, the selling should be spread out. In the past, everyone learned of the downturn when the company announced earnings, making the selloff rapid and the stock more volatile. While hard to quantify, the VIX, now below 10, may well be two or more points lower thanks to better information.

But could this happy state of affairs contain the seeds of a major comeuppance? Despite more information, business cycles or geopolitical risks haven't gone extinct. Traders grappling with

a low-return world in which passive funds rule have crowded into similar strategies and bet on the same statistical anomalies, often using leverage. Mr. Drogen doesn't think such statistical arbitrage investors will bolt in a market shock, but he admits that high-frequency traders might. Because they provide so much liquidity, and because computerized trades won't be placed if liquidity dries up, a quant exodus could happen.

The "quant quake" in August 2007 saw some funds lose nearly a third of their value in a week and many odd stock market moves, but no systemic shock. With traditional stock pickers and bank trading desks playing a much smaller role than a decade ago and quant funds being far larger, the notion that we are experiencing the calm before a fairly nasty storm may be more than just a bad screenplay.

—Spencer Jakab

## OVERHEARD

The five stocks demoted from the S&P 500 were one-time market darlings that have fallen on tough times.

**Bed Bath & Beyond** could do no wrong for years, but lately has been hammered by **Amazon.com**. **Murphy Oil** rose ninefold in a decade, but was hit by the oil price collapse.

**But drug company Mallinckrodt** may have had the greatest rise and hardest fall of all.

The company, which came into existence in 2013, is one of several that buys up old drugs rather than doing pure research. They all have been hammered on criticism of high drug prices.

**Mallinckrodt** wins extra bashing for its opioid business, which cost it a \$35 million fine last week for failing to report suspicious drug orders. Company shares had tripled at their peak but lost all of their gains before being tossed from the index.

## Draghi Performs a Delicate Policy Dance

The European Central Bank is playing for time on extreme monetary policy, but markets know a decision on winding down its bond-purchase program can't be put off forever.

The main message from ECB President Mario Draghi on Thursday was that nothing had been decided about the pace or duration of purchases, running at €60 billion (\$69.1 billion) a month until the end of 2017. The ECB clearly would like to avoid market overreaction. Mr. Draghi said an unwarranted tightening of conditions "was the last thing we may want." But investors are hypersensitive to even slight changes in tone. German bond yields and the euro initially fell when the ECB's

### Rally On



Source: FactSet

policy statement showed it retaining the option to do more asset purchases if needed. They then rose again as Mr. Draghi was upbeat on growth and didn't sound too worried about the rise in yields and the euro in recent weeks.

It isn't clear, however,

that the ECB's decision will be any easier in the fall than it might be now. While the growth picture in the eurozone is strong, Mr. Draghi was forced to acknowledge that inflation "is not where we want it to be." But he reiterated that there was confidence that the economic expansion would lift inflation toward the ECB's aim of "below, but close to" 2%.

The ECB's ambiguity has helped keep market pressures contained.

The focus will now move swiftly to Mr. Draghi's appearance at the Federal Reserve's Jackson Hole conference in late August, where his speech will be scrutinized for hints on the ECB's exit plans. Mark your diaries.

—Richard Barley

**Energy Transfer Partners** had hoped to have the first phase of its Rover pipeline up and running by now, transporting natural gas from America's most prolific natural-gas basins to other parts of the country.

Rushing to complete construction, the company allegedly spilled drilling fluid into a protected wetland and then demolished a historic house adjacent to the pipeline. Federal investigations into both have likely delayed startup possibly until the fall for a project to take gas extracted in Marcellus and Utica shale regions in Appalachia.

That is bad not only for ETP but several large energy producers selling gas at a steep discount to benchmark

prices off which futures contracts are based. A contract for the difference between a hub in Pennsylvania and the main U.S. futures price doubled to \$1.30 a million British thermal units between early May and late June, a 40% discount.

That is just a temporary setback in a region where drilling is expanding far quicker than transport. There is \$20 billion in planned pipeline projects in the region, according to Citigroup, yet even that may not be enough to absorb the boom in production. The two basins produce four times the gas coming from the Permian Basin in the Southwest that attracts far more attention because of its oil output.

Before the shale boom, the Northeast and Midwest had plenty of pipeline capacity, but it carried gas from places like Texas and Louisiana. Now, the Northeast has too much gas and needs to ship it to the Midwest's heating and industrial customers.

Eventually the old trading flows should reverse so gas goes south to the Gulf of Mexico's petrochemical facilities and export hubs.

Yet cheap northeastern gas still will have a hard time competing with essentially free gas, increasing volumes of "associated" production coming out of the oil patch closer to the Gulf of Mexico that will be sold at any price.

—Spencer Jakab

## Gas Everywhere but No Way to Ship It

Before the shale boom, the Northeast and Midwest had plenty of pipeline capacity, but it carried gas from places like Texas and Louisiana. Now, the Northeast has too much gas and needs to ship it to the Midwest's heating and industrial customers.

Eventually the old trading flows should reverse so gas goes south to the Gulf of Mexico's petrochemical facilities and export hubs.

—Spencer Jakab



How chef Dan Barber  
found his calling  
on his grandmother's  
farm **MS**

# MANSION

'Stars shone white in a velvet sky.  
The dry wind from mountain and  
desert blew in their faces.'

—Zane Grey

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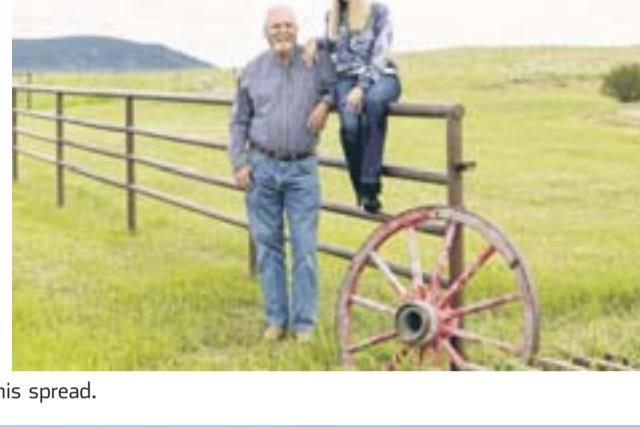
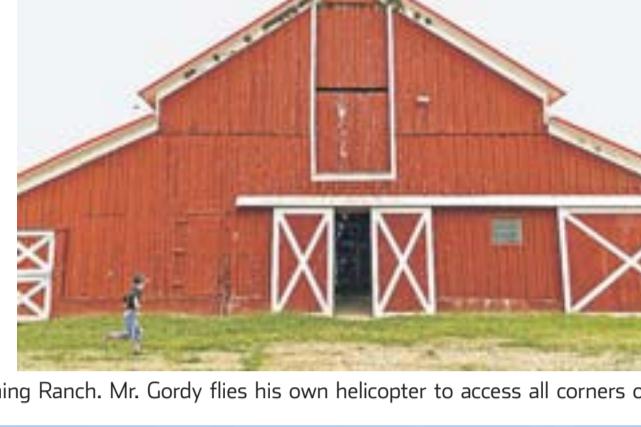
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THE WALL STREET JOURNAL.

Friday, July 21, 2017 | M1



**WYOMING**  
Nearly 80,000 acres  
\$23 million



REBECCA STUMP FOR THE WALL STREET JOURNAL (TOP INSET)

**GONE RANCHING** Russell and Glenda Gordy, right, on their Wyoming Ranch. Mr. Gordy flies his own helicopter to access all corners of his spread.

## The Ranch Collector

Oilman Russell Gordy has amassed 155,000 acres of land—for about \$96 million—for hunting, fishing and raising cattle; a camo wardrobe for all seasons.



**MONTANA**  
48,000 acres  
\$45 million

**HAPPY TRAILS** The Gordy family's Double Arrow ranch outside Livingston, Mont., cost more than \$45 million. It reaches from the Yellowstone River to the Crazy Mountains of the northern Rockies.



**SOUTH TEXAS**  
19,000 acres  
\$18 million

**TEXAS SIZE** La Ceniza ranch has a \$5 million, 15,000-square-foot, hacienda-style retreat built for hunting trips with friends and family that was designed by Glenda Gordy and a builder.

BY AMY GAMERMAN

"**IF WE WERE TO THROW** you out here, they'd never find you," said Russell Gordy, as he piloted his helicopter over the Absaroka mountains, flying from his sprawling Montana ranch to his even bigger ranch in Wyoming.

Mr. Gordy, a 66-year-old Texan with a deadpan sense of humor who made his fortune in the oil-and-gas industry, has two private planes. But the helicopter comes in handy for short hops around his domain: 155,000 or so acres of mountains, rivers, buttes and forest spread patchwork across the West, amassed for his personal enjoyment at a cost of roughly \$96 million.

"I've always liked land. Every time I sold an oil and gas property, I would take some of the money and buy ranches," said Mr. Gordy, whose closets are full of camouflage clothing, grouped

Please turn to page M10

## VILLAGES DANGLE AN ORGANIC CARROT

INSIDE

In rural England, gastropubs and artisanal shops with seasonal produce are attracting affluent home buyers to the countryside; the influx of the 'skinny latte' crowd has led to a 10% home-price premium in some areas.



BY RUTH BLOOMFIELD

**HIP NEW GASTROPOBNS** in the British countryside and upscale artisanal food shops in rural villages are encour-

aging affluent urbanites to pay premium prices just to buy homes near them.

These businesses, with an emphasis on organic, sustainable, seasonal produce and gluten-free goodies are

creating fertile real-estate markets in their villages, where, in some cases, local property prices have increased by 10%, experts say.

The classic example of this is Daylesford, in Gloucester-



**FOCUS ON FOODIES** Inside the Wild Rabbit, left, a Michelin-starred restaurant and inn in Kingham. Above, produce and cheese displays at Daylesford Organic Farmshop and Cafe.



**MAKEUP MOGUL**  
Laura Mercier's condo asks \$11.15 million **M2**



**MILITARY LOANS**  
VA mortgages are on the rise **M3**



**SOLAR POWER**  
Homes with optimal eclipse views **M4**

shire. The hamlet and neighboring village of Kingham have become ultra fashionable thanks to a single local business.

The woman behind Daylesford's rise is Lady Carole

Bamford, the wife of industrialist Sir Anthony Bamford, chairman of JCB.

The couple own a 1,500-acre country estate in the area and in the late 1990s

Please turn to page M4

## MANSION

PRIVATE PROPERTIES | CANDACE TAYLOR

# Makeup Maven Lists N.Y.C. Pad



Laura Mercier, creator of the eponymous cosmetics brand, is putting her downtown Manhattan condo on the market for \$11.15 million.

The French makeup artist-turned-entrepreneur bought the two-bedroom condo at Chelsea's Walker Tower for \$5.9 million in 2013. The 16th-floor apartment measures about 2,150 square feet, said listing agent Vickie Barron of the Corcoran Group.

Walker Tower, completed in 1929, was an Art Deco office building before being converted to condos. Ms. Mercier said she was living in the neighborhood when construction on Walker Tower began, and she became "absolutely obsessed" with the building.

Ms. Mercier was one of the first buyers to sign a contract at Walker Tower, and said she got "a very good price," as a result.

Ms. Mercier, 58, said she is returning to France to focus on expanding her brand in Europe. For the past few years, she has divided her time between New York and Paris, but she now plans to spend most of her time in France, where she has a home in Paris and two in her native Provence. (One of her homes in Provence, an 18th-century castle, is on the market for €3.5 million.) She said she will

maintain a smaller place in New York as a pied-a-terre.

When she is in residence at Walker Tower, she said she uses a large white table in the living room, which has ample natural light through large windows, to apply makeup and test products.

Sports run in the family for Miami Heat guard Tyler Johnson.

When the NBA player and his fiancée, Ashley Fletcher, bought a roughly 12,000-square-foot, Miami-area home last year, they planned to have his mother and younger brother move in with them. But his brother, Logan, is in the midst of being recruited by college basketball programs and decided to finish high school in their native California to avoid disrupting the process. So Mr. Johnson is putting the Miami house on the market for \$5.25 million, less than a year after he bought it, and will look for a smaller home in the area.

"There were going to be more people in the house," Mr. Johnson, 25, said by phone. Though they love the property, "it's too big for our family size right now," Ms. Fletcher added. The couple have a three-year-old son and another baby on the way.

Mr. Johnson bought the house last



## SINGER NATASHA BEDINGFIELD ASKS \$4.75 MILLION FOR LOS ANGELES HOME

Singer-songwriter Natasha Bedingfield is trying again to sell one of her Los Angeles homes—this time with a higher price.

The "Pocketful of Sunshine"

singer is putting her modern house in Los Feliz back on the market for \$4.75 million. She previously listed it in 2014 for \$3.75 million. Ms. Bedingfield ended up renting out the house rather than selling it, but the tenant has now moved out, according to Andrew Mortaza of the Agency, who has the listing with colleague Bryan Castaneda.

Ms. Bedingfield bought the house in 2009 for \$2.3 million, according to public records. She and husband Matt Robinson now live in Hollywood, but kept this property as one of several homes they own in the area as investments, Mr. Mortaza said.



"Matt and I have so much fun identifying great properties and then getting to share them with future owners," Ms. Bedingfield said in an email.

Built in the 1950s, the four-bedroom house spans about 4,800 square feet, with several balconies and views of the Griffith Observatory. There is a kitchenette and bar adjacent to the media room. Located in the gated community of Laughlin Park, the property also includes a guesthouse currently set up as a gym, an outdoor swimming pool and a built-in hot tub.

Mr. Mortaza said home values have increased in the neighborhood since the last time the home was on the market.

Known for hits like 2004's "Unwritten," Ms. Bedingfield recently finished touring with Train and O.A.R.

## MIAMI HEAT'S TYLER JOHNSON PUTS PINCREST, FLA., HOME ON THE MARKET FOR \$5.25 MILLION



year for \$4.82 million, shortly after he made headlines by signing a \$50 million contract with the Miami Heat. The team had matched an offer from the Brooklyn Nets.

The Mediterranean-style house is located in the village of Pinecrest, an affluent Miami suburb. Built in 2009, it has six bedrooms plus an office and spans about 12,000 square feet, said listing agent Kimberly Knausz of ONE Sotheby's International Realty. The house has two kitchens inside—the main kitchen and a chef's kitchen behind it—and a covered summer kitchen outside with a grill, refrigerator and sink. There is also an elevator, a game room with a bar and a home theater.

"It's a great house for entertaining," said Ms. Fletcher, noting that Mr. Johnson's teammates are frequent guests at the house. Mr. Johnson said they recently hosted a birthday party for a friend's son with a waterslide, carnival games and a pet-

ting zoo.

The couple said their favorite feature of the roughly 1-acre estate was probably the grounds, which include a heated swimming pool, built-in hot tub, and pool house.

"We love our big backyard," Ms. Fletcher said.

After buying the house, they made some improvements to the landscaping, added an in-ground trampoline and a playground. They also revamped the existing half-basketball court, giving it a Fresno State logo in homage to their alma mater. "That's really fun for us," Ms. Fletcher said. Mr. Johnson said he uses the court three or four times a week.

Ms. Knausz said the luxury market in the area has increased in value since Mr. Johnson bought the house.

► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion).  
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## MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

# A HELPING HAND FOR THE ARMED SERVICES

A record number of VA loans were issued in 2016, many with no down payments, as well as lower interest rates and closing costs



A record number of veterans and members of the armed services are getting VA loans—mortgages guaranteed by the Department of Veterans Affairs that come with a number of benefits.

Some VA loans require no money down, have no mortgage-insurance payments and can have lower interest rates and closing costs than conventional mortgages.

The VA guaranteed 705,474 loans—including jumbo mortgages—in fiscal year 2016, which runs from Oct. 1 through Sept. 30, an increase of nearly 12% over the same period in 2015. The total loan amount guaranteed: \$179 billion, according to the Department of Veterans Affairs.

The VA doesn't provide the financing—banks and other lenders do. But the VA's guaranty program helps protect lenders from loss if the borrower fails to repay the loan. VA Loans have a lower delinquency rate than conventional loans: 3.9% in the first quarter of 2017, compared with 4.04% for conventional mortgages, according to the Mortgage Bankers Association.

"Veterans often have more discipline, and because they're exercising a benefit from their time and service, they feel an obligation to make sure that they make their payments," says Bill Banfield, executive vice president of capital markets for Quicken Loans in Detroit.

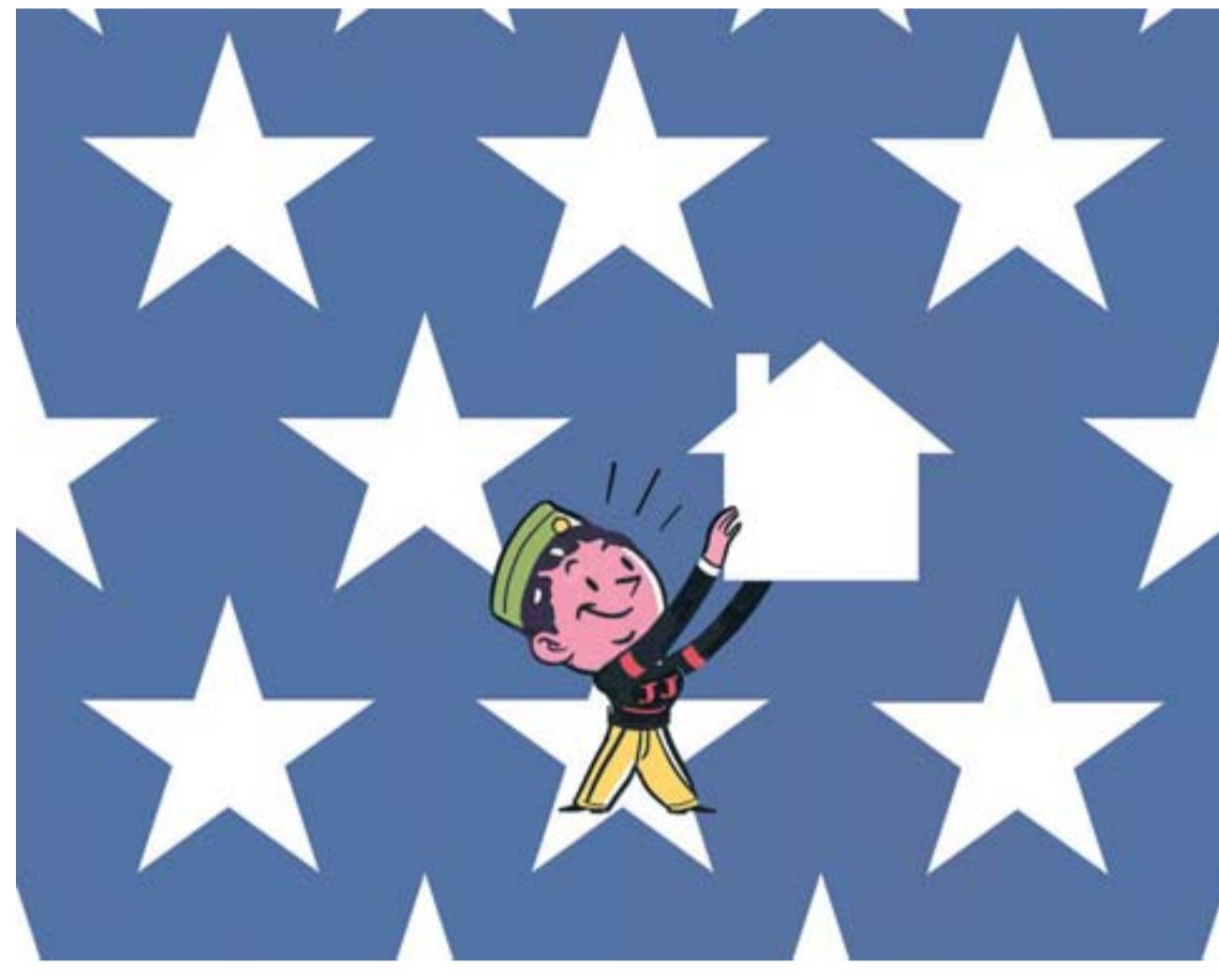
But like the military itself,

VA loans come with lots of rules. To be eligible, service members must be on active duty or discharged or released from active duty under other than dishonorable conditions. They must also have served for a minimum amount of time, which varies.

The ability to finance a home with no money down is perhaps the biggest advantage of the VA program. The amount, if any, that a veteran needs for a down payment depends on the Federal Housing Finance Agency's maximum loan limits for the county in which the property is located. For a lender that plans to sell a loan on the secondary market, a veteran must have a minimum of 25% "skin in the game" through a combination of equity and the VA guarantee, which is 25% of the county limit for a conforming loan.

For example, if an eligible veteran is creditworthy and purchases a home for \$600,000 in San Francisco, no down payment is required because the maximum limit for a conforming loan there is \$636,150 and the VA guarantee of \$159,037.59 is sufficient to satisfy the 25% requirement.

For jumbo loans over the county limit, a borrower would be required to post a down payment of 25% of the difference between the purchase price and the county loan limit. For example, if a veteran wants to purchase a home in San Francisco for \$750,000, the required down payment would be \$28,463 (\$750,000 - \$636,150 = \$113,850 x 25%). That's only about 3.8% of the purchase



CHRIS GASH

price—far lower than the percentage most nonveterans would pay.

Lenders that offer VA loans can impose additional underwriting requirements, says Mark Garces, assistant vice president of secondary marketing for USAA Bank. USAA, for example, requires a minimum credit score of 620 for its VA loans, including VA jumbo loans.

Here are a few things to consider if you're planning to apply for a VA mortgage.

• **Funding fee.** While VA loans don't require private mortgage insurance, they do come with a funding fee, which varies between 1.25% and 3.3%. This amount can be rolled into the loan and covered by the monthly payment.

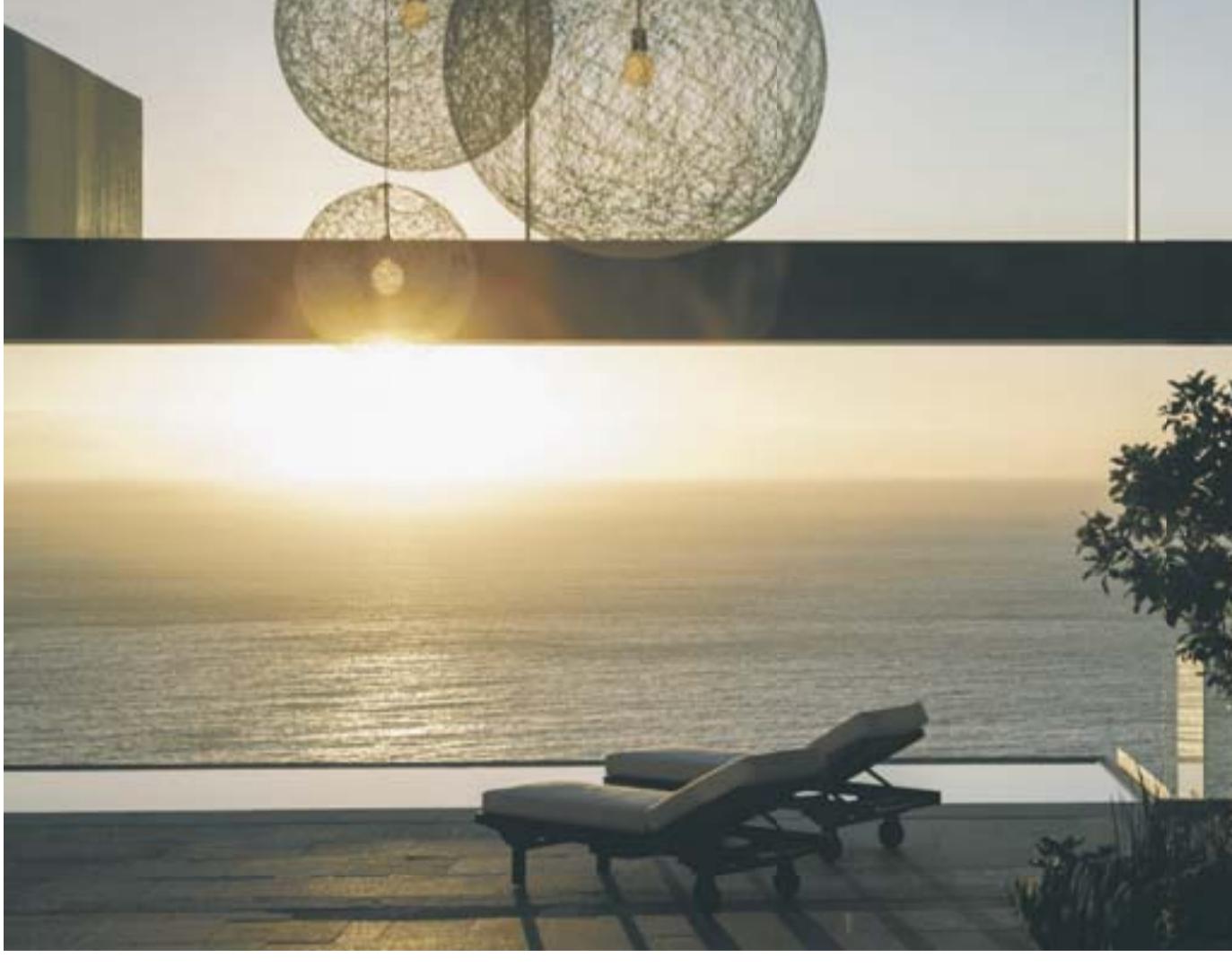
• **Compare VA and conventional loans.** Just because you're a veteran doesn't necessarily mean that a VA loan is the best option. While interest rates for a jumbo VA mortgage and a conventional jumbo are often

comparable, the funding fee can make a VA loan pricier. Borrowers might be able to save significantly on higher loan amounts by choosing a non-VA jumbo loan product if they have funds sufficient to make the 20% down payment.

• **Remember that the VA does refinances, too.** Veterans should consider refinancing through the VA's Interest Rate Reduction Refinance Loan program. "It's a streamlined loan," says Mat Ishbia, president

and chief executive officer of United Wholesale Mortgage, a wholesale mortgage lender in Troy, Mich. "If you've been making your payments every month but the rates have dropped, you can lower your rate and your payment with less documentation." For those with existing VA loans, IRRRLs require no appraisal and typically have lower closing costs and paperwork than refinances of conventional and jumbo loans.

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## MANSION



ALICE WHITBY FOR THE WALL STREET JOURNAL

**GOING LOCAL** Inside Daylesford Organic Farmshop and Cafe, credited with hiking house prices in neighboring villages and inspiring other village stores that focus on locally grown and raised food.

## VILLAGES DANGLE AN ORGANIC CARROT

Continued from page M1

Lady Bamford developed an interest in organic food and traditional farming methods. In 2002 she opened a stylish farm store and cafe she named Daylesford Organics.

The venture drew Londoners like bees to honey. "They want somewhere to go where they can get their skinny latte," explained Luke Morgan, a partner at Strutt &

Parker's country department. Today the Daylesford brand has four shops, a spa, a Michelin-starred country pub and culinary school.

Mr. Morgan says the enterprise has had a transformative effect on Daylesford and Kingham, where properties now carry a price premium of 10%. "Villages like Kingham have been upgraded to super-village sta-

tus in the last few years," said Mr. Morgan. "When we do have something for sale there, it flies off the shelf."

Daylesford and Kingham have advantages beyond proximity to Lady Bamford's store. Both villages are located about 90 miles outside of London—a manageable weekend commute and popular with celebrities. The former Blur bassist Alex James

owns a farm just outside Kingham and hosts an annual music and food festival, the Big Feasting.

The beautiful countryside is dotted with period properties. Knight Frank is currently listing a stone manor house in nearby Maugersbury for £1.95 million, or \$2.55 million. The 9,505-square-foot house comes with almost 2 acres of land.

The "Daylesford Effect" is spreading. "More recently we have seen a reinvigoration of the local pub in the surrounding areas, where in many, food has taken center stage," Lady Bamford said in a written response.

This spread has reached as far as the county of Wiltshire, where the Swedish owner of the H&M fashion brand, Stefan Persson, owns a country estate near Ramsbury, 70 miles from London. He also owns the local pub—the Bell. "He has totally revamped that pub," said buying agent Charlie Wells, managing director of Prime Purchase.

In the village of Kersey, located in Suffolk, a rural county 80 miles east of London, buyers pay an estimated 10% premium on properties like Bridge House, a pink-painted five-bedroom historic home right in the center of the village, which is listed with Savills with a guide price of \$1.17 million.

Caroline Edwards, a partner at Carter Jonas estate agents, said that four years ago, the village's "pretty average" pub, the Bell Inn, was bought by sisters Wendy Green and Janet Woolard.

The venue was previously slightly frosty to wealthy incoming urban types, Ms. Edwards said, but is now a "completely inclusive" spot, welcoming London hedge-fund managers and local farm laborers alike. "It has become a real heart of the local community," she said.

She is convinced the warm welcome at the Bell has boosted prices in Kersey at a time when the rural market in Britain is flailing.

In 2014, the British government increased stamp-duty costs on homes worth roughly \$2 million or more. In 2016 it imposed a 3% stamp-duty surcharge on second homes. What this means is that anyone spending about \$2 million on a second home in the country will pay about \$122,850 in taxes, an increase that has shaken the prime rural market.

And businesses like Daylesford and the Bell are also bucking a trend which is see-

The Lodsworth Larder opened in 2009, with a strong emphasis on organic, sustainable, seasonal produce (plus a gluten-free range). Most of its produce is supplied by small local businesses, and it is squarely aimed at affluent locals, many of whom commute the 50 miles to central London.

Philip Harvey, managing partner at Property Vision, said the shop has elevated Lodsworth above surrounding villages. Properties, as a result, are 10% more expensive, he estimated.

For Lindsay Cuthill, head of Savills' country department, the premium pricing makes sense. "If you had a choice between living in a village which had a nice pub or shop and one which did not, you would choose the one with," he said. "Ergo prices go up."

## Rural Outposts



MARCHAND PETIT

**\$3.23 million**

Newton Ferrers, Devon

Five bedrooms, four bathrooms

This 4,300-square-foot house has views of the River Yeald. The local community worked to save the post office and shop, which now sells artisanal bread and crafts, alongside everyday essentials. Agent: Marchand Petit



CARTER JONAS

**\$1.44 million**

Ramsbury, Wiltshire

Five bedrooms, three bathrooms

The 3,065-square-foot White House Cottage was built in 1652 and has a thatched roof. It is located in the village, where the local pub is owned by H&M boss Stefan Persson. Agent: Carter Jonas

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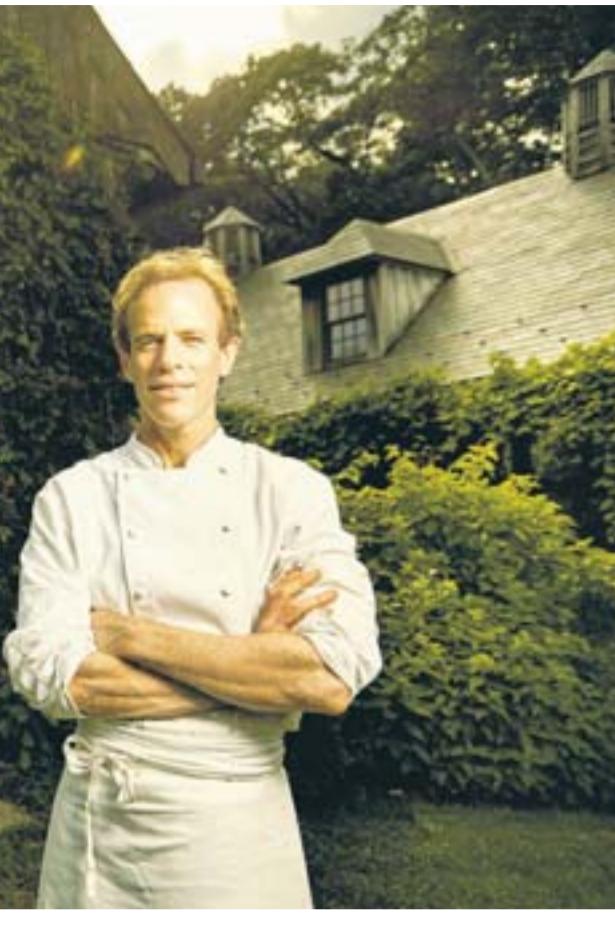
## MANSION

HOUSE CALL | DAN BARBER

# A Dream Sprouts On Grandma's Farm

The award-winning chef found his calling after events led his family to a spread in the Berkshires; David Rockefeller's real-estate offer

MATT FURMAN FOR THE WALL STREET JOURNAL; DAN BARBER (HISTORICAL)



**When I was little, I didn't like mixing the fruit at the bottom of yogurt containers. I only wanted the jelly. So I choked down the plain yogurt as fast as I could. I never thought to just remove it. I had to pay my dues.**

I grew up in an apartment building on 96th Street off Madison Avenue in Manhattan. My father, Fred Lee, was a businessman who worked in the toy industry.

We lived on the fourth floor in a two-bedroom apartment with a maid's room. My half-sister, Carolyn, from my mother's first marriage, was 12 years older than me. She had the maid's room. My older brother, David, and I shared a bedroom.

I don't have many memories of my mother, Joan. She died of breast cancer when I was 4. She hated to be photographed, so I don't have many images of her, either.

From the time I was little, my father took David and me to spend our summer vacations at my ma-

ternal grandmother's farm in Great Barrington, Mass. In my teens, I went there to work the farm.

Ann, as my grandmother liked to be called by us, didn't talk much about my mom. No one in my family really did. Back then cancer was taboo. Which is why the Berkshires took on a certain importance for me and the rest of my family.

Ann liked to tell the story of how she came to own the farm. She had married a wealthy guy who started Strauss pens. At the time, they lived in Great Barrington, and Ann loved heading off to climb a hill a short distance from their house. At the top was a panoramic view of southern Berk-

shire County along with a dairy farm known locally as Blue Hill Farm. Two brothers ran the farm, which had been in their family for generations.

Ann said she occasionally asked them if they'd be willing to sell. They always laughed politely, which meant "not a chance." Then one day, up on the hill, Ann was approached by one of the brothers.

He said he had a terrible fight with his brother and that if she still wanted to buy the farm, they'd sell it to her that day. "Otherwise," he said, "we'll wind up killing each other."

Ann bought the 700 acres on the spot. She didn't even know where the property began and ended, just that it was special.

Years later, she and her husband divorced. My sense is she didn't get much in the settlement, but she had the farm.

When I worked up there in my teens, Ann's farm had a huge vegetable garden that someone tended for her. She also had pasture and

40 head of grazing cattle that belonged to a neighbor.

The family inherited the farm when Ann died in 1982.

After high school, I studied political science and English at Tufts University. But when I graduated in '92, I was lost. So I headed to Los Angeles to bake bread at a well-known bakery. I had this hair-brained idea that I'd bake at night and write the great American novel during the day. One evening I forgot to salt 1,200 pounds of rosemary dough and was fired.

Over the next decade, I worked in kitchens in France, California and New York. For the most part, I was thinking of that time as researching material for my writing.

By then I was living in Greenwich Village and cooking at various restaurants. From time to



*Dan Barber, 47, is an award-winning chef and the co-owner of Blue Hill restaurant in Manhattan and Blue Hill at Stone Barns in Pocantico Hills, N.Y. He is the author of "The Third Plate: Field Notes on the Future of Food" (Penguin).*

*— As told to Marc Myers*

**FIELD DAY** Dan Barber, left, at his Blue Hill at Stone Barns restaurant in Pocantico Hills, N.Y., and, below, on his family's Blue Hill Farm in Great Barrington, Mass., around 1978.

time, I visited a restaurant in an old brownstone. One day, I asked the owner if he might want to sell. He'd always laugh, saying the place was his dream. Then one day he said, "I'm selling." It was as if I was re-living Ann's experience.

Together with my brother, David, and sister-in-law, Laureen, we decided to take it over. Laureen had the idea to name the new place Blue Hill as an ode to Ann's farm. The year we opened, David Rockefeller came in to eat. He enjoyed his meal, but more than that I think he was impressed that the restaurant was a family business with ties to a farm. As a boy, he had to milk cows before church on Sundays with his brothers and sisters at their estate in Pocantico Hills, N.Y. His family wanted them to be connected to the land.

In 2004, Mr. Rockefeller invited us to open a restaurant in the stone milk barns on his family's estate. We soon opened Blue Hill at Stone Barns.

Today, my wife, Aria, and I live with our two daughters in a brownstone in Manhattan's West Village.

We visit Ann's farm when we can. The cows provide much of the dairy for our restaurants.

Recently, I was at the farm with my daughter, Edith, when the landscape and late-afternoon light caught me. It was the same beautiful view Ann had wanted to preserve for my mother, and here it was for my daughter.

*— As told to Marc Myers*

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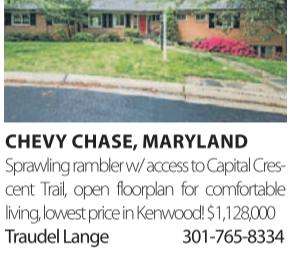
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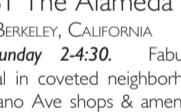
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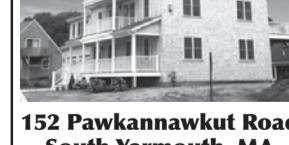


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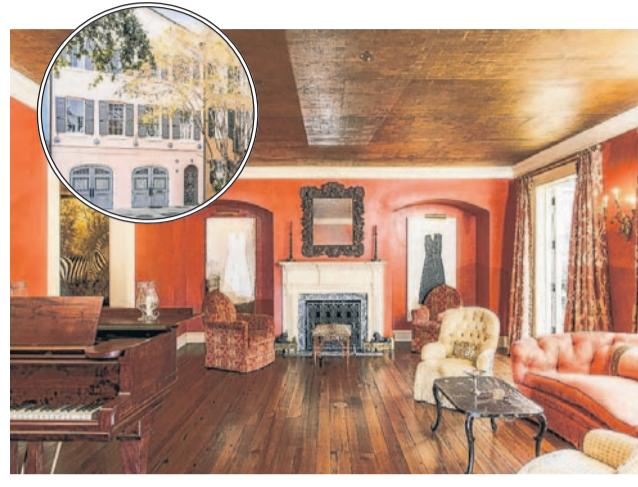
Five bedrooms, 5½ baths

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**\$3.59 million****Clayton, Ga.**

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The French chateau-style home, called Windrush, is 7,040 square feet on more than 2.6 acres. The three-level home has living areas that open onto covered terraces. The property, on Lake Burton, has a boat house with hoists and deep-water dock. There is a guest suite over a three-car garage. Agents: Ann Hopkins and Dabney Jordan, Atlanta Fine Homes Sotheby's International Realty

**\$5.75 million****Charleston, S.C.**

Three bedrooms, 3½ baths

The roughly 4,160-square-foot, three-story Inglis Arch House is a restored 1787 home on about ¼ acre. It has six fireplaces, including three in separate dining areas. An elevator leads to a rooftop deck with views of Cooper River and Fort Sumter. A one-bedroom carriage house, about 2,310 square feet, overlooks three gardens and a pool. Agent: Debbie Fisher, Handsome Properties

FROM LEFT: JET STREAK PHOTOGRAPHY (2); CHRIS &amp; TIFFANY NELMS/VSI GROUP (2); CASSANDRA MICHELLE PHOTOGRAPHY (2)

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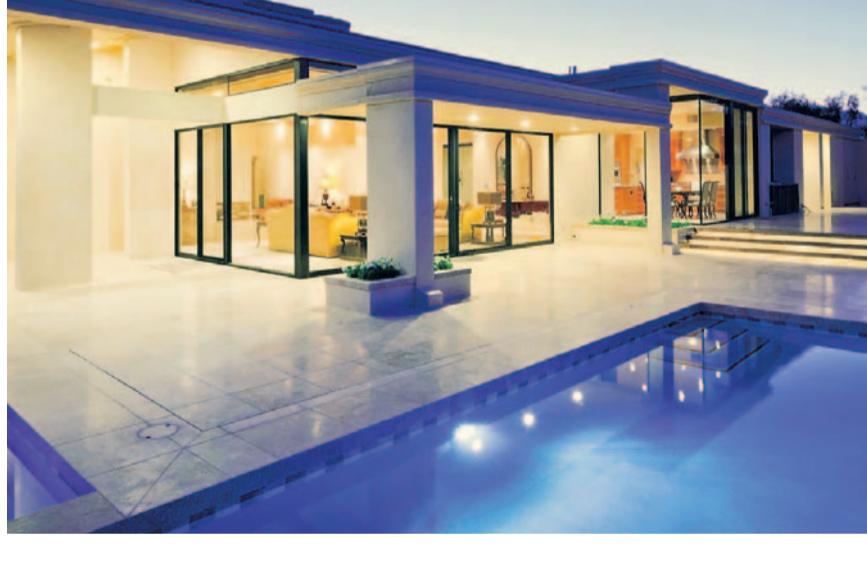
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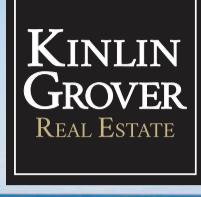
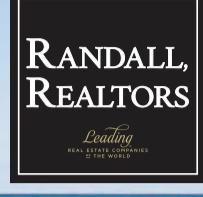
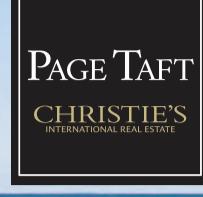
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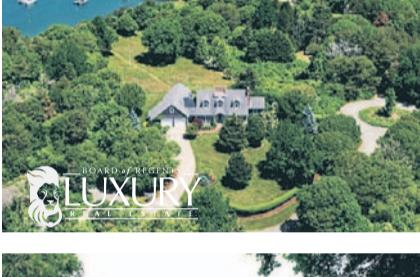


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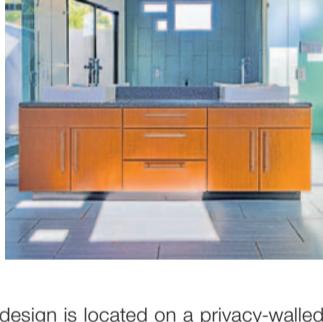
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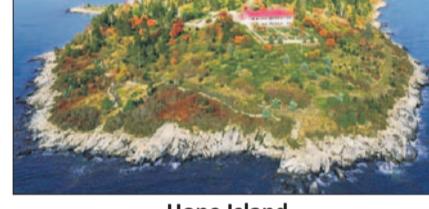
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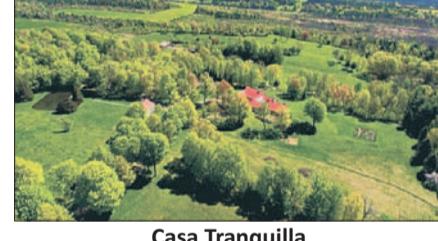
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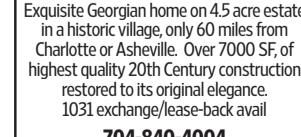


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## MANSION

# THE RANCH COLLECTOR

Continued from page M1  
by season.

His Double Arrow ranch—a 48,000-acre spread outside Livingston, Mont.—cost him more than \$45 million. Mr. Gordy pointed out some landmarks while driving his all-terrain vehicle.

"This is the Yellowstone River, my boundary line," he said, as herds of antelope sprinted past. He pointed to hot springs puffing out white steam, an old homesteader's cabin deep in a forest grove, and a mountain ridge with two towering rock cairns—so-called sheepherders' monuments—built in the 19th century. The ranch ends somewhere up in the Crazy Mountains, an island mountain range spanning 40 miles of the northern Rockies.

Mr. Gordy, who presides over a Houston-based conglomerate of privately held partnerships that include energy, mineral and real-estate development businesses, bought his ranches through his family-owned Rock Creek Ranch limited partnership.

Occasionally, he loses track of just how many he owns. The Montana ranch, for example, is an aggregate of 10 individual ranches. His Wyoming ranch has grown from its original 50,000 acres, purchased in 1993 for \$5 million, to nearly 80,000 acres as he bought up neighboring ranches and parcels—at a total cost of \$23 million.

"If the old families want to sell, most of them call me first," Mr. Gordy said. He also owns two ski homes in Utah's Deer Valley and an oceanfront retreat in the Bahamas, which he bought and redecorated as a surprise 60th birthday gift to his wife, Glenda, in 2011.

The son of a Houston policeman and an office cleaner, Mr. Gordy traces his love for land back to his grandparents' 40-acre farm in Louisiana, where he learned to hunt and fish. "They kept me from becoming a juvenile delinquent," said Mr. Gordy. He honed his marksmanship shooting wasps with his BB gun, while mooning over the hunting guns in his grandmother's Sears, Roebuck catalog. He now owns a museum-worthy collection of rare and antique rifles, guns and pistols.

After working his way through college with stints as a garbage collector, a truck-loader and a roustabout, Mr. Gordy went to work in the oil industry. In 1981, he co-founded a small gas and oil exploration company, then sold the majority of it in 1985, before oil prices collapsed. "My grandfather used to say, 'If you give anybody luck, s— will do for brains,'" he said.

Mr. Gordy bought up more oil fields while prices were low, then expanded into coal-bed methane drilling and minerals exploration. He formed a new company, RGGS Land & Minerals, when he acquired mineral rights from U.S. Steel in 2004—a deal that gave him control over the mineral rights to 1.5 million acres, he said.

This spring, Mr. Gordy made his first foray into retail, opening Gordy & Sons Outfitters, a high-price hunting and fly-fishing store in Houston, with his sons Shaun and Garrett. Patrons can shop for handcrafted British Purdey guns, and try out rods at a casting pond stocked with imported Amazonian peacock bass.

He also has moved into real-estate development with Buffalo Heights, a 4.8-acre mixed-use complex with an upscale grocery, offices and luxury apartments, now under construction in Houston. It is the first phase of development of a 23-acre site he owns.

Mr. Gordy's first ranch purchase was a 113-acre parcel in East Texas, which he bought in 1982 for \$78,000. "We were so excited—it felt like it was just miles," said Ms. Gordy, a petite 65-year-old who works out with a punching bag.

For years, the family stayed in a barn without electricity or running water, cooking on a woodstove and sleeping on mattresses on the floor, until a woodrat ran over Ms. Gordy's bed one night. She refused to return until her husband built a cabin with a bathroom.

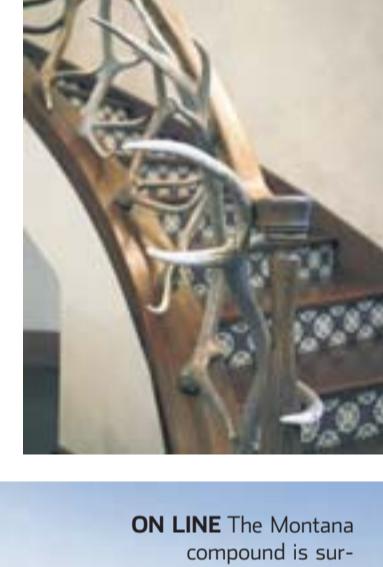
The East Texas ranch has since expanded to about 8,000 acres, at a total cost of about \$10 million. Mr. Gordy, now negotiating for an additional 800 acres there, is transforming it into a quail plantation.

He owns a larger ranch in southwest Texas called La Ceniza, a 19,000-acre spread he acquired in several chunks between 1998 and 2002 for about \$18 million. Mr. Gordy built a \$5 million hacienda-style manse there in 2004 as a hunting retreat for friends and fam-



AMY MIKLER FOR THE WALL STREET JOURNAL (4)

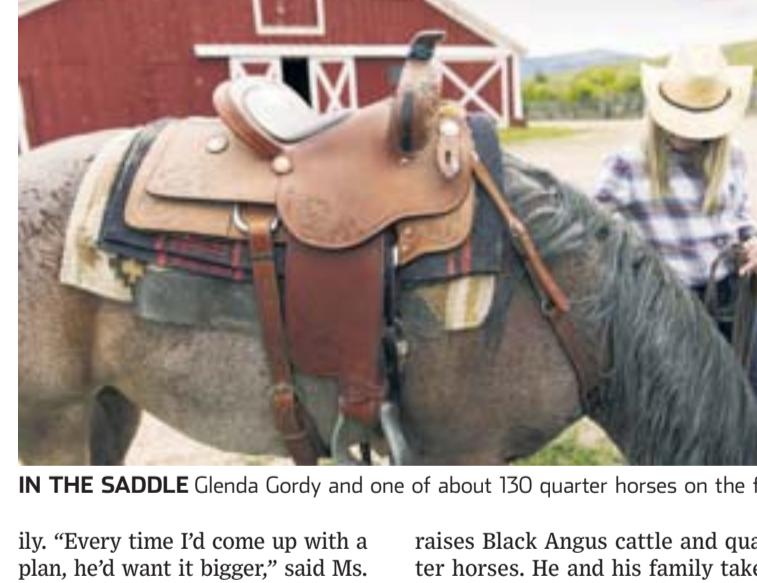
**HUNT AND GATHER** The trophy room in the South Texas ranch, above, is a gathering spot for friends and family. Below from left, a closet full of Mr. Gordy's camouflage clothing; his study with some of his gun collection; a staircase decorated with shed antlers collected on the South Texas property.



**ON LINE** The Montana compound is surrounded by man-made ponds and streams stocked with trout.



JANIE OSBORNE FOR THE WALL STREET JOURNAL (2)



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**IN THE SADDLE** Glenda Gordy and one of about 130 quarter horses on the family's Wyoming ranch; a view of the property from Mr. Gordy's helicopter.

ily. "Every time I'd come up with a plan, he'd want it bigger," said Ms. Gordy, who designed the 15,000-square-foot house with a builder.

Its centerpiece is a large trophy room with a big stone fireplace, game tables, a jukebox and a saloon-style bar. "South Texas is a hunting paradise," said Mr. Gordy, who hunts quail, doves, wild pigs and deer there.

Mr. Gordy's biggest ranch is his nearly 80,000-acre property on Wyoming's North Platte River—with red stone buttes, mountains and lakes, and a 45-foot waterfall cascading down a box canyon.

"There are six waterfalls on the ranch, but three are more slip 'n' slides," said Mr. Gordy, jumping in his helicopter to tour the property. "We could take a four-wheeler," he explains, "but to go all around the ranch would take a day, at least."

Wyoming is a working ranch—as are all his ranches—where he

raises Black Angus cattle and quarter horses. He and his family take part in cattle branding and three-day cattle drives to the mountains.

He also likes to hunt Hungarian partridge, bow-hunt for elk and fly-fish there and on his Montana ranch, where he sometimes takes friends to remote trout streams by helicopter.

"If it wasn't a large property, Russell wasn't interested in buying it," said Dave Palmerlee, a Wyoming-based buyer broker and attorney, who represented Mr. Gordy in the acquisition of the Montana ranch in 2002, negotiating with seven ranch families who had been there for generations. (Mr. Gordy has since bought three more.)

Unlike many big ranches, which contain or encompass state-leased or federal land, there was very little public land involved—a key issue for Mr. Gordy, who values privacy. "I like people—I just don't

want to be around them," he said.

The Gordys built a \$15 million family compound in Montana in 2014, with a 13,000-square-foot main lodge designed by Locati Architects that overlooks the Absaroka Mountains. There are two adjoining homes for the Gordys' sons and their families.

The ranch house is both rustic and grand, with walls of Montana moss rock, reclaimed old timbers, and high stenciled ceilings. The butler's pantry is made out of an old homesteader's cabin. Man-made ponds and streams are stocked with trout. A glass passageway to the master suite was designed so the couple's three grandchildren could watch the fish. There is also a stone heliport, an aircraft hangar and two big garages for "the toys," including a Polaris Slingshot—a three-wheeled motorcycle—and numerous all-terrain vehicles.

Mr. Gordy's business interests

and his love for land have at times come into conflict. In 2013, his RGGS Land & Minerals issued a lease to a mining company to extract iron ore from a section of northern Wisconsin's scenic Penokee Range. The prospect of an open-pit mine amid the hills, forest and trout streams outraged local residents, environmentalists and Native American tribes. Plans were eventually shelved—due to a decline in iron ore prices, according to Mr. Gordy.

"The land is beautiful," he said. "The Nature Conservancy would like to buy it, but I've probably got \$2 [billion] to \$3 billion in iron-ore royalties in it; what are you going to do?"

Mr. Gordy said he has toyed with the idea of turning the Penokee land into a commercial bird-hunting retreat, stocked with woodcock and grouse.

"It wouldn't make money," he said. "But it would be fun."