

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, JULY 28, 2017 ~ VOL. CCLXX NO. 23

WSJ.com

★★★★ \$4.00

DJIA 21796.55 ▲ 85.54 0.4% NASDAQ 6382.19 ▼ 0.6% STOXX 600 382.32 ▼ 0.1% 10-YR. TREAS. ▼ 8/32, yield 2.312% OIL \$49.04 ▲ \$0.29 GOLD \$1,259.60 ▲ \$10.60 EURO \$1.1677 YEN 111.26

What's News

Business & Finance

A pickup in global growth and a weakening dollar are boosting profits at many U.S. companies that do business overseas, helping support the yearslong rally in the stock market. **A1**

◆ Brokers are encouraging customers to take out securities-backed loans, which yield lucrative fees but pose risks for borrowers. **A1**

◆ Amazon's profit fell 77% even as sales jumped, a sign of the high cost of its increasing dominance of retail. **B1**

◆ The Libor benchmark will be phased out over the next five years, a top U.K. banking regulator said. **B1**

◆ Shell's CEO warned that oil prices may never reach precrash levels and demand will eventually decline. **B1**

◆ Uber is considering GE's Immelt among a handful of candidates for the ride-hailing firm's top post. **B1**

◆ Tech stocks slid, pulling down the Nasdaq and S&P 500. The Dow rose 85.54 to a record 21796.55. **B1**

◆ Twitter shares sank 14% after the social-media firm said the number of users was flat from the prior quarter. **B3**

◆ Intel said quarterly profit climbed as the chip maker posted revenue growth in many of its units. **B4**

◆ HNA's largest shareholder is a New York nonprofit established by the Chinese conglomerate in December that has yet to start operating. **B10**

◆ P&G and Peltz sparred, debating whether the firm's latest results prove a turnaround is taking hold. **B5**

World-Wide

◆ The Republican effort to dismantle the ACA collapsed early Friday when a slimmed-down Senate measure to pare back selected pieces of the 2010 health-care law failed, undermining GOP leaders' last-ditch effort to deliver on a longtime campaign promise. **A1**

◆ Senate Republicans moved to block every path Trump might try to use to fire and replace Sessions as attorney general. **A5**

◆ Scaramucci acknowledged his White House power struggle with Priebus and said their differences may be unbridgeable. **A5**

◆ The Senate approved new sanctions on Russia for alleged interference in the U.S. election, in an overwhelmingly bipartisan vote. **A4**

◆ House Republicans passed legislation funding Trump's Southwest border wall without having to vote directly on the proposal. **A4**

◆ Top congressional Republicans and the Trump administration dropped a GOP plan to tax imports and exempt exports. **A4**

◆ North Korean hackers are increasingly focused on funneling stolen funds to the secretive nation, a South Korean report said. **A6**

◆ Israel removed the remaining security measures at the entrance to one of Jerusalem's holiest sites following Arab protests. **A8**

◆ Japan's defense minister resigned over a dispute involving peacekeeping operations in South Sudan. **A6**

CONTENTS Markets B11-12
Business News... B3-6 Opinion A13-15
Crossword A11 Sports B4
Earnings B5 Technology B4
Head on Street B12 U.S. News A2-5
Life & Arts A10-11 Weather A11
Mansion M1-10 World News A6-8,16

30533>
0 78908 63141 1

Copyright 2017 Dow Jones & Company. All Rights Reserved

Please see ZORRO page A9

FRIDAY, JULY 28, 2017 ~ VOL. CCLXX NO. 23

WSJ.com

★★★★ \$4.00

Health-Law Repeal Fails in Senate

By Kristina Peterson,
Michelle Hackman
and Natalie Andrews

WASHINGTON—The Republican effort to dismantle the Affordable Care Act collapsed early Friday when a slimmed-down Senate measure to pare back selected pieces of the 2010 health-care law failed, undermining GOP leaders' last-ditch effort to deliver on a longtime campaign promise.

The Senate rejected a measure to roll back a handful of elements of the law, with three Republicans voting with all Democrats to oppose it. The

bill's failure exposed the difficulty that Senate Republicans faced in trying to corral 50 votes for any legislation making changes to the ACA, whether modest or major.

The bill's failure leaves Republicans without any clear next step in their months-long effort to roll back the ACA and

with no significant legislative accomplishment during President Donald Trump's first seven months in office.

After weeks of internal debate over how to dismantle and replace the health-care law, often called Obamacare, Senate Republicans had settled on a stripped-down plan to pare back pieces of it, after a series of broader proposals failed earlier this week to secure the 50 votes needed to pass.

But support even for the bare-bones measure faltered Thursday, when Senate Republicans became nervous that the House would take the bill up and pass it, rather than using it to start fresh negotiations between the two chambers.

House Speaker Paul Ryan (R., Wis.) responded late Thursday with a cautious statement saying the House would be willing to negotiate, and he spoke later over the phone to a handful of con-

cerned senators.

"If moving forward requires a conference committee, that is something the House is willing to do," Mr. Ryan said in a statement signaling frustration with the Senate Republicans' difficulty in coalescing around a health bill.

Senate Majority Leader Mitch McConnell (R., Ky.) had

Please see HEALTH page A4

◆ Republican tax plan drops levy on imports..... A4



Two senior White House aides share a thoughtful moment at the end of a Wall Street Journal interview with President Trump.

WHITE HOUSE FACE-OFFS

Strains between Anthony Scaramucci, Trump's communications director, and Chief of Staff Reince Priebus burst out publicly in a profanity-laced interview..... A5



Senate Republicans moved to block Trump's options to fire Attorney General Jeff Sessions..... A5

Borrowing With Stock Soars as Market Rises

By MICHAEL WURSTHORN

Wall Street brokerages have been selling billions of dollars in loans backed by stocks and bonds, a trend that yields lucrative fees for the firms but poses risks for borrowers.

While banks don't always report these loans in the same way, these securities-backed loans total at least \$100 billion for the biggest brokerages—up exponentially since the financial crisis—with several billions of dollars of additional debt held at smaller brokerages, banking analysts estimate.

Executives at Morgan Stanley earlier this month highlighted these loans to individuals as a

big growth area and revenue driver, saying the loans helped expand the bank's overall wealth lending by about \$3.5 billion, or 6%, in the second quarter. On Thursday, Goldman Sachs Group Inc. took a step toward expanding its securities-based lending business through a new partnership with Fidelity Investments.

The loans work a lot like margin loans. Brokerages lend against the value of an investor's portfolio. But unlike margin lending, customers don't use the debt to buy more securities. Brokerage executives say the loans can help clients avoid selling assets. The client can get

Please see LOANS page A6

Global Sales, Weak Dollar Lift U.S. Corporate Profits

By BEN EISEN

A pickup in global growth and a weakening dollar are boosting profits at many U.S. companies that do business overseas, helping support the yearslong rally in the stock market and pushing major indexes to records.

Shares of Expedia Inc. climbed nearly 2% in after-hours trading on Thursday after the online travel company reported profits and revenue that beat analyst expectations. The company said international bookings accounted for an increasing share of total bookings.

Expedia joined Dow Chemi-

cal Co. and Intel Corp. in reporting strong earnings Thursday, following Boeing Co. a day earlier. The Dow Jones Industrial Average rose 85.54 points Thursday, or 0.4%, to 21796.55, a fresh record, while the S&P 500 fell 2.41 points, or 0.1%, to 2475.42.

The reports picked up on a theme recurring during the second-quarter earnings season: Companies are benefiting from increasing demand for goods and services by foreign buyers as well as expectations for faster global growth with continued low inflation.

The belief in corporate earnings has helped propel

markets to fresh highs over the past year. Recent earnings periods have helped solidify that view.

Earnings from America's largest companies have in large part helped keep the market rally going in the face of political uncertainty at home and abroad.

Profits at companies in the S&P 500 rose 14% in the first three months of the year, and second-quarter earnings are on pace to climb roughly 9% versus the year-earlier period,

Please see DOLLAR page A2

◆ Technology sector weighs on stocks..... B11

Unpaid Bills?
The Zorros
Are En Route
* * *
Spain's costumed
debt collectors are
crossing swords

By JON SINDREU

VALENCIA, Spain—Antonio Sánchez recently came to a dispiriting conclusion about his professional future.

Spain isn't big enough for two companies whose debt collectors dress up like Zorro.

In Spain, it's not unusual for people with unpaid debts to be visited at their homes or businesses by costumed collectors who confront them in public to shame them into paying up.

One day, in the Spanish city of Valladolid, Mr. Sánchez got a rude surprise. While at the wheel of his Zorro-branded car, he pulled alongside another debt collector's vehicle that also sported an image of the fictitious 19th-century masked crusader.

"What's up, dude?" Mr. Sánchez recalls saying.

This chance meeting was the first time Mr. Sánchez learned that there was another company using masked Zorros to harass debtors in Spain. "Neither of us knew about the other," he said.

Please see ZORRO page A9

Libor, Once the World's Premier Benchmark, Faces Extinction

The London interbank offered rate was created in 1986 and was the benchmark for trillions of dollars of loans and derivatives before becoming a symbol of financial malfeasance after the financial crisis. The U.K. regulator on Thursday said it would phase out the rate in five years. **B1**

① 1986
First Libor rates published.

② 1997
Libor becomes ubiquitous after CFTC approves its use in interest-rate derivatives.

③ 2008
WSJ articles show concerns with Libor. Regulators begin probes.

④ 2012
Barclays becomes first bank to settle Libor-rigging allegations. U.K. regulator pledges to reform the benchmark.

⑤ 2014

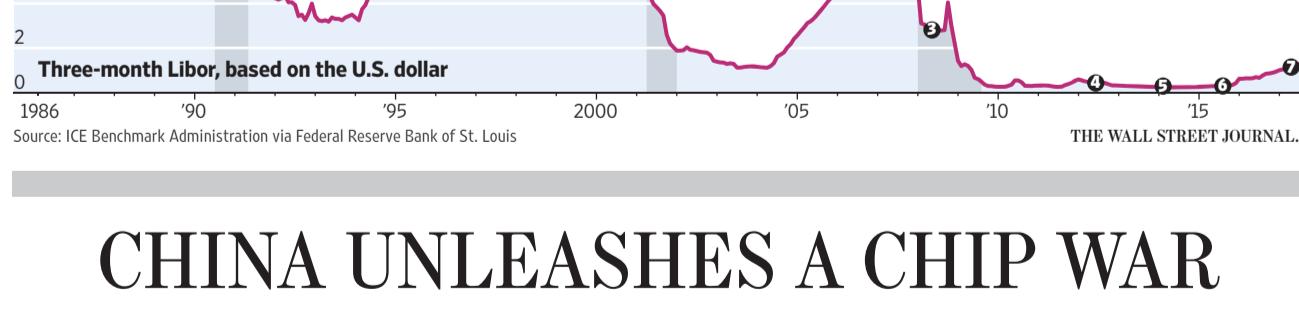
Intercontinental Exchange takes control of administering Libor.

⑥ 2015

Trader Tom Hayes gets 11-year prison sentence after Libor trial.

⑦ 2017

U.K. regulator plans to phase in Libor alternatives over five years.



Source: ICE Benchmark Administration via Federal Reserve Bank of St. Louis

THE WALL STREET JOURNAL.

CHINA UNLEASHES A CHIP WAR

The global semiconductor industry is succumbing to fierce nationalistic competition

By BOB DAVIS AND EVA DOU

WUHAN, China—At a muddy construction site the size of 12 baseball stadiums, globalization is turning into nationalism.

Truck after truck delivers steel rods to China's Tsinghua Unigroup Ltd., a state-owned firm that's spending \$24 billion to build the country's first advanced memory-chip factories. It's part of the Chinese government's plan to become a major player in the global chip market and the move is setting off alarms in Washington.

When Unigroup tried to buy U.S.

considering other moves to counter Beijing's push.

China is aiming "to take over more and more segments of the semiconductor market," says White House trade adviser Peter Navarro, who fears Beijing will flood the market with inexpensive products and bankrupt U.S. companies.

Unigroup's CEO Zhao Weiguo says he is only building his own factories due to Washington's refusal to let him invest in the U.S. "Chinese companies have faced discrimination in many areas," of technology, he says. "Abnormal discrimination."

Semiconductors—the computer chips

that enabled the digital age and power

the international economy—have long been among the most globalized of industries, with design and manufacturing spread across dozens of countries.

Today, the industry is riven by a nationalist battle between China and the U.S., one that reflects broad currents reshaping the path of globalization.

Washington accuses Beijing of using government financing and subsidies to try to dominate semiconductors as it did earlier with steel, aluminum, and solar power. China claims U.S. complaints are a poorly disguised attempt to hobble China's development. Big

Please see CHINA page A9

◆ Intel posts increase in profit, revenue... B4

U.S. NEWS

Ex-Convicts Help Fill Labor Need

BY JEFFREY SPARSHOTT

Construction firm Erickson Cos. has hired almost 30 former inmates from Arizona state prisons over the past year to build frames for new homes, in an effort to cope with labor scarcity.

"We're searching for every alternative avenue that we possibly can to help solve this labor shortage," Rich Gallagher, Erickson's chief executive, said in an interview.

Erickson, based in Chandler, Ariz., is part of what appears to be a nationwide trend. As the jobless rate falls, employers in places including Arizona, Indiana and Maryland are scouring the fringes of the labor market for able-bodied workers, including ex-offenders.

Erickson, which has about 250 employees in Arizona and roughly 1,000 nationwide, has been recruiting from corrections department job fairs for prisoners nearing release. Karen Hellman, director of inmate programs and re-entry, said there has been a noticeable uptick in companies looking to hire inmates this year.

National data on hiring of ex-offenders isn't available, but other state correctional systems across the U.S. and training programs for ex-offenders report similar experiences.

"I've never dealt with em-

Former Inmate Finds New Career

Timothy Phillips was released from Maryland's prison system in February 2016 after 17 years behind bars for murder. The 48-year-old quickly found a job at a retailer but was later let go after a background check turned up his criminal history.

He participated in Baltimore's Jump Start program, an 87-hour construction pre-apprenticeship. Job placement director Kate McShane estimates three-quarters of its enrollees have criminal records.

Mr. Phillips graduated from

the program in February and the same month started working at Kogok Corp., an Upper Marlboro, Md., company that manufactures and installs commercial duct work. His work as a sheet metal mechanic feels like a career, not just a job, he said.

"It seems that you do have companies like Kogok that may not mind hiring someone with a criminal background—it seems like companies out there do exist," Mr. Phillips said.

In the Baltimore metropolitan area, which includes more suburban Columbia and Towson, the unemployment rate is 4.1%, leaving some companies scrambling for workers.

—Jeffrey Sparshott

ployers who are more willing to hire ex-felons," said John Nally, who started working at the Indiana Department of Correction in 1967 and is now its director of education. "It is a totally different landscape when you have an unemployment rate of 3.6%."

Indiana's unemployment rate was 3.6% in April and fell to 3.2% in May.

The U.S. unemployment rate fell to a 16-year low in May and the number of job openings climbed to a record in April, according to separate Labor Department reports, underscoring tightness in the labor market.

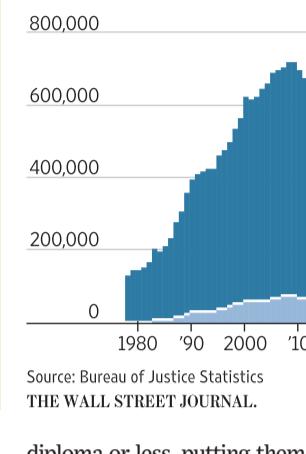
In a recent survey by the National Federation of Independent Business, nearly half of small businesses said they could find few or no qualified workers for the positions they were trying to fill.

More than 600,000 sentenced prisoners nationwide are released from state or federal prisons each year. Research shows that most struggle to find steady work and stable housing—and frequently end up offending again.

The vast majority—nearly 90% in the Indiana study—of ex-offenders have a high-school

Potential Jobseekers

Number of sentenced prisoners released from state or federal prisons



Source: Bureau of Justice Statistics

THE WALL STREET JOURNAL.

during the year they got out of prison, the Indiana study found. That fell to more than 60% by 2007, when the national unemployment rate was also low and the labor market tight. Unemployment among those released in 2005 was back up to 80% by 2009, after the recession hit. Americans with criminal records still face significant barriers to finding a job.

Many employers, for example, won't hire someone without at least a high-school diploma. More than one-third of the ex-offenders in the Indiana study lacked such a credential. Businesses also are often leery of hiring anyone with a criminal background.

The right and left are making efforts toward a criminal justice overhaul. That includes initiatives to promote hiring as a means of rehabilitation, to lower crime rates and to save money on incarceration costs.

"Slowly but surely there's a mind shift about people who come out of prison," said Mark Holden, general counsel at Koch Industries, the Wichita, Kan., manufacturing conglomerate perhaps better known for the conservative activism of owners Charles and David Koch. One priority for the group is a criminal justice overhaul. "Hopefully, we will see more opportunity [for people with criminal records] going forward."

Trump's Plan on Steel Hits Snags

BY JACOB M. SCHLESINGER AND BOB TITA

WASHINGTON—President Donald Trump's pledge to quickly provide big import protection to U.S. steelmakers has gotten bogged down in "complexity," with no clear deadline for completion, Commerce Secretary Wilbur Ross told Congress on Thursday, according to lawmakers who attended the briefing.

"The secretary used the word 'complexity' more than any other word," Michigan Democratic Rep. Sander Levin told reporters.

"There are complexities as to what the other countries would do" in terms of potential retaliation, Mr. Levin said. "There are complexities internally" with the possible impact on other industries.

"They were cognizant of the fact that there can be retaliation," said California Republican Rep. Judy Chu.

Mr. Ross's focus on the potential difficulties and disadvantages of imposing new limits on foreign steel highlights how the administration has gotten increasingly bogged down in the details of implementing what officials had originally portrayed as a simple, clear solution to what they called a stark problem of cheap foreign steel.

After Messrs. Trump and Ross launched the study three months ago, they vowed action by the end of June. But counterthreats from trading partners and worries about higher costs from steel users, among other factors, have slowed the process down.

Mr. Levin and other lawmakers who attended the briefing said Mr. Ross didn't provide any schedule for a decision. "That remains unclear," Florida Republican Rep. Carlos Curbelo said.

Mr. Ross's presentation to the House Ways and Means Committee followed similar comments this week from Mr. Trump, who told The Wall Street Journal that he wanted to put the steel tariffs on a slower track.

Mr. Ross declined to provide details of his closed-door House briefing, other than to tell reporters that "we aired a lot of issues," providing "background" for "when the reports eventually come out."

Mr. Ross was referring to his planned reports giving the president recommendations for whether to impose new imports curbs on steel, and on aluminum, a sector also under consideration for new protections.

U.S. WATCH

ECONOMY

Homeownership Is Up as Market Turns

The U.S. homeownership rate climbed in the second quarter, a signal that the sharp downward spiral that began after the housing crash is finally reversing.

The homeownership rate hit 63.7% in the second quarter, the Census Bureau said, a jump of nearly a full percentage point from a year ago, when it touched a 50-year low of 62.9%.

"The damage the [2007-09] great recession has done to the homeownership rate is likely reversing course," said Ralph McLaughlin, chief economist at home tracker Trulia.

—Laura Kusisto

and senior enlisted personnel, Gen. Joseph Dunford, chairman of the Joint Chiefs of Staff, said there would be no changes in the treatment of transgender troops until Mr. Trump issues further guidance.

—Ben Kesling

MANHATTAN FEDERAL COURT

Macau Developer Found Guilty

A federal jury in Manhattan on Thursday found Macau billionaire Ng Lap Seng guilty of bribing Caribbean diplomats to the United Nations, capping a sprawling case that highlighted Chinese business ambitions at the body and alleged corruption among representatives.

The jury's verdict marked a victory for prosecutors in the Manhattan U.S. attorney's office, who in 2015 charged six people in alleged bribery and money-laundering schemes.

Mr. Ng, 69 years old, was the lone remaining defendant; others either had pleaded guilty or died. Mr. Ng was convicted on all seven criminal counts, including bribery, money laundering, violations of the Foreign Corrupt Practices Act and tax fraud.

His lawyer, Tai Park, declined to comment on the verdict.

—Rebecca Davis O'Brien and Nicole Hong

Homes With Room to Roam



MOVING DAY: Homes on Thursday arriving for the first annual Colorado Tiny House Festival, which starts on Friday in Keenesburg. The event is for builders and tiny-house enthusiasts.

© SANGOST/DENVER POST/GETTY IMAGES

DOLLAR

Continued from Page One according to FactSet.

"When we look at the portfolio, those names with international exposure have done substantially better than those names that are domestic. And that's a pretty substantial reversal," said Jim Tierney, chief investment officer for concentrated U.S. growth equities at AllianceBernstein Holding LP.

Among his holdings: **PriceLine Group Inc.**, which does much of its business in Europe, and is up 38% this year. In comparison, another stock in his portfolio, Ulta Beauty Inc., is a U.S.-focused cosmetics and fragrance company whose stock is down 2.2% this year after a strong run in recent years.

The declining dollar is also

helping to drive earnings higher. U.S. exports become cheaper to foreign buyers when the dollar's value falls.

The U.S. currency slid again Wednesday after the Federal Reserve left its benchmark interest rate unchanged. Many analysts don't expect the Fed to raise rates again until December, and a slowdown in inflation could keep the dollar under pressure.

On Thursday, the dollar gained, with the ICE Dollar Index, which measures the U.S. currency against six others, rising 0.3%.

With the Federal Reserve's commentary suggesting the central bank will keep rates low for now, investors say U.S. stocks should keep eking out gains, provided that corporate earnings continue to be supportive.

Coca-Cola Co. Chief Financial Officer Kathy Waller cited the "slightly better cur-

rency environment" as a reason the company was raising its earnings forecast for the full year, saying Wednesday that it expects adjusted earnings per share to be flat to down 2%, compared with guidance of a 1% to 3% decline from the prior year. Coca-Cola shares rose 38 cents, or 0.8%, to \$46.12, on Thursday, extending gains from the previous day.

"Clearly a weaker dollar is helpful there," Fredrik Eliasson, sales and marketing chief at railroad company **CSX Corp.**, said on an earnings call last week, referring to the company's coal-exports business. The company transports U.S. exporters' freight.

"And I think as we look at some of the other markets, we will see some of those benefits. I don't think we've seen a lot of it yet, but anytime we have a little bit of weaker dollar, it does help them."

The ICE Dollar index is down roughly 8% this year, near its lowest level in 13 months. The euro, which is heavily weighted in the index, has been a standout performer, rising 11% against the dollar this year.

The dollar has tumbled in

The ICE Dollar Index

is down about 8% this year, near its lowest level in 13 months.

hood Markets locations in Tennessee were sold recently for \$11.8 million to \$12.7 million each, and the prices implied capitalization rates, a measure of yield, of 5.15% to 5.25%. A Property Report article Wednesday about the sales incorrectly said \$12 million to \$15 million with capitalization rates of 5.15% to 5.75%.

Four Wal-Mart Neighbor-

cently, and investors and analysts have tempered expectations for President Donald Trump's policy agenda.

The Fed has penciled in one more rate increase this year, but some investors believe that plan will be thwarted by persistently weak inflation, which has continued to undershoot the central bank's annual target of 2%. The fed-funds futures market, where traders bet on the future rate path, suggests a roughly 43% probability of at least one more increase before the end of the year, according to data from CME Group Inc.

A weaker dollar, if it lasts, could further fuel earnings gains in coming quarters. If the ICE Dollar Index ends 2017 about where it is now, the drop for the year would lift per-share earnings in the S&P 500 by roughly 4% in 2018, according to Morgan Stanley, which estimates that profits increase 1% for every 2% fall in the dollar.

Some observers say the dollar is poised to fall further, particularly if Mr. Trump, facing resistance to his economic agenda, attempts to use the currency as a tool to help the economy expand faster. He could do so by, "jawboning the dollar further down and instituting policies that are more dollar depreciative in nature," said Adrian Helfert, head of global fixed income at Amundi Smith Breeden.

Mr. Trump praised Fed Chairwoman Janet Yellen for

keeping the dollar "not too strong," in an interview with The Wall Street Journal on Tuesday.

There are risks for companies banking on a lift from currency movements. If the Trump administration chooses to pursue protectionist trade policies that provoke tit-for-tat tariffs, it could undermine the advantages of a weaker dollar for exporters. Mr. Trump is considering whether to take steps to protect U.S. steel producers from imports, telling the Journal Tuesday that he would take his time to make a decision.

Many firms hedge their currency exposure to reduce its impact on earnings. Toy company **Hasbro Inc.**, for example, hedges nearly three-quarters of its costs, Chief Financial Officer Deborah Thomas said on an earnings call Monday.

"To the extent we haven't hedged, we should get some benefit from it. But on a full-year basis, again, we really hedge to protect the pricing that we offered to our retailers," she said.

Some said a stronger global economy was helping results. M. Keith Waddell, chief financial officer at staffing agency **Robert Half International Inc.**, cited a strong operating environment outside the U.S., particularly in Europe, on an earnings call Tuesday. The stronger euro, he said, was simply "even more icing."

—Amrit Ramkumar contributed to this article.

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

Published daily except Sundays and general legal holidays.

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

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicago, IL 60620.

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.letters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION? CONTACT CUSTOMER SUPPORT.

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

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

U.S. NEWS

Aging Infrastructure Drags on Waterways

Delays build up for companies shipping goods; 'waiting costs a lot of money'

BY SHANE SHIFFLETT

An aging locks system on U.S. waterways is causing increasing delays—and costs—for companies that rely on rivers to transport goods.

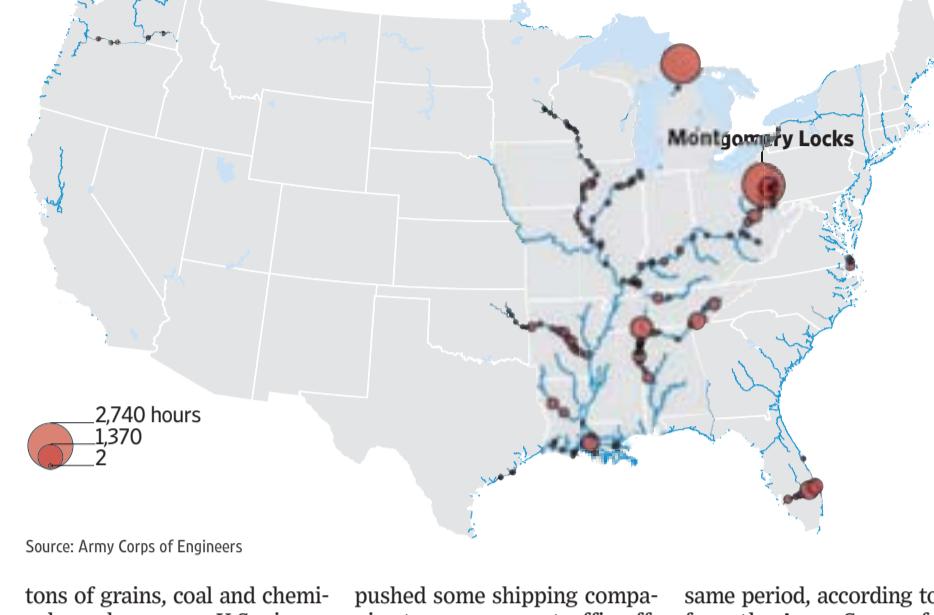
Nearly 80% of lock sites with commercial traffic, most of which are older than their intended 50-year lifespan, had an unexpected outage in 2016. That is up from 71% in 1993, according to a Wall Street Journal analysis of U.S. Army Corps of Engineers data. The average delay, meanwhile, increased 54 minutes to 144 minutes in 2016, compared with 1993.

"If we have a barge stopped on the Upper Mississippi...commodities sit there until the problem is fixed," said Rick Calhoun, president of Cargill Carriers, a Minnetonka, Minn.-based barge operator for Cargill Inc., the largest U.S. agricultural company by sales. "There's no detours, there's no way to do much but wait. And waiting costs a lot of money," he said. Companies ship billions of

Locks Down

Lock sites across the country collectively spent nearly 23,000 hours—or 949 days—unexpectedly closed in 2016. As outages increase, commercial traffic and commodities shipped through locks has fallen.

Hours lock sites spent unexpectedly closed, 2016



tons of grains, coal and chemicals each year on U.S. rivers, which carry about 14% of the nation's domestic freight.

Locks help ships navigate uneven and inconsistent water levels, acting as an elevator of sorts. With sudden outages becoming more common, the cost to companies is rising.

Delays on the rivers have

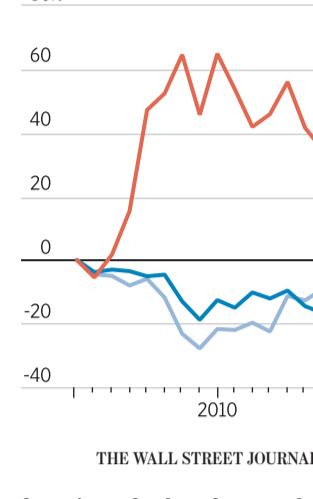
pushed some shipping companies to move more traffic off-river. The tonnage of commodities shipped through locks, excluding coal, fell nearly 13% between 2002 and 2015 to 1.7 billion tons. By contrast, the combined shipments of goods via truck and rail, excluding coal, grew by 3.1% to more than 11.8 billion tons over the

same period, according to data from the Army Corps of Engineers and Federal Highway Administration.

One barge can carry an average load of dry goods equivalent to that of 70 trucks or 16 rail cars, according to a 2014 Texas A&M University study. And on a single gallon of fuel, it can move goods roughly

Change in vessels, closures and commodities since 2002

- Hours locks spent closed
- Commercial vessels
- Tonnage of commodities minus coal



THE WALL STREET JOURNAL.

four times farther than trucks.

An analysis of 20 Pennsylvania locks by the Port of Pittsburgh Commission, a state-funded agency, estimated that diverting 5% of barge traffic to trucks would increase shipping costs by nearly \$200 million.

Meanwhile, a 2016 study by the University of Tennessee on

the effects of lock outages estimated that closures at one particular lock on the Mississippi River would cause shipments of corn and soybeans to decline 9%. It estimated that a significant decline in corn and soybean shipments could cause a \$2.4 billion loss of economic activity.

There are currently 25 projects to upgrade and rehabilitate various locks and canals around the country, and they require \$8.7 billion to complete.

In June, President Donald Trump promised "to create the first-class infrastructure our country and our people deserve." His latest budget proposal cuts the Army Corps budget by 16%, compared with funds appropriated by Congress last year. An earlier White House budget document outlining 2018 spending priorities called for a higher tax on barges and boats.

In 2016, the Montgomery Locks, on the Ohio River, experienced a series of outages that forced the locks to close for a total of 114 days, or a third of the year.

"When that lock shuts down, it shuts down. There isn't an alternate route to get around," said Mary Ann Bucci, executive director of the Port of Pittsburgh Commission. "It's devastating."

Bathroom Bill Signals Widening GOP Rift in Texas

BY DAN FROCH

DALLAS—Just before the start of a special legislative session in Texas last week, International Business Machines Corp. dispatched two top executives to Austin, hoping to convince lawmakers to oppose a bill that would restrict bathroom use for transgender people.

The move by IBM, which recently ran full-page local newspaper ads against the measure, exemplifies the intensifying battle in Texas over the issue, which legislators have begun debating for the second time this year.

It also signals the widening dispute over the direction of the Lone Star State and the Texas GOP: Socially conservative Republicans led by Gov. Greg Abbott and Lt. Gov. Dan Patrick have sought to push Texas rightward.

Moderate Republicans aligned with big businesses are pushing back, worried that such an approach will slow Texas' humming economy.

"We would have preferred if we didn't have to get involved in this case," said Diane Gherson, IBM's chief of human resources, who traveled from the company's Armonk, N.Y. headquarters to Austin.

This year in particular, an array of social issues such as gender identity, immigration and abortion have become flash points here, both at the statehouse and in legal battles, as the state's top GOP leaders have sought to burnish Texas' conservative identity.

As the special session continues this week, the bathroom bill is taking center stage, putting on full display the chasm between the moderate and conservative factions of the GOP.

"Texas is trying to balance a role in the global community and economy equivalent to that of California and New

York, with a Republican Party whose social conservative wing has values that are more in line with isolated rural states like Idaho and Wyoming," said Mark Jones, political-science fellow at Rice University's Baker Institute for Public Policy.

Earlier this year, Texas passed one of the nation's toughest immigration laws, which bans sanctuary policies and threatens law-enforcement officials with jail time if they don't comply. Major Texas cities, including Dallas, Houston and Austin, are challenging the state in federal court to block the law from taking effect in September.

But the bathroom bill, which seeks to regulate public restroom use based on a person's biological sex at birth, has generated the most controversy. The measure failed to pass during the recent legislative session. But it was added to the special session agenda by Gov. Abbott, who supports the proposal and like Mr. Patrick calls it a safety issue.

Texas Republicans control both chambers. A new version of the legislation cleared the state Senate on Tuesday. But its fate in the more moderate House is unclear.

"This is has nothing to do with transgender people," said Lt. Gov. Patrick, adding that the bill was designed to protect women from sexual predators and that many businesses he had spoken with understood its intent.

In recent weeks, Mr. Patrick has traded increasingly heated barbs with House Speaker Joe Straus, a moderate Republican, over the issue. Mr. Straus has urged businesses to be more outspoken in their opposition this time around.

"I hope this is a wake-up call to the business community not to take for granted that things won't get out of hand here," he said.



Gov. John Kasich toured the Ohio State Fair on Thursday, a day after an amusement ride malfunctioned, killing one and injuring seven.

Fatal Mishap at State Fair Probed

BY QUINT FORGEY

Ohio officials said Thursday it could take weeks to investigate an accident the previous evening at the Ohio State Fair in Columbus that killed one person and injured seven in a ride malfunction the governor described as the worst tragedy in the fair's history.

Gov. John Kasich ordered all rides shut down Wednesday evening until amusement ride inspection personnel from the state's Department of Agriculture conducted a complete review of the rides.

"At the end of the day, Ohioans should come to the fair," Mr. Kasich said at a news conference on the fairgrounds Thursday. "There's so much to do, and we will pull together and come through this and we will have an even stronger fair as a result of the challenge that we have in front of us."

The Ohio State Fair typically draws up to 950,000 visitors annually, generates tens of millions of dollars in economic ac-

tivity and consistently ranks among the 25 biggest fairs in the country, according to a fair marketing official.

David Daniels, director of the Ohio Department of Agriculture, said at the news conference that inspectors worked throughout Wednesday night reviewing all the rides and that vetting continued Thursday.

"It's important to remember that amusement rides are mechanized pieces of equipment. They can fail from time to time," Mr. Daniels said. "We work hard every day to make sure that those rides are put together and operating according to manufacturers' specifications."

The state highway patrol is conducting an investigation into the incident that could go on for weeks. Law-enforcement officials said a trooper reported a malfunction on a ride called the Fireball, operated by Amusements of America, at about 7:24 p.m. on Wednesday.

"Our family-owned company is committed to working with

state and local experts in trying to determine the cause of this tragic incident," Amusements of America said. "The ride was inspected by our staff as well as independent inspectors prior to opening at the Ohio State Fair."

Fairs in several states across the country, including Califor-

nia, Illinois and Indiana, have either shut down rides similar to the Fireball or no longer plan to offer them.

Tyler Jarrell, an 18-year-old from Columbus, Ohio, was pronounced dead at the fairgrounds, according to a Thursday news release from the highway patrol. The youngest of the seven injured was 14

years old, according to the release. At least three of the injured are in critical condition, according to area hospitals.

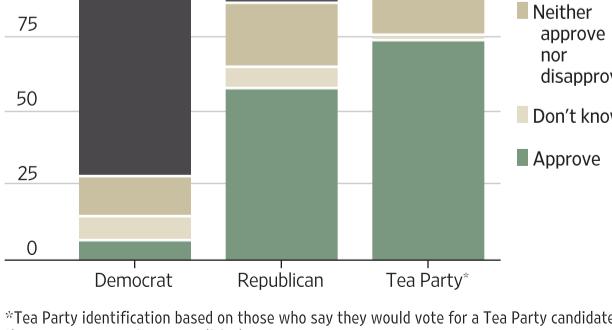
Mr. Daniels said in a news conference Wednesday evening that ride inspection is one of the Agriculture Department's most important responsibilities. Eleven rides didn't open Wednesday morning—the opening day of the fair—because officials hadn't yet completed their inspections, Mr. Daniels said, though some were cleared later in the day.

Four rides failed their inspections and won't be operating at all, he said.

Michael Vartorella, the Agriculture Department's chief inspector for amusement ride safety, said his team of inspectors reviews roughly 4,300 pieces of equipment in Ohio, including rides at the state's popular Cedar Point and Kings Island amusement parks. "We take this job very seriously, and when we have a tragedy like this, it hits everybody and it hits us really hard," he said.

Right Turn

Texas Republicans largely approve of State Legislature's conservative push, according to a recent poll.



*Tea Party identification based on those who say they would vote for a Tea Party candidate if the movement was its own political party.

Source: University of Texas/Texas Politics Project Poll

Politician Found at Fault in Facebook Case

BY JOE PALAZZOLO

A federal court in Virginia has ruled that a local politician violated the free-speech rights of a constituent she banned from her Facebook page, in a case the judge said raises important questions about constitutional restrictions that apply to social-media accounts of elected officials.

The ruling by U.S. District Judge James Cacheris in Alexandria could buttress a lawsuit in New York alleging that President Donald Trump un-

constitutionally suppressed dissent by blocking Twitter users from following his account.

Mr. Trump's frequent use of Twitter has added urgency to First Amendment questions revolving around the use of social media by public officials.

In the Virginia case, Brian Davison sued the chairwoman of the Loudoun County Board of Supervisors, who temporarily banned him from her Facebook page after he posted criticism of local officials last year.

Judge Cacheris, finding that Phyllis Randall was acting as

a public official on her Facebook page, said Ms. Randall committed "a cardinal sin under the First Amendment."

"The suppression of critical commentary regarding elected officials is the quintessential form of viewpoint discrimination against which the First Amendment guards," Judge Cacheris wrote.

Ms. Randall, who lifted the ban against Mr. Davison after 12 hours, faces no penalty.

Julia Judkins, a Fairfax, Va., lawyer who represents Ms. Randall, said Judge Cacheris

erred in equating Ms. Randall's personal Facebook page to a government account.

"How does this one person's Facebook page that she's not using county resources to maintain...how does that become like the government?" Ms. Judkins said.

Judge Cacheris noted that Ms. Randall used her Facebook page to solicit comments from her constituents. Mr. Davison said Ms. Randall posted during business hours and meshed the trappings of her office into her account.

U.S. NEWS

Measure Aims to Fund Border Wall

By LAURA MECKLER
AND SIOBHAN HUGHES

WASHINGTON—House Republicans passed legislation Thursday funding President Donald Trump's promised wall along the southwest border, having set the terms of the debate to let members avoid having to vote directly on the proposal.

The measure passed 235-192. Only five Democrats voted for the bill, with the support of 230 Republicans.

Mr. Trump made the border wall a central campaign promise—while vowing Mexico would pay for its construction. Many Republicans support the idea, but Democrats are strongly opposed and some in the GOP also have misgivings.

GOP leaders plucked the \$1.6 billion in funds to begin the wall's construction from the Homeland Security spending bill and added it to a popular measure funding the military, veterans and other matters.

Several GOP aides said leaders were concerned that a straightforward vote on the wall itself would fail. To avoid that, they employed a maneuver by which the wall funding was automatically added to the larger defense bill after a vote setting rules for debate on the measure. That vote passed 230-196 on Thursday, mostly along party lines.

In addition, the House Rules Committee barred consideration of any amendments related to border security or the wall.

On the House floor, Republicans argued that the existing border fencing was working to stem illegal immigration and



A U.S. helicopter patrolling along the Mexican border in May in San Diego. The fence separates San Diego from Tijuana.

that additional barriers would continue to improve security.

"If immigrants are crossing this border illegally, then so are drug traffickers, smugglers and human traffickers," said Rep. John Carter (R., Texas).

Rep. Louise Slaughter (D., N.Y.) and other Democrats countered by pointing to Mr. Trump's promise that Mexico would fund the project. She said the proposal came with "nary a peso from Mexico."

"Our nation does not barricade itself away from the rest

of the world," she said.

The proposed \$1.6 billion for next year would pay for a total of about 74 miles of new or replacement barriers, for an average cost of about \$21 million per mile. That includes 32 miles of new border wall and 28 miles of a new levee wall in the Rio Grande Valley in Texas, and 14 miles of replacement secondary fencing in San Diego.

The underlying bill includes \$658 billion for military training and equipment, \$37.6 billion for energy and water infrastructure and nuclear-weapons-programs security, and nearly \$89 billion for the Department of Veterans Affairs. The bill also increases funding for the Capitol Police.

The addition of border-wall funding complicates the path forward in the Senate, where Republicans need 60 votes to clear most legislation but control only 52 seats. Senate Democrats have repeatedly said they won't support the wall funding.

That is on top of another,

broader problem besetting the measure. Democrats are worried that Republicans will try to relax military-spending curbs imposed by a 2011 budget law without ensuring equal treatment for nonmilitary spending.

Without an agreement to treat both types of spending equally, Senate Democrats have warned they will vote against military-spending legislation.

—Ben Kesling
and Kate Davidson
contributed to this article.

GOP Tax Plan Drops Levy on Imports

By RICHARD RUBIN

WASHINGTON—Top congressional Republicans and the Trump administration abandoned a controversial House GOP plan to tax imports and exempt exports from taxes, as they announced tax policy principles that resolved few other crucial issues.

Border adjustment, as the proposal was known, was a central part of the strategy House Speaker Paul Ryan outlined last year. Its goal was to generate \$1 trillion in revenue over a decade to help pay for corporate-tax cuts and to prevent companies from shifting profits to low-tax foreign countries. The idea had been politically imperiled for months amid objections from retailers and Republican senators.

The final blow came Thursday, in a broad statement of principles released by party leaders to build Republican unity on tax policy and create momentum for advancing legislation this fall.

The statement emphasized a common goal of reducing individual and corporate rates and individual tax rates "as much as possible." It also called for faster write-offs for capital expenses, an idea meant to promote investment, though it stopped short of a House Republican proposal for immediate write-offs.

The shared principles in effect represent a starting point for the approaching debate. Party leaders' willingness to release a framework is also a sign of their confidence in getting a bill written and passed.

Still, Thursday's statement left critical questions unanswered, such as how much individual and corporate rates would be cut, and avoided addressing many of the tough trade-offs Republicans would

Border adjustment had faced objections from retailers and Republican senators.

need to make to achieve substantial reductions in tax rates, such as what deductions to eliminate.

Taken together, it included less detail than President Donald Trump's campaign plan, the House GOP's June 2016 blueprint or the one-page White House offering in April.

"This was a clear gate that we just went through with the White House and the Senate," said Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, whose panel will write the first version of the bill. "It just signals another big step we have to take."

An additional unknown remains how much revenue Republicans expect to generate with a new tax plan, making it unclear whether a tax overhaul will add to the deficit or leave it unchanged. The statement emphasizes permanent tax changes, which provide a fiscal constraint because congressional rules they are using won't allow bigger deficits after a decade.

The document released Thursday stems from meetings held by the so-called Big Six: Mr. Ryan, Mr. Brady, Senate Majority Leader Mitch McConnell (R., Ky.), Senate Finance Chairman Orrin Hatch (R., Utah), Treasury Secretary Steven Mnuchin and White House economic-policy chief Gary Cohn.

"We are confident that a shared vision for tax reform exists, and are prepared for the two committees to take the lead and begin producing legislation for the president to sign," the statement said.

As top negotiators sell the plan publicly, the pressure turns up on members of the tax-writing committees who will turn principles into detailed legislation.

"There's still much work to be done to actually having a real statute that the Ways and Means committee can actually mark up," said GOP tax lobbyist Kenneth Kies.

—Siobhan Hughes
contributed to this article.

Senate Votes 98-2 for Sanctions on Russia

By NATALIE ANDREWS

WASHINGTON—The Senate approved new sanctions to punish Russia for its alleged interference in the 2016 U.S. election on an overwhelmingly bipartisan vote Thursday, gaining tentative support from the White House before its passage.

The measure, which also imposes sanctions on North Korea and Iran, passed the Senate on a 98-2 vote. The same measure passed the House on Tuesday on a 419-3 vote. Senators interrupted a contentious debate Thursday over repealing the Affordable Care Act to vote on the sanctions.

President Donald Trump hasn't said whether he will sign the measure, and admin-

istration officials have said the bill may infringe on presidential authority. Mr. Trump also has expressed skepticism about U.S. intelligence findings that Russia interfered in the election.

But the White House said Thursday that it would examine the final legislation before Mr. Trump decides whether to sign it.

"The president and the administration support sanctions against Russia, Iran and North Korea," said White House press secretary Sarah Huckabee Sanders. "We continue to support strong sanctions against those three countries, and we're going to wait and see what that final legislation looks like and make a decision at that point."

Sen. John McCain (R.,

Ariz.), the Senate Armed Services Committee chairman who returned to Washington this week after a diagnosis of brain cancer, said the bill's enactment was important.

"In the last eight months, what price has Russia paid for attacking American democracy?" Mr. McCain asked on the Senate floor. "Very little. This legislation would begin to change it."

The provision that has concerned the White House would require the president to consult with Congress before relaxing any sanctions against Moscow or restoring Russia's control over diplomatic compounds in the U.S. that had been seized by the Obama administration as part of U.S. reprisals for the alleged election interference.

In an interview with The Wall Street Journal on Tuesday, Mr. Trump said he hasn't decided whether he will sign the legislation into law.

The bill can still become law without the president's signature if it goes unsigned for 10 days.

"I haven't seen [the provisions] yet," he said. "I haven't seen them in final form."

The legislation represents a political challenge for the president, coming as congressional committees and special counsel Robert Mueller are investigating Russia's actions last year in a probe that also is seeking to determine whether anyone in the Trump campaign colluded with Moscow. Mr. Trump and Russian officials have denied any collusion.

The legislation would tighten restrictions on the extension of credit to Russian entities and mandate sanctions on those deemed to be undermining cybersecurity as well as those engaging in significant transactions involving the Russian defense and intelligence sectors.

It would allow some joint energy ventures to go ahead, but would sanction new projects and joint ventures in which a sanctioned Russian person or entity holds a stake of 33% or more.

The legislation also imposes new sanctions on Iran's ballistic-missile program and Iran's Revolutionary Guard Corps, and attempts to squeeze the cash available to North Korea for its nuclear and ballistic-missile programs.

shortly before 10 p.m. Thursday, before a blitz of amendment votes were expected to begin.

Mr. Graham said the four senators had made their stance public because of growing concerns the House would simply take up that bill and pass it.

Rep. Mark Meadows (R., N.C.), chairman of the House Freedom Caucus, a group of three dozen conservatives, told Mr. Graham in a phone call Thursday that there was a movement in the House to do just that, the senator said.

In his statement, Mr. Ryan agreed to go to conference, but sought to insulate the House if the two chambers can't strike a viable compromise by forcing the Senate to vote first on it.

"The House remains committed to finding a solution and working with our Senate colleagues, but the burden remains on the Senate to demonstrate that it is capable of passing something that keeps our promise, as the House has already done," Mr. Ryan said. "We expect the Senate to act first on whatever the conference committee produces."

On Thursday morning, America's Health Insurance Plans, the insurance industry's largest trade group, sent a letter to Mr. McConnell opposing skinny repeal.

AHIP's president, Marilyn Tavenner, wrote that her group opposes any bill that repeals the individual coverage requirement without an adequate replacement while also failing to include funding to stabilize the insurance markets.

—Siobhan Hughes
contributed to this article.

Continued from Page One

argued that the measure would have enabled negotiations to continue, but it wasn't clear that those could have produced a viable compromise.

"Passing this legislation will allow us to work with our colleagues in the House toward a final bill that can go to the president, repeal Obamacare and undo its damage," Mr. McConnell said as he unveiled the bill's text only hours before the vote.

The "skinny" repeal would have undone the ACA's requirement that most people purchase health insurance or pay a penalty, and it would have suspended enforcement through 2025 of a related requirement that most employers offer coverage.

An unpopular tax on medical devices would have been delayed through 2020, and funding would also be rescinded for a \$1 billion public-health program run through the Centers for Disease Control and Prevention.

The bill also attempted to expand the use of ACA state waivers to get rid of some insurance regulations, such as a requirement that health plans cover mental-health services and maternity care, though lawmakers are limited by budget rules in how much flexibility they can write into the legislation.

Republicans blame the ACA's regulations for inflating the cost of insurance premiums, while Democrats say they provide needed protections to consumers.

A Congressional Budget Of-

fice estimate released late Thursday said the bill could result in 16 million more people losing insurance in a decade and premiums rising roughly 20%.

Democrats criticized the GOP legislative process that led to a bill unveiled only hours before the unsuccessful vote.

"This is nuclear-grade bonkers what is happening here tonight," said Sen. Chris Murphy (D., Conn.). "When you get rid of the mandate, every single insurance company will tell you that rates skyrocket because you're not getting rid of the provision that requires insurance companies to price sick people the same as healthy people."

In a tumultuous day on Capitol Hill, Republican senators had made an unusual 11th-

hour demand: They would only agree to pass the bare-bones bill if House Republicans pledged not to accept it, but instead begin negotiations between the two chambers.

After weeks of internal debate over how to dismantle and replace the 2010 health-care law, often called Obamacare, Senate Republicans had settled on the stripped-down plan to pare back pieces of it, after a series of broader proposals failed earlier this week to secure the 50 votes needed to pass.

Many GOP senators had said they would vote to pass the so-called skinny repeal only if they received assurances that the House wouldn't immediately take it up and would instead start talks between the two chambers. Those talks would be

a way to shape legislation that could attract 50 Republican senators—an effort that has failed to date—as well as a majority in the House.

Sen. Lindsey Graham (R., S.C.) and three other senators called a press conference late Thursday to say they would vote for the skinny bill only if they received assurances the House wouldn't take it up without changes.

"The skinny bill as policy is a disaster," Mr. Graham said. But he agreed to support the bill after Mr. Ryan told a group of senators, "Why would we want to own a bill that increases premiums and doesn't fix Obamacare?" Mr. Graham recited.

Adding to the uncertainty, GOP leaders didn't release the text of the skinny bill until

the two chambers. Those talks would be

Continued from Page One

Continued from Page

U.S. NEWS

Senators Move To Block Trump Ousting Sessions

BY BYRON TAU

WASHINGTON—Senate Republicans on Thursday moved to block every path President Donald Trump might try to use to fire and replace Attorney General Jeff Sessions, a step they worry would disrupt the independence of the investigation into Russia's interference in the 2016 election.

Sending the most powerful signal yet that Mr. Trump should back away from such action, the senators said they would try to thwart him through legislation, control of the calendar and the chamber's parliamentary rules.

And, unlike in the health-care and tax debates, Democratic senators are aligning with them in an effort designed to shield the work being done by special counsel Robert Mueller, who was appointed by the Justice Department to examine Moscow's actions and whether the Trump campaign colluded with it.

Russia and the president have denied any collusion.

White House press secretary Sarah Huckabee Sanders, asked Thursday to allay Republican lawmakers' concerns about the president firing Mr. Sessions, reiterated her comments from a day earlier that the president was "disappointed" in Mr. Sessions. The president in tweets has also called his onetime ally "weak."

In an interview with Fox News on Thursday, Mr. Sessions called the criticism "kind of hurtful" but said he was committed to staying on the job.

Lawmakers are concerned that if Mr. Trump fires Mr. Sessions—who recused himself from the Moscow probe because he was a leading surrogate for the Trump campaign and had an undisclosed meeting with the Russian ambassador.

dor—the president would then replace him with someone willing to fire Mr. Mueller.

Sen. Lindsey Graham (R., S.C.) told reporters Thursday that he would introduce a bill next week that would curtail the power of the president to fire a special counsel under some circumstances without approval from a federal judge. Democrats are expected to sign onto the legislation, including Sen. Cory Booker (D., N.J.), who is working with Mr. Graham to craft it.

The legislation will say that "a special counsel cannot be fired when they were impaneled to investigate the president or his team, unless you have judicial review of the firing," Mr. Graham said. He said the bill would apply to Mr. Trump and future presidents.

Mr. Trump can't directly remove Mr. Mueller. But the president could ask the leadership at the Justice Department to terminate Mr. Mueller.

"If Jeff Sessions is fired, there will be holy hell to pay," said Mr. Graham. "Any effort to go after Mueller could be the beginning of the end of the Trump presidency."

Other lawmakers warned Mr. Trump against firing Mr. Sessions and trying to use his power to make a recess appointment in Congress's August break. The Senate is expected to hold "pro forma" sessions to block any move.

The Senate also could deny Mr. Trump the ability to replace Mr. Sessions permanently, because a pick must be approved by the Senate.

Sen. Chuck Grassley (R., Iowa), the chairman of the Judiciary Committee, tweeted this week that the committee's schedule for the year was already set and "no way" included room to consider an attorney-general nomination.

White House Aide Erupts

WASHINGTON—President Donald Trump's newly appointed communications director acknowledged his power struggle with the White House chief of staff and said their differences may be unbridgeable, using profane language in published comments to express his frustration with his new colleagues.

By Eli Stokols,
Michael C. Bender
and Rebecca Ballhaus

Anthony Scaramucci, who joined the White House last week and reports directly to the president rather than to the chief of staff, as is customary, said he and Chief of Staff Reince Priebus have been at odds.

"We have had differences. When I said we were brothers from the podium, that's because we're rough on each other," he said in a CNN interview, referring to a comment he made last week. "Some brothers are like Cain and Abel. Other brothers can fight with each other and get along." He continued: "I don't know if this is irreparable or not, that will be up to the president."

Mr. Priebus, who had tried to block Mr. Scaramucci's appointment, didn't respond to a request for comment.

In the daily briefing, White House press secretary Sarah Huckabee Sanders said she was unaware if the president had an opinion on how Messrs. Scaramucci and Priebus should resolve their conflict. She declined to say if the president has confidence in Mr. Priebus.

"If the president doesn't, he'll make that decision," she said, adding that the apparent conflicts among Mr. Trump's aides showed "this is a White House that has lot of different perspectives, because the president hires the very best people."

Mr. Scaramucci indicated to The Wall Street Journal that he has spoken to Mr. Trump about his differences with Mr. Priebus. Asked in a text message Thursday morning when he would make his case to the president,



Newly appointed Communications Director Anthony Scaramucci speaking to the media on Thursday.

Mr. Scaramucci responded: "I spoke to him twice today."

A New Yorker interview with Mr. Scaramucci published late Thursday afternoon was set to escalate tensions.

In the interview, conducted late Wednesday, Mr. Scaramucci accused Mr. Priebus of leaking information about him. He called Mr. Priebus a "para-

Anthony Scaramucci took profane aim at Reince Priebus and other new colleagues.

noid schizophrenic, a paranoiac" and said he wanted to "f---ing kill all the leakers."

Mr. Scaramucci also suggested White House chief strategist Steve Bannon was prioritizing his own image over that of the president. "I'm not Steve Bannon, I'm not trying to suck my own c---," he said, according to

the New Yorker. "I'm not trying to build my own brand off the f---ing strength of the president. I'm here to serve the country."

In a tweet following the New Yorker article's publication, Mr. Scaramucci said: "I sometimes use colorful language. I will refrain in this arena but not give up the passionate fight for @realDonaldTrump's agenda."

Messrs. Priebus and Bannon didn't immediately return requests for comment on the New Yorker article, nor did the White House press office.

Mr. Scaramucci reignited talk of a White House split with a tweet he made late Wednesday about a purported leak. When some people took the tweet to mean he was blaming Mr. Priebus, he deleted it and posted a new one: "Wrong! Tweet was public notice to leakers that all Sr Adm officials are helping to end illegal leaks."

"If Reince wants to explain that he's not a leaker, let him do that," Mr. Scaramucci said on CNN Thursday. "But let me tell you about myself. I'm a straight

shooter and I'll go right to the heart of the matter."

In a Wall Street Journal interview earlier this week, Mr. Trump said he was concerned primarily about intelligence leaks, and not leaks on White House palace intrigue, "where they're fighting over who loves me the most."

Asked if any more staff changes were planned in the immediate future, Mr. Trump said: "No, I don't think so."

Former House Speaker Newt Gingrich, an administration ally, criticized Mr. Scaramucci in a radio interview with conservative host Laura Ingraham.

"I would say right now that he's being more pugnacious than effective," Mr. Gingrich said. "It's totally unhelpful to have someone going around starting family fights in public."

Allies of Mr. Scaramucci defended him. "Anthony is a colorful guy," said Bryan Lanza, deputy communications director on the Trump campaign. "We shouldn't be shocked to see him use colorful language."

OUR TEAM ISN'T USED
TO BEING CALLED
LIGHTWEIGHT

Our 24,000 teammates are heavyweights in the world of competitive steelmaking. They transformed Nucor from a single mini mill to the largest steelmaker and recycler in North America. But our critics claimed we would never produce automotive steel. Our team never lost faith and has exceeded expectations again, with an impressive portfolio of advanced lightweight, high-strength automotive steels.

Congratulations, Nucor team, for earning this year's Volkswagen Group Award 2017.

Thanks to your dedication, Nucor was the only steel provider, and one of only two U.S.-based companies, to be recognized as a top supplier based on factors including innovation, quality, sustainability and professionalism.



WORLD NEWS

Pyongyang's Hackers Target ATMs

By TIMOTHY W. MARTIN

SEOUL—North Korea's cyberarmy has splintered into multiple groups and is unleashing orchestrated attacks increasingly focused on funneling stolen funds to the secretive nation, according to a government-backed South Korean report released Thursday.

The emphasis on finances represents a significant shift from Pyongyang's prior patterns of attack seeking to obtain military information, destabilize networks or intimidate. It also shows how North Korea's fast-evolving—but costly—nuclear-missile program has accelerated its need for cash as it is subjected to financial sanctions.

Pyongyang has been blamed for major cyberattacks including 2014's **Sony Pictures Entertainment** hack, last year's daring cyberheist at Bangladesh's central bank and this year's WannaCry global ransomware attack.

Cybersecurity researchers have long suspected the hacking group Lazarus carried out those attacks with the backing of North Korea.

Earlier this year, Russian cybersecurity firm Kaspersky Lab AO identified an offshoot of Lazarus, called BlueNoroff, which specializes in heists of foreign financial institutions.

In the new report, the government-funded Korea Financial Security Institute said it had identified a second group linked with Lazarus that has carried out a range of cyberattacks on South Korea. FSI researchers found eight attacks from 2013 to May conducted by this new hacking operative, which they call "Andariel," and whose coding and internet-protocol address bear similarities to Lazarus attacks.

The efforts include even low-level scams such as planting malware in South Korean ATMs to steal bank-card information, according to the FSI report, the country's first public report on North Korean cyberattacks, with law enforcement and intelligence officials getting briefed on the findings. That is behavior more typical of an organized-crime ring.

North Korean operatives then sold the swiped data to people in Taiwan, China and



A float of model missiles and rockets, proclaiming 'For Peace and Stability in the World,' was paraded through Pyongyang in April.

Thailand who would try to withdraw money from ATMs in their own regions. But only several thousand dollars were withdrawn before South Korean law enforcement identified the ruse after six days.

"North Korea now cares more about making money than causing disruptions or cyberterrorism," said Joon Kim, owner of Naru Security Inc., who has advised South Korean law enforcement on cyber issues.

South Koreans have a unique lens into North Korea's cyberoffenses, as Pyongyang's longest-running and most frequent target.

The eight Andariel attacks shared similarities in hacking tools and encrypted codes. To access "web shells," or servers used by hackers that allow them to control computers remotely, the Andariel group used one of two passwords: "iamboss" or "youaredied," according to a person familiar with Andariel's techniques.

Andariel has also recently teamed up with BlueNoroff to target a large South Korean financial institution, according to the FSI report. The institution wasn't identified.

The report helps paint a

fuller picture over how North Korea's digital army has grown into a web of specialist teams.

North Korea's hacking teams have been recruited internally over years within the country's military and Ministry of State Security, said Adam Meyers, vice president of intelligence with the cybersecurity firm CrowdStrike, Inc. "They've got a rich capability that extends across multiple government organizations," he said. "They have education programs and they have training programs."

The broader Lazarus group, discreet and meticulous in covering its tracks, has specialized in breaching computers or networks, foreign and South Korean cybersecurity experts said. BlueNoroff then follows up with the actual heists or data swipes with less regard for cloaking its moves.

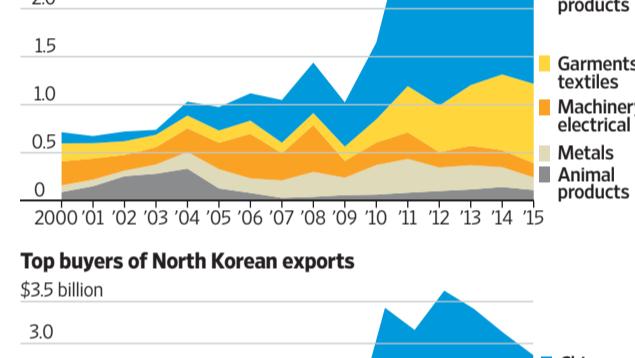
Lazarus and BlueNoroff in recent years have made attempts to breach financial companies or institutions in at least 18 countries, including Mexico, Norway and India, according to Kaspersky.

—Min Sun Lee
and Robert McMillan
contributed to this article.

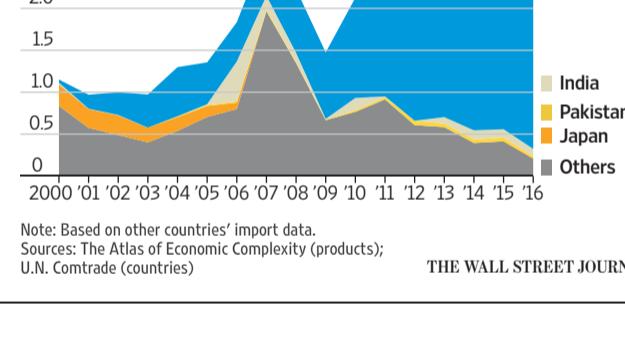
Fuel for North Korea's Fire

Pyongyang maintains economic ties to the outside world.

The country's top five exports by product type



Top buyers of North Korean exports



Note: Based on other countries' import data.

Sources: The Atlas of Economic Complexity (products); U.N. Comtrade (countries)

THE WALL STREET JOURNAL.

VENEZUELA

U.S. Tells Diplomats' Families to Evacuate

The State Department on Thursday ordered family members of American employees at the U.S. Embassy in Caracas to leave Venezuela, days ahead of a contentious vote that Washington has warned could undermine the South American nation's democracy.

The State Department advised all Americans against traveling to the country due to "so-

cial unrest, violent crime and pervasive food and medicine shortages."

The move comes a day after the Trump administration imposed sanctions against 13 Venezuelan officials for alleged corruption, human-rights violations and undermining the country's democracy.

Venezuela faces a vote on Sunday to elect an assembly tasked with rewriting the country's constitution. Venezuela's opposition coalition is boycotting those efforts.

—Felicia Schwartz

UNITED KINGDOM

Judge Orders Infant Moved to Hospice

A judge ordered that terminally ill infant Charlie Gard be moved from a hospital to a hospice where the ventilator keeping the 11-month-old alive will be removed and he will die "within a short period of time."

Judge Nicholas Francis had granted his parents until noon Thursday to find a specialized medical team so they could spend a few extra days with

him at a hospice, but the deadline passed without an agreement with the hospital.

The ventilation process requires round-the-clock attention from a medical team. The parents had initially sought to take Charlie home for his final days.

—Amanda Coletta

IRAN

Successful Launch Of Rocket Reported

Iran successfully test-launched a rocket designed to

carry satellites into space, official media reported, a move that could further inflame tensions with the U.S. as Congress passes new sanctions on the country.

The rocket, called the Simorgh, or "Phoenix" in Persian, can carry satellites weighing as much as 550 pounds into low-earth orbit, the official Islamic Republic News Agency said.

A State Department spokeswoman said the U.S. considers the launch to be in violation of the spirit of a 2015 nuclear deal between world powers and Iran.

—Asa Fitch and Aresu Eqlabi

LOANS

Continued from Page One
cash without shifting their investments; they also avoid potentially locking in losses or incurring taxable gains, or missing out on future stock market gains. Clients are also able to borrow money at relatively low interest rates because the loans are secured.

"Securities based loans can be a valuable financial planning tool for appropriate clients," a Morgan Stanley spokesman said.

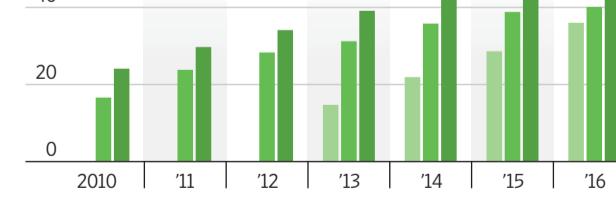
Critics worry that the surging market has made investors numb to the risks of borrowing against their investments—a scenario that has played out before. In the run-up to the Great Depression, the dot.com bubble of 2000 and the financial crisis, investors binged on margin debt that proved perilous when stocks tumbled.

Investors using these loans now could face a similar fate if markets tank and the value of their collateral shrinks, prompting the bank to demand repayment. If the margin call isn't met, the securities backing the

Borrowed Time

Wall Street brokerages have made lending, including loans backed by investment portfolios, a priority in the years since the financial crisis.

Value of securities-backed loans



Note: Data are for Morgan Stanley Wealth Management (not publicly available from 2010-12), Bank of America's Global Wealth Unit (includes Merrill Lynch and private bank U.S. Trust) and UBS Wealth Management Americas. *UBS figures include other debt, including mortgages.

Source: companies' filings

lines, and those loan balances contribute to year-end bonus calculations, people familiar with the matter said.

Brokerage executives have said the longer a client has one of these loans tied to their account, the more likely they are to use it.

"We were dramatically pushed to put these on all of our client accounts," said Steven Dudash, a former Merrill Lynch broker who has been managing his own investment-advisory firm since 2014. "Whenever you're product-push, it's not in the client's best interest."

Merrill representatives say its brokers offer these loans to clients in a responsible manner, including disclosing the risks and fees.

"If people need the money, they should sell securities," said Terrance Odean, a professor of finance at the Haas School of Business at the University of California, Berkeley. "It's very risky to take a leveraged position in the market."

Wells Fargo & Co. recently changed practices around how brokers pitch lending products. Starting this year, Wells Fargo stopped offering brokers

lines tied to how many loans, they opened for clients, executives of the bank have said.

As of the end of 2016, clients of **Bank of America** Corp.'s wealth unit, which includes Merrill Lynch and private bank U.S. Trust, had some \$40 billion in such loans outstanding, up 140% from 2010. Morgan Stanley's customers had \$30 billion in these loans, more than double from 2013. UBS Group AG and Wells Fargo also have made billions of dollars in such loans, people familiar with those banks said.

Morgan Stanley's finance chief, Jonathan Pruzan, said while discussing earnings this month that the bank expects more clients to take out loans in the months ahead. "That's been a real key driver of our wealth business," he said.

The growth of securities-backed loans has drawn the attention of regulators, who have questioned the brokerages' marketing and sales efforts as well as the suitability of the loans.

Merrill opened more than 121,000 such loan accounts between 2010 and 2014 with more than \$85 billion in total credit extended, according to a Finan-

Japan's Defense Minister Resigns

By PETER LANDERS

TOKYO—Japanese Defense Minister Tomomi Inada, a protégée of Prime Minister Shinzo Abe who was once seen as having a chance to become the nation's first female prime minister, announced her resignation Friday over a dispute involving peacekeeping operations in South Sudan.

The issues surrounding Ms. Inada have contributed to a sharp fall in support for Mr. Abe's cabinet, which was above 50% earlier this year but has fallen below 30% in some recent polls.

Mr. Abe said he took responsibility for naming Ms. Inada to the job a year ago.

"I would like to apologize for the way this has turned out

THE WALL STREET JOURNAL.

CEO Council

Where Ambition and Exclusivity Meet



Upcoming Member Events

Annual Meetings

U.S. Meeting
November 13–14, 2017 | Washington, D.C.

Asia Meeting
May, 2018 | Tokyo

WSJ editors, policy makers, business leaders and members gather to discuss the most pressing global business issues.

Editor's Dinner Series

August 28, 2017 | New York, NY

September 28, 2017 | New York, NY

October 2017 | Hong Kong

October 2017 | Tokyo

December 5, 2017 | New York, NY

Moderated by WSJ Editor in Chief Gerard Baker, these engagements bring together executives from around the world for dinner and discussion focused on issues facing global business.

D.LIVE Laguna

October 16–18, 2017 | Laguna Beach, CA

D.LIVE brings together CEOs, founders, investors and luminaries from around the world to set the global tech agenda.

CEO Council members lead companies that collectively employ more than 6 million people, generate \$2.5 trillion+ in annual revenue and represent 21 countries in a wide cross section of industries.

Membership is by invitation.
For more information, please visit CEOCouncil.wsj.com

WORLD NEWS

Israel Removes Security Gear at Shrine

Palestinians claim a victory as state's grip is loosened at a gate to Jerusalem holy site

BY RORY JONES

JERUSALEM—Israel on Thursday removed the remaining security measures at the entrance to one of Jerusalem's holiest sites, in a move that appeared aimed at ending a standoff that has piled political pressure on Prime Minister Benjamin Netanyahu.

Muslim leaders called off a boycott imposed in protest of the measures and encouraged Palestinians to return to pray at the site, known to Jews as the Temple Mount and to Muslims as the Noble Sanctuary. Clashes broke out between Palestinians and Israeli security at the compound later Thursday as thousands of Palestinians came to pray.

The metal detectors and metal archways supporting cameras and railings at the site had been installed after Arab gunmen killed two Israeli policemen there on July 14. The security measures sparked widespread protests among Arabs who said Israel was using the measures to try to control access to the site.

Violent protests and attacks over the weekend left three Israelis and at least three Palestinians dead.

The episode has weakened Mr. Netanyahu, who already faces growing unpopularity at home over corruption allegations. Some 77% of Israelis believe the government capitulated to Palestinian demands by removing the metal detectors, according to a Tuesday poll by the country's Channel 2 broadcaster.

Israel Hayom, a daily owned by U.S. billionaire Sheldon Adelson and once considered supportive of Mr. Netanyahu, published a scathing editorial on its front page this week over the prime minister's handling of the crisis, calling the



Palestinian paramedics carried an injured woman past the Dome of the Rock after clashes nearby in Jerusalem's Old City Thursday.

AHMAD GHARABLI/AGENCE FRANCE PRESSE/GETTY IMAGES

government response "feeble and frightened."

"Israel will come out weakened," Naftali Bennett, who is a member of Mr. Netanyahu's governing coalition and secretary of education, as well as leader of the far-right Jewish Home party, told Army Radio on Thursday.

Police are investigating Mr. Netanyahu in twin corruption probes into whether he received unlawful gifts in office and tried to negotiate favorable coverage in another newspaper. Mr. Netanyahu denies the allegations, but the probes have damaged his standing among Israelis.

"All these things are adding up," said Emmanuel Navon, a political analyst and lecturer at Tel Aviv University. "He comes across as a leader that's made the wrong decisions."

Even so, he will likely weather this latest crisis, said

How the Events Unfolded in Time

On Thursday, Israel removed the remaining security measures it had installed near a contested Jerusalem holy site. Muslim leaders told the faithful to return to praying there after a week of protests over metal detectors and cameras put in place following a deadly attack on Israeli police officers. Here is a look at the events:

July 14: Arab gunmen kill

Mitchell Barak, political analyst at Jerusalem-based Keevoon Global Research. "Netanyahu walks away from this unscathed," he said. "For one reason: Israelis cannot identify an alternative to Netanyahu."

two Israeli policemen at the place known to Jews as the Temple Mount and Muslims as the Noble Sanctuary. The plaza is closed to all visitors.

July 15: The Israeli cabinet decides to put metal detectors at the entrance to the plaza.

July 16: Israel reopens the plaza with metal detectors. Waqf, the religious body that administers the site with Jordan, refuses to accept the security measures. It tells worshippers to pray outside.

July 21: Palestinians urge worshippers to visit Jerusalem

and attend prayers outside the plaza in protest. Clashes between Palestinians and Israeli security leave three Palestinians dead. Later, a Palestinian stabs and kills three Israelis in a West Bank settlement.

July 25: Israel removes the metal detectors.

July 27: Israel removes all remaining security measures, leading Prime Minister Benjamin Netanyahu to be criticized for what Israelis see as capitulation to Palestinian demands. Waqf and Palestinians return to pray at the site.

A spokesman for the prime minister declined to comment on the criticism.

Mr. Netanyahu is expected to back a bill from members of his government to absorb settlements around Jerusalem in the West Bank into the city's

municipal boundaries, adding thousands more Jewish settler residents, Israeli media reported. The move is likely to appeal to Mr. Netanyahu's right-wing political base.

Palestinians were initially jubilant over what they con-

sider a symbolic victory over Mr. Netanyahu and his government over the removal of the security measures. Thousands of Palestinians visited the site on Thursday afternoon, giving food and water to fellow worshipers and shouting "Allahu Akbar," Arabic for God is great.

"They now know the force of the people of Jerusalem," Farah Walid, 71 years old, said of the Israeli government as he entered the compound to pray at the Al Aqsa mosque.

The metal detectors were removed on Tuesday and the archways on Thursday. The government has said it would install sophisticated technology in the coming months to detect weapons, but hasn't said how the equipment would work. It also said it would increase the police presence around the site.

While Jews can visit the site, only Muslims are allowed to pray on the holy plaza. Jewish groups have lobbied for that right.

Israel has maintained that the new measures were purely for security, and has denied it is attempting to change the current rules.

The Waqf, the Jordanian religious body that is custodian of the site and had called for Muslims to boycott and pray outside, and Palestinian Authority President Mahmoud Abbas both encouraged Palestinians to return.

Mr. Abbas had called for the cutting of ties with Israel until full access was returned. He didn't immediately restore those ties on Thursday but his office said he was closely following developments.

Hamas, which governs the Gaza Strip, praised the Palestinian protesters.

"We salute the steadfastness of the people of Jerusalem," Ismail Haniyeh, the Islamist movement's leader, told reporters in Gaza.

—Nuha Musleh in Ramallah and Abu Bakr Bashir in Gaza City contributed to this article.

Qatar Weathering Embargo



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

DOHA, Qatar—If Qatar is withstanding a far-reaching embargo by Saudi-led Arab nations, it's because the tiny emirate has drawn the right lessons from its previous neighborhood squabble.

Back in 2014, Saudi Arabia, the United Arab Emirates and Bahrain withdrew their ambassadors from Qatar, making some of the same complaints that resurfaced in this year's crisis. They objected to Qatar's support for the Muslim Brotherhood and other regional dissidents, and wanted to end critical coverage by Qatar's Al Jazeera broadcaster.

The confrontation at the time didn't involve the travel ban and the comprehensive closing of borders, airspace and ports that the three Saudi-led Gulf monarchies and Egypt announced on June 5. The 2014 crisis ended with Qatar's emir, Sheikh Tamim bin Hamad Al-Thani, agreeing to tone down the emirate's activist foreign policy.

For many Qataris, however, it was clear that the 2014 confrontation—the result of their country's historic rivalry with the Saudis and especially the Emiratis—wasn't a one-off event. So in the years since, Qatar made sure to prepare for a second round.

"In 2014, we wouldn't imagine that Qatar could survive if the Saudis closed the border. Now they've closed it, and the Qataris discovered that they can live with it," said Marwan Karabalan, head of policy analysis at the Arab Center for Research and Policy Studies, a Doha think tank close to the



Qatar airlifted in cows after Saudi dairy products disappeared.

AGENCE FRANCE PRESSE/GETTY IMAGES

handle large container ships. That has permitted it to offset the ban on shipping via Dubai, until recently the main hub for cargo to Qatar.

The capacity of Doha's new Hamad International Airport allowed Qatar to ramp up food imports by cargo planes. The country's surplus electricity-generation capacity meant that the lights and—critically in the Gulf summer—air conditioners stayed on. The most evident economic impact of Saudi-led sanctions is the disappearance of Saudi dairy products. Qatar compensated by flying in Turkish, Azerbaijani and Lebanese milk and shipping in cows of its own.

At the sprawling Baladna farm in the desert north of Doha, workers from South Asia are toiling to build air-conditioned housing for up to 14,000 Holstein cows. The 165 that already arrived in the first cargo plane are leisurely chewing the cud in the first completed shed.

Despite the war of words, some business between Qatar and its Gulf foes continues. Crucially, Qatar gas—which generates a large part of the U.A.E.'s electricity—keeps flowing to Dubai.

"Qatar has absorbed the shock," said Abdullah Baaboud, head of the Gulf studies program at Qatar University. "Yes, there is an economic cost, but you have to compare this cost to the cost of losing sovereignty. And Qatar is not going to give up its sovereignty just like this."

ROSS + SIMONS

celebrating our 65th anniversary of fabulous jewelry



While some see a fine sterling necklace...

We see a delightful mix of exquisite Italian craftsmanship and extraordinary value. You'll see an extra dash of elegance. That one perfect piece that turns a little black dress into a special evening out and takes a favorite crewneck from casual to stunning.

\$99

Plus Free Shipping

Sterling Byzantine Necklace from Italy

18" length. 1/4" wide. Sterling silver.

Lobster clasp. Shown actual size.

Other lengths also available: 16" \$89 20" \$109

Ross-Simons Item #849437

To receive this special offer, use offer code: THEBEST207

1.800.556.7376 or visit www.ross-simons.com/THEBEST

IN DEPTH

CHINA

Continued from Page One
U.S. players like Intel Corp. and Micron Technology Inc. find themselves in a bind—eager to expand in China but wary of losing out to state-sponsored rivals.

For decades, Western companies worked in the developing world to develop advanced technology by harnessing cheap labor to spread iPhones and laptops globally. The new semiconductor battle marks a shift toward nationalism, trade battles and protected markets.

Behind the rivalry are different views of how technology should advance. The U.S. has long bet on markets and private sector-led development. China uses government financing and planning to create domestic champions. The U.S. estimates China will eventually spend \$150 billion on the project, a figure equal to about half of global semiconductor sales annually.

Though Republicans and Democrats are at odds on many economic policy issues, they're unified on this. An interagency working group on semiconductors, started by the Obama administration in 2015, has continued meeting under President Donald Trump. The group is weighing policies to make it more difficult for China to scoop up U.S. technology, according to people involved in the discussions.

Trade sanctions

One idea is tightening the rules covering U.S. approval of foreign investments to make it tougher for Chinese firms seen as security risks. Other options include trade sanctions, stricter export controls and added federal research spending.

The general principle, say those involved, is reciprocity: treating Chinese investment in the U.S. the same way Beijing treats U.S. firms. If Beijing discriminates against U.S. firms, the U.S. would limit Chinese investment in the U.S.

"If [the Chinese] become a very big and fully competitive technological competitor, then what does that do to our industry?" said Commerce Secretary Wilbur Ross in an interview. "Does it destroy our semiconductor industry economically?"

The U.S. views China as its biggest semiconductor challenge since Japan in the late 1980s. The U.S. triumphed then through trade sanctions and technological advances. Japanese firms couldn't match U.S. microprocessor technology, which powered the personal computer revolution, and fell behind South Korea in low-margin memory chips.

China has advantages Japan didn't. It is the world's biggest chip market, consuming 58.5% of the global \$354 billion semiconductor sales in 2015 according to PricewaterhouseCoopers LLP. That gives Beijing power to discriminate, if it wants, against overseas suppliers.

China's tech ministry has dismissed such concerns, saying in an interview with The Wall Street Journal that the electronics industry is too globally competitive for any company to survive if it chooses its components based on anything but price and quality.

Beijing's semiconductor pro-



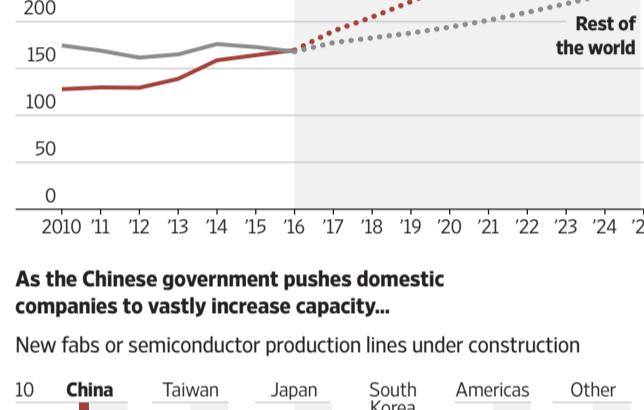
ADAM DEAN FOR THE WALL STREET JOURNAL

Workers at a Tsinghua Unigroup microchip facility in Wuhan, China, where the state-owned company has ambitious expansion plans.

China Decides to Cash In on Chips

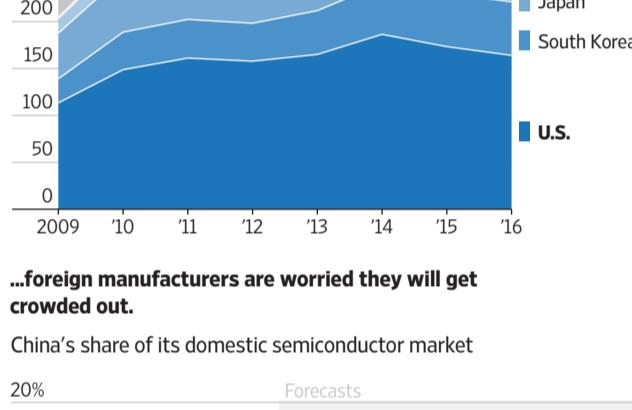
China, where factories and consumers use more semiconductors than the rest of the world combined, is expected to widen its lead...

Semiconductor market



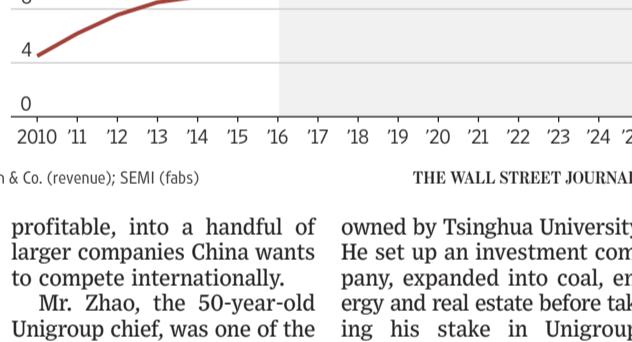
...and is thus key to the success of U.S.-based chip makers, which are already losing global market share.

Semiconductor revenue, by location of headquarters



...foreign manufacturers are worried they will get crowded out.

China's share of its domestic semiconductor market

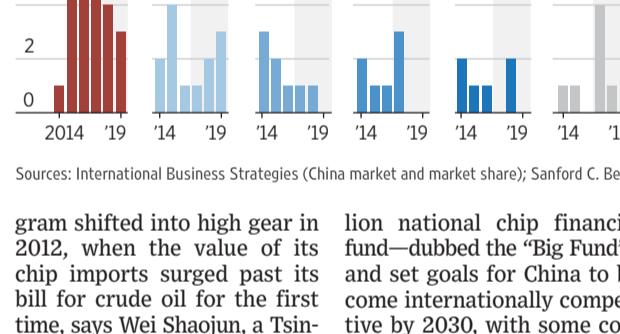


THE WALL STREET JOURNAL.

Sources: International Business Strategies (China market and market share); Sanford C. Bernstein & Co. (revenue); SEMI (fabs)

As the Chinese government pushes domestic companies to vastly increase capacity...

New fabs or semiconductor production lines under construction



gram shifted into high gear in 2012, when the value of its chip imports surged past its bill for crude oil for the first time, says Wei Shaojun, a Tsinghua University electronics expert who advises the Chinese government.

Nearly 90% of the \$190 billion worth of chips used in China are imported or produced in China by foreign-owned firms, estimates International Business Strategies Inc., a research firm. Many chips are assembled in Chinese factories into mobile phones and computers for export. The top 10 chip vendors in China by revenue are foreign.

"We cannot be reliant on foreign chips," said China's vice premier, Ma Kai this year at a meeting of the National People's Congress, China's legislature. He heads a Communist Party committee that designed the country's plan in 2014. Beijing created a \$20 bil-

lion national chip financing fund—dubbed the "Big Fund"—and set goals for China to become internationally competitive by 2030, with some companies becoming market leaders.

Local governments created at least 30 additional semiconductor funds, with announced financing of more than \$100 billion. If all these projects are realized, the global supply of memory chips would outstrip demand by about 25% in 2020, estimates Bernstein Research, pushing prices down and battering profits of semiconductor companies globally.

The billionaire

Chinese policy advisers say many of the provincial investment announcements are bluster and some projects won't materialize. Beijing has been consolidating 600 small Chinese chip makers, many un-

profitable, into a handful of larger companies China wants to compete internationally.

Mr. Zhao, the 50-year-old Unigroup chief, was one of the first to win the government's blessings. In 2009, his personal investment company acquired a 49% stake in a commercial subsidiary of Tsinghua University, called Tsinghua Unigroup, and entered the chip sector.

The marriage of state universities with commercial ventures is an example of China's hybrid capitalism, meant to bring academic findings to market swiftly.

The son of a schoolteacher labeled a "rightist" during the Cultural Revolution, Mr. Zhao says he grew up herding sheep in Xinjiang, China's northwest frontier. He tested into Tsinghua University, one of China's top schools, and studied electrical engineering. From there he worked for years at Unigroup's sister company, also

owned by Tsinghua University. He set up an investment company, expanded into coal, energy and real estate before taking his stake in Unigroup. Hurun Report, a research firm in Shanghai, estimated his wealth at \$2.6 billion in 2016.

Mr. Zhao cultivated political connections through years of generous donations to the university, including ancient strips of bamboo containing passages from Chinese classics. The university's alumni include Party chief Xi Jinping, who has visited to admire the bamboo collection.

When the Big Fund financed an acquisition blitz, Unigroup was in the lead, bidding in 2015 for memory-chip maker Micron Technology, and then for a 15% stake in data storage firm Western Digital Corp.

In all, Chinese firms made about \$34 billion in bids for U.S. semiconductor companies since 2015, estimates Rhodium

Group, a market research firm.

Some bids were so overvalued U.S. government officials joked the Chinese were willing to pay an "espionage premium."

After a Chinese plan to buy a Royal Philips NV semiconductor-material unit fell apart, Phillips sold the unit to a U.S. private-equity group for about half the earlier price. Philips declined to comment.

The bids spooked Washington and the industry. In private meetings, Micron, Intel and others warned they faced an "existential threat" from China, say industry and government officials. The companies feared they were trapped in a prisoner's dilemma. Each company was under pressure to sell to China for fear its competitors would sell if it didn't.

"U.S. semiconductor leadership is facing major challenges," said an Intel spokesman. Micron declined to comment.

In July, Germany approved restrictions on foreign technology purchases, aimed at China, and the European Union also is considering barriers.

President Barack Obama raised U.S. concerns about Chinese technology plans with Mr. Xi in a 2016 meeting, according to Obama aides. The U.S. Committee on Foreign Investment in the U.S., an interagency review group, made clear most proposed acquisitions wouldn't pass muster.

According to Rhodium Group, only about \$4.4 billion in Chinese semiconductor acquisitions were completed since 2015. Unigroup's bid for Micron fell apart. South Korea, Taiwan and Japan also blocked Chinese acquisition bids.

Shortly before Mr. Obama left office, a White House semiconductors panel warned the Chinese effort "threatens the competitiveness of U.S. industry" and proposed a boost in basic U.S. research and restrictions on Chinese investment if Beijing's policies harmed U.S. firms. Mr. Trump proposed a 13% decrease in federal funding for basic research to \$28.9 billion in fiscal year 2018, but semiconductor lobbyists say they hope to eke out an increase for chip-related research.

Bigger threat?

At a global semiconductor trade group meeting in Arizona in February, Chinese delegates complained the U.S. unfairly blamed them. They counted the number of times China was listed in the Obama report—55—to underscore their displeasure, say U.S. attendees. Chinese chip executives argue South Korea is a bigger threat to the U.S. chip industry due to its advanced technology.

Blocked from buying their way into the market, China is recruiting talent from foreign firms, licensing technology, or perhaps stealing it, says Mr. Ernst, the technology analyst. Unigroup and other Chinese executives deny they steal technology.

After Unigroup's plan to acquire Micron fell apart, it hired Charles Kau, the former head of Micron's Taiwan joint-venture, and other experts from the island. It announced it would build its own memory chip facility—the mammoth Wuhan factories—at about the same price it would have paid for Micron.

—Yang Jie in Wuhan, China, contributed to this article.

ZORRO

Continued from Page One

The Zorros parted ways amiably that day after sharing a beer. It was only a matter of time, however, before these competing Zorro collection firms crossed swords.

Chasing money in Spain is an expensive and slow process. So for decades, Spaniards have tried another way: humiliating debtors with attention-grabbing stunts. If somebody is being pursued by a man carrying a briefcase while dressed as a monk or a bullfighter, most Spaniards assume that person hasn't paid their bills. Though Spain's economy is improving, there is still a lot of debt unpaid. In the first quarter of this year, 71% of money owed to companies was late for payment, according to the Spanish Confederation of Small and Medium Enterprises.

Because these costumed nuisance-makers get to keep between 20% and 60% of the money they collect from busi-

nesses and individuals, the spoils can be substantial. So substantial, in fact, that competing firms sometimes find themselves in court, too.

Last year, a company called El Zorro Cobro de Morosos took legal action against Mr. Sánchez's employer, El Zorro Cobrador—successfully claiming it holds exclusive rights to the use of Zorro in debt collecting because it had registered the brand and the logo with the Spanish Patents and Trademarks Office in 1994. The other Zorro firm said it registered a month later.

"They were using that name improperly," said an employee at El Zorro Cobro de Morosos, who declined to be named.

The story may not end there, however. The Zorro who laughs last laughs best—and that Zorro might be Zorro Productions Inc. of Berkeley, Calif. The firm owns the rights to Johnston McCulley's original character and leases the Zorro trademark for movies, jewelry, ice cream parlors, household décor and even robotic machinery. "They cannot do it," said

John Gertz, the company's president and chief executive.

Mr. Gertz, who was baffled to learn about the Spanish Zorros, said he is now gathering more information about the matter. Using Zorro's likeness to hunt down debtors could hurt the character's reputation as a defender of the poor, he said.

The employee at El Zorro Cobro de Morosos said they've never sought to use the brand internationally.

Meanwhile, El Zorro Cobrador has rebranded to El Coyote Cobrador, or The Coyote Collector, mimicking a novel and comic-book character of the same name, itself inspired by Zorro. Mr. Sánchez and his five costumed colleagues at the Valencia-based firm are doing business as usual, but had to scrap their old uniforms that spelled "El Zorro" and order new, similar-looking ones.

The firm has also set up different companies that rent out other characters, including the Clown Collector and Roman Collection, where centurions show up. Different brands "allow us to be our own competition and gain market share," said the owner, who goes by Jesús Cano, a pseudonym he said he uses in business to protect himself.

Juan José de Diego, who runs a different company, was among the first to use a costume, donning the habit of a Franciscan monk to chase delinquent debtors some 30 years ago. Now his El Monasterio del Cobro, or The Monastery of Collection, employs 30 monks

who chase increasingly high-profile targets. In his Madrid office, Mr. de Diego proudly displays stacks of newspapers and magazines that feature his monks' exploits. "It's not a costume, it's a uniform: Just like doctors or policemen have a uniform, so do we," he said.

Mr. Cano recently launched Sherlock Debt Collectors in Britain. The firm had intended to chase debtors while dressed as the fictional detective Sherlock Holmes but found that English courts treat such a pursuit as harassment, a crime punishable by five years in prison. "They are a bunch of wimps," he said.

For now, when they travel abroad, his debt collectors limit themselves to handing out business cards to the debtor's family and friends, seeking to shame them in the eyes of loved ones.

Even in Spain, debt-shaming has been likened to harassment by its critics and targets. Pablo Camacho, a reformed costumed-debt collector who once wore a frock coat and top hat, helped set up a law firm to defend those who have been tar-

geted by Zorro and others. "Their only business is to ridicule people," said Mr. Camacho, whose legal firm is called El Defensor del Moroso, or the Defender of the Delinquent.

Other debt collectors are also sick of the antics of their costumed peers. "They tar us all with the same brush," said Rafael Rodríguez Campos, managing director at Icared, a debt-collecting company.

Mr. Cano says his Zorros have been threatened and shot at. In a recent case, a "delinquent came out of the house shooting his shotgun in the air," he said. "Our costumed man turned tail, got in his car and drove away." Mr. de Diego's business operates from behind an unmarked door guarded by security cameras. But both men are unrepentant about what they do.

"Sometimes your everyday delinquent, who the judge can't touch, goes around in a luxury car with a cigar in his mouth," Mr. Cano said. "Why can't you announce that somebody is a scoundrel? I don't care if they are a British Lord or a plumber."

GREATER NEW YORK

Founding Father Takes a Firm Stand on the Sidewalk



TREASURED WORK: A Museum of the City of New York employee on Thursday examined a statue of Alexander Hamilton being restored.

Mayoral Challengers Focus on Crime

By MARA GAY
AND ZOLAN KANNO-YOUNGS

Two challengers to New York City Mayor Bill de Blasio are trying to make crime a campaign issue, even though overall crime has been down.

Republican candidate Nicole Malliotakis is focusing on one area where crime has risen during the past four years: sex crimes.

"Most citizens in this city do not feel safer," said Ms. Malliotakis, a 36-year-old state assemblywoman who represents Staten Island and a slice of Brooklyn. "They see their corner stores being robbed at gunpoint. They're seeing gas stations being held up, they're hearing about these awful rapes, horrific, aggressive rapes."

Bo Dietl, a 66-year-old former New York Police Department detective running as an independent, has sounded similar themes. "Murders are on the rise," he said. "Crime is soaring."

NYPD statistics show overall crime is at historic lows, according to spokesman Stephen Davis. There were 101,716 major felony crimes in 2016, compared with 111,335 in 2013, the year Mr. de Blasio, a Democrat, was elected.

There were 335 murders in



Mayoral candidates Bo Dietl and Assemblywoman Nicole Malliotakis.

with the city recording 20,847 in 2016, a 3.1% increase from the 20,207 incidents in 2013.

The increase in sex crimes could stem from more victims reporting incidents rather than more crime, Mr. Davis said.

"In the last three or four years we've had a very robust campaign to encourage people to come forward and make complaints about sexual offenses," he said.

As of July 16, the city recorded 751 rapes this year—a 3.7% decline from the same time last year.

De Blasio campaign officials have scoffed at the candidates' characterization of crime in

the city.

"This is a willful strategy to scare and mislead the people of New York City," said Monica Klein, a campaign spokeswoman. "Facts are facts, and Mayor de Blasio has driven crime down to record lows."

While his relations with the NYPD have been rocky at times, the mayor supports Police Commissioner James O'Neill's neighborhood-policing initiative, where officers patrol the same areas aiming to improve community relations and quality of life. Mr. de Blasio also has backed the hiring of nearly 1,300 officers.

Asked what she would do to

lower crime, Ms. Malliotakis said she would enact stricter guidelines in a supervised jail-release program and change the criteria for appointing judges, though she didn't elaborate. She criticized lenient policies that allow some people out on the street who she said shouldn't be there.

Mr. Dietl said he would return to stricter penalties for certain quality-of-life crimes but declined to offer specifics.

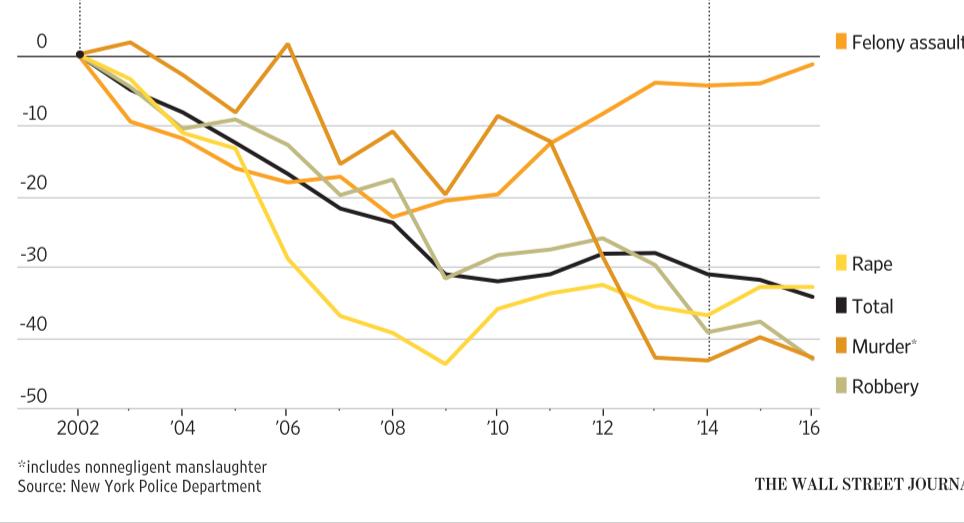
Mr. Dietl has taken a less orthodox approach. At one news conference last month, he encouraged New Yorkers to urinate outside Gracie Mansion, where the mayor lives, to protest Mr. de Blasio's support for easing penalties for public urination, among some other quality-of-life crimes.

One campaign staffer held up a poster with a bull's-eye that read: "Pee Here."

The conjuring of violence-ridden streets doesn't appear so far to resonate with most voters. A Quinnipiac University Poll of registered voters on May 17 showed Mr. de Blasio leading Ms. Malliotakis 64% to 21%. Mr. Dietl wasn't included in the survey.

Crime Under Two Mayors

Change in major crimes in New York City since 2002



Michael Bloomberg takes office

Bill de Blasio takes office

Includes nonnegligent manslaughter

Source: New York Police Department

THE WALL STREET JOURNAL

Bulk of MTA Funding Falls to City Taxpayers

By MARA GAY

The squabble between New York Gov. Andrew Cuomo and New York City Mayor Bill de Blasio about who should fork over more money to fix the city's ailing subway system is likely to change little for New York City taxpayers.

In the end, budget experts say city taxpayers shoulder much of the financial burden.

Those taxpayers contribute the largest chunk of funding to the Metropolitan Transportation Authority, the agency that oversees the subway system so critical to making the city and its economy run.

The city money that goes towards the MTA is generated off New York City taxpayers, and the state money is gener-

ated off the New York City taxpayer," said Nick Sifuentes, deputy director of transit-advocacy group the Riders Alliance.

Mr. Cuomo contends the state has raised its contribution to the MTA to the highest levels in years. Mr. de Blasio says the city already pays more than its fair share and has accused Mr. Cuomo of raiding MTA funds for projects unrelated to the normal maintenance of the subways.

A Wall Street Journal analysis of the MTA's roughly \$15.7 billion operating budget for 2017 shows that New York City residents and businesses pay about two-thirds of the taxes and subsidies in the MTA budget.

The city directly contributes about \$1.8 billion in funds annually directly to the transit agency, according to city and

MTA data.

The city estimates it also spends another \$400 million on indirect services through the New York Police Department, which patrols the subways.

The city's taxpayers, however, contribute additional billions through a dizzying brew of more than a dozen state and local taxes and fees, from a payroll tax to a petroleum-business tax, a mortgage-recording tax and more.

Most of those funds are collected by the state, which in turn distributes them to the MTA. The state's roughly \$4.9 billion direct contribution to the MTA largely was made up of these taxes.

—Mike Vilensky and Melanie Grayce West contributed to this article.

Trump Remark Stings Upstate, Sparks Debate

By MIKE VILENSKY

Gov. Andrew Cuomo, a Democrat, has pushed programs that offer tax credits to companies in exchange for job creation, but the measures have been criticized as inefficient.

Upstate Republicans in the state Legislature have called for across-the-board tax cuts, while Democrats like Syracuse Mayor Stephanie Miner have pushed for more infrastructure spending.

Bigger cities such as Buffalo have had more success reducing unemployment in the past several years, but other upstate counties are struggling with the loss of manufacturing jobs and lag behind New York City and the national average in job growth.

"The facts are unemployment has been cut nearly in half and private-sector jobs are at an all-time high in New York," said Cuomo spokesman

The president waded into an issue that has vexed New York policy makers.

Richard Azzopardi.

Some people have already taken the route Mr. Trump described. From 2015 to 2016, New York state's population declined by nearly 2,000 from a year earlier, according to census data.

Brian Scoville, a 47-year-old in sales, said he moved from Binghamton to Virginia six years ago because of the property taxes and declining job opportunities upstate.

Mr. Scoville said Mr. Trump "had some good points," but property owners are typically committed to banks or mortgage holders, and "can't just leave their house."

N.J. Governor Hopeful Chooses Running Mate

By KATE KING

WEST NEW YORK, N.J.—Republican Kim Guadagno picked a Cuban-American mayor from the northern part of the state as her running mate in the New Jersey governor's race.

Ms. Guadagno, the current lieutenant governor, is seeking fresh energy for a campaign dogged by the unpopularity of outgoing Gov. Chris Christie and recent polls that show her Democratic opponent Phil Murphy with a formidable lead.

Her choice, Carlos Rendo, is a 53-year-old immigration attorney and mayor of the Bergen County borough of Woodcliff Lake. Born in Sagua La Grande, Cuba, he moved to the U.S. as a toddler with his parents.

Mr. Rendo's father worked as a janitor after immigrating to the U.S. and his mother was a factory assembly-line worker who belonged to the International Ladies' Garment Workers' Union.

"It is still possible to achieve the American dream,"

Mr. Rendo said, adding that Ms. Guadagno is the best candidate to keep New Jersey affordable for working families.

If elected on Nov. 7, Ms. Guadagno said Mr. Rendo would lead a wide-ranging audit of state government and submit a plan to eliminate waste and inefficiencies within 100 days.

"We won't rest until New Jerseyans have the responsive, efficient and innovative government that they deserve at a price that they can afford," Ms. Guadagno said Thursday at an event announcing Mr. Rendo's selection.

Recent polls show Mr. Murphy as the front-runner in the governor's race to replace Mr. Christie, who is prevented by term limits from running for re-election. A Monmouth University poll in July gave the Democrat a 27-point lead over Ms. Guadagno, although 60% of respondents said they had no opinion of either candidate.

Mr. Murphy earlier this week chose Sheila Oliver, of East Orange, the former leader of the state Assembly, as his running mate.



Candidate Kim Guadagno with her running mate, Carlos Rendo.

GREATER NEW YORK

Tracking Down Some Good Eats At Penn Station

Oysters, sushi, pizza make the grade

BY CHARLES PASSY

Who would dare to eat a plate of raw oysters in Penn Station? That is the question I asked when I first heard from a friend about Tracks Raw Bar & Grill, a restaurant that has occupied an easy-to-miss spot near the Long Island Rail Road ticket booths for 15 years. But my friend insisted I give it a chance, saying it is one of his go-to places in the city for the briny bivalves.

But as someone who covers New York's restaurant scene for The Wall Street Journal, that posed a larger question about the state of the dining scene at the nation's busiest train station. It is too easy to assume that Penn Station's restaurants are a mirror image of the station itself—grimy, tired and dated. About 600,000 people pass through there every day. Surely, in this summer of transit woes, they must be taking comfort in something other than Auntie Anne's pretzels and tall-boy cans of mass-market beer, to name two of the station's seemingly most popular offerings.

Which brings me to my first find at the station: Don Pepi Pizza, a by-the-slice joint on the upper level that has been in business for three decades. And that explains why it makes the kind of honest, old-school pizza that would be familiar to anyone who came of age in the city during the '70s or

the '80s. Think a triangular delight of tangy tomato sauce, chewy cheese and a crust that has the proper foldable quality but doesn't go completely limp. At \$3 for a plain-cheese slice, it is New York City in an affordable mouthful.

Just a short walk from Don Pepi is another respectable option: Penn Sushi, home of the Amtrak Roll.

Raw fish at Penn Station might sound as off-putting as raw oysters at Penn Station. But when you see the staff at this to-go establishment busily slicing and rolling, all while customers line up to make their purchases (rolls start at around \$5), the worries about freshness quickly abate.

This isn't sushi that will rival \$200-a-meal omakase establishments, but it is flavorful and well prepared,

with the rolls holding their shape nicely. And that Amtrak Roll—actually, an assortment of rolls, arrayed to vaguely resemble a train's wheel—is a hoot.

Of course, Penn Station has more than its share of chain options, from Subway to Starbucks to, yes, Auntie Anne's. In my survey, I generally bypassed those, but I couldn't resist stopping by one of the station's two locations of Zaro's, the New York-based bakery chain, for its \$3.25 black-and-white cookie, one of the best exemplars of the treat in the city.

Perhaps my strangest foodie find of all wasn't at a restaurant, but at the midtown Kmart that is connected to Penn via the station's lower level.

For reasons that probably



Don Pepi's Pizza, Penn Sushi and Tracks Raw Bar & Grill have some of the choice food offerings at New York Penn Station.



are known only to Kmart's upper management, the store stocks an impressive selection of Jamaican sodas, which are otherwise hard to find in the city. I satisfied myself with a pink grapefruit Ting, a sweet-and-tart sip that is the perfect summer refresher.

None of this is to suggest that Penn Station is a great

place to dine. Just the opposite. My few finds notwithstanding, the station does a rather poor job of bringing in operators who reflect the current vitality of the New York City dining scene. Where is the vegan vendor? Or the taco maker?

For now, the closest you will find to that sort of contemporary approach is at the

Pennsy, the food hall, itself recently revamped, that is right outside the station.

Ah, but at least there is Tracks. My culinary tour of Penn included two meals at the restaurant, which is noteworthy both for its collection of train memorabilia and its 105-foot-long bar.

But the oysters, priced starting at \$2.25 each, are

another draw: They are clean-tasting and fresh, and come in a good assortment of East and West Coast varieties.

Would it be worth making your way to Penn Station just to dine at Tracks? I am not sure I would go that far. But in this so-called summer of commuter hell, it is, well, a helluva respite.

Fleeing Rikers Inmate Captured

BY CORINNE RAMEY

An inmate who escaped from a Rikers Island jail on Wednesday, sending the complex into lockdown, was found on the island early Thursday morning, officials said.

Naquan Hill, 24 years old, didn't return after outdoor recreation on Wednesday, New York City Department of Correction officials said. At about 7:30 p.m. staffers found the head count was off by one at the Anna M. Kross Center, one of the island's jails.

The escape prompted an island-wide search that included city, state and Port Authority police, officials said. City buses stopped running on and off the island, leaving some visitors stranded on Rikers.

At about 2:45 a.m. Thursday, two correction officers found Mr. Hill near a trailer, officials said. The inmate was bleeding

from what appeared to be cuts resulting from scaling a barbed-wire fence, officials said.

The officers, who sustained minor injuries while capturing Mr. Hill, were taken to a hospital and have been released.

"Thanks to an immediate is-

Naquan Hill was found early Thursday morning near a trailer on the island, officials said.

land-wide lockdown, along with a large-scale intensive search operation from land, air and water in coordination with our law-enforcement partners, DOC staff were able to quickly return this inmate to custody within a matter of hours," a Department of Correction spokesman said.

Mr. Hill, who was being held at Rikers on burglary charges, will face additional charges, officials said. He previously served time in state prison for burglary, records show.

Rikers Island, located in the East River between the Bronx and Queens, houses most of the city's jails. It is unusual for escaped inmates to make it off the island, said Mark Cranston, a former acting correction commissioner.

"The surrounding water and the currents make it virtually impossible to swim and survive," he said.

On rare occasions when inmates have escaped the island, it has been on the single bridge that connects Rikers Island with Queens. One inmate who escaped hid inside a garbage truck, and another underneath a bus, Mr. Cranston said.

—Zolan Kanno-Youngs contributed to this article.

GREATER NEW YORK WATCH

FAIRGROUND

Ride Shuts Down On Safety Concerns

A ride similar to one at the Ohio State that broke apart, killing one man and injuring seven other people, was shut down at a county fair in New Jersey.

Monmouth County officials say the company that operates its fair shut down The Claw Wednesday night after learning the Fire Ball ride had malfunctioned and sent riders flying into the air.

A state inspector on Thursday officially shut down The Claw and it will remain out of service until its manufacturer and inspectors give further guidance.

—Associated Press

KATHY WILLENS/ASSOCIATED PRESS



Former Sen. Al D'Amato, left, joined Korean War veterans Thursday at the New York Korean War Veterans Memorial in Battery Park on the 64th anniversary of the Korean War Armistice.

lane on the George Washington Bridge without paying Wednesday. Police say he owes more than \$40,700 in tolls and fees at Port Authority crossings and \$47,000 in unpaid tolls and fees on the New Jersey Turnpike.

No telephone number for him was available to seek comment.

—Associated Press

DRINKING WATER

Upgrades Planned For Key Reservoir

A century-old reservoir in the

Catskill Mountains that provides New York City with about 40% of its drinking water will get \$750 million in upgrades to its dam, dikes, bridge and buildings, city officials said Thursday.

The Ashokan Reservoir is a crucial piece of the sprawling but aging system that supplies water to 8.5 million city residents plus another million people north of the city.

The Ashokan Century Program will stretch over 10 years with construction expected to begin in 2023.

—Associated Press



Communities In Schools

In schools to break barriers.

A parent loses a job. A family loses a home. These are just some of the hardships Alina was coping with when she started at her new school. Jamall from Communities In Schools helped her settle in and map out a path to graduation. Along with his support, Alina's "no excuses" attitude has earned her a scholarship to her dream college. There are millions of at-risk kids like Alina who need help breaking barriers to stay in school and succeed in life.

See how we help all kids succeed.
CommunitiesInSchools.org

CRIME

Police: Man Didn't Pay \$88,000 in Tolls, Fees

Police arrested a New Jersey man for allegedly evading nearly \$88,000 in tolls and fees.

A Port Authority of New York and New Jersey officer pulled over 60-year-old Anthony Cotugno, of Newark, after they

say he drove through an E-ZPass

LIFE & ARTS

THEATER REVIEW

By Terry Teachout

Sorrows of A Seamstress



Medina Senghore and Nehassaiu deGannes

LYNN NOTTAGE'S "Intimate Apparel," first performed in 2003, is now a regional-theater staple, partly because it calls for a modest set and a smallish cast of six but mostly because it's one of the very best American plays of the past quarter-century. The tale of Esther (Nehassaiu deGannes), an illiterate turn-of-the-century black seamstress who suffers grievously when she falls in love with the wrong man, it unfolds in Daniela Varon's Shakespeare & Company revival with an unadorned simplicity that reminded me of a silent movie when I saw "Intimate Apparel" off Broadway 13 years ago. I don't mean to suggest that the dialogue is in any way lacking, for it is, as always with Ms. Nottage, plain-spoken and pungent ("He was too proper to like anything colored"). But the play's dramatic gestures are so forthright that you scarcely need to attend closely to what the characters are saying in order to respond to the emotional import of their tragic situation. Everything they do pierces the heart.

Casting is crucial in a show like this, and Ms. DeGannes, whose part was played in 2004 by Viola Davis, is fully as good as her celebrated predecessor. Ms. DeGannes brought off the singular feat of making a fiercely positive impression as Cordelia in Chicago Shakespeare's 2014 "King Lear," and her performance this time around is identically distinguished. At first she comes across as mousy, but by play's end you realize that her seeming shyness is a façade that only just conceals a boiling reservoir of ambition—and anger.

Ms. Varon has surrounded Ms. De-

Gannes with well-chosen supporting players (I was particularly impressed by MaConnia Chesser and Medina Seng-

hore). Sandra Goldmark, the set designer, has worked wonders of compression with the tiny playing area—the backdrop, a multicolored medley of dark-hued drapes, subtly evokes Esther's lonely life at the sewing machine—and the modest scale of the staging lets the members of the cast underplay their parts to quietly dev-

astating effect.

Intimate Apparel

Shakespeare & Company, Elayne P. Bernstein Theatre, 70 Kemble St., Lenox, Mass. (\$15-\$65), 413-637-3353, closes Aug. 13

Mr. Teachout is the Journal's drama critic. "Billy and Me," his new play, opens at Palm Beach Dramaworks on Dec. 8. Write to him at tteachout@wsj.com.

TELEVISION REVIEW

ECHOES OF OLD HOLLYWOOD

IT'S CLEAR, early on, that this new adaptation of "The Last Tycoon" isn't going to be the long-awaited faithful translation of F. Scott Fitzgerald's novel, unfinished at his death in 1940. It's much better than that. After the first two hours, in fact, the echoes of Fitzgerald's book grow ever dimmer as this powerhouse of a drama series rolls on with a voice all its own, its riveting picture not only of 1930s Hollywood but of America and Europe, too. It manages to wed all that to romance a high order and also a low kind—this is a drama that pays exquisitely close attention to the matter of moguls and the women who serve them—and to scathing satire strikingly free of anything cartoonish. Which is why the film's chief mogul, Pat Brady (a matchless Kelsey Grammer), who clearly considers the available sex to be part of his job benefits, and who is, as

well, capable of any brutality in order to keep his business afloat, is, nonetheless, a tremendously appealing character.

He can be soft-hearted—he hands money to the homeless at the Hooverville set up near his studio, while hating them for being there. But he's prepared as well to accommodate the Nazis, who have strict prohibitions against anything in a Hollywood film that the Reich finds offensive. Any picture, for instance, in which a non-Jew is married to a Jew—a violation of the Nazi racial laws. That's in addition to the requirement that all the studio's Jews employed in Germany be fired. The demands are presented to Brady by a Reich representative, Dr. Gysling, who carries a briefcase adorned with a shiny swastika and who is, in fact, based on an actual special consul from Germany in the '30s. The Reich agent in the



Matt Bomer as Monroe Stahr and Kelsey Grammer as Pat Brady in Amazon's "The Last Tycoon"

film has no trouble persuading studio heads to agree. Germany, Brady points out, is the second-largest world market for Holly-

Taking all this in is Brady's supremely talented young producer, Monroe Stahr (Matt Bomer), who

is, unlike his boss, exquisite looking—positively aglow with decency. Also, unlike Brady, he's Jewish. Not that anyone would know from his name, which he changed in the interest of his career. He'd scarcely known his hardworking father, he confides, regrettfully,

several episodes on in a scene vibrant with contained emotion—a tone in which Mr. Bomer is wonderfully skilled.

His character, Monroe, is a moralist, but a kind everyone can love and does. Monroe leads an im-

Please see TYCOON page A11

FILM REVIEW

By Joe Morgenstern

'Detroit': Incendiary, Inspired, Indelible



Kathryn Bigelow's latest drama looks at the violence that erupted at the Algiers Motel during the Detroit riots of 1967



Anthony Mackie, above, and John Boyega, below



That's when the film takes another, more ominous turn. Because of the curfew, the group's lead singer, Larry Reed (a real-life character played wonderfully by Algee Smith), has reserved a room for himself and his friend, Jacob Latimore's Fred Temple (another real-life character) at a nearby motel, the Algiers. They make their way there safely. Before the night is out, though, they're caught up by a horrific sequence of events in the motel's annex. Three unarmed black men are killed and nine other people—two white women and seven black men—are brutally beaten during an hour-long interro-

gation by a combined police-and-military riot squad that has responded to a telephone report of a sniper in the building. No gun is ever found.

"Detroit" is far from the first account of what has come to be known as the Algiers Motel incident. Though the filmmakers tell us that this account is based on extensive reporting, it is still a dramatization, a heightened narrative that's heightened further by the power of the big screen. (The cinematographer was Barry Ackroyd. The editors were William Goldenberg and Harry Yoon.) Be forewarned that the film is violent, and sometimes clumsily so; it's suffused by the filmmakers' rage at the brutality of the Detroit cops and their military enablers, who decline to intervene. And what goes on in the confines of the motel annex is not only a microcosm of the larger riots, or a documenting of police misbehavior. It's a riveting parable of mob behavior with unrestrained power flowing from one probably psychopathic personality—in this case a cop given the fictional name of Krauss and played frighteningly well by Will Poulter—to accomplices who are either empowered in their turn or scared into inaction.

Others in the cast include the always formidable Anthony Mackie in a fairly small but significant role, and John Boyega, of recent "Star Wars" fame. He is superb as a real-life security guard, Melvin Dismukes, an earnest young black man who believes that he can mediate the situation or mitigate the police violence without paying a steep price for his Samaritan impulses. Occasionally the script slips into didactic mode. "We gotta stop failing these people," one cop says to another. For the most part, though, the film teaches by terrifying example. This is something that should not have happened in America, but it did.



Matt Bomer as Monroe Stahr and Kelsey Grammer as Pat Brady in Amazon's "The Last Tycoon"

film has no trouble persuading studio heads to agree. Germany, Brady points out, is the second-largest world market for Holly-

Taking all this in is Brady's supremely talented young producer, Monroe Stahr (Matt Bomer), who

is, unlike his boss, exquisite looking—positively aglow with decency. Also, unlike Brady, he's Jewish. Not that anyone would know from his name, which he changed in the interest of his career. He'd scarcely known his hardworking father, he confides, regrettfully,

several episodes on in a scene vibrant with contained emotion—a tone in which Mr. Bomer is wonderfully skilled.

His character, Monroe, is a moralist, but a kind everyone can love and does. Monroe leads an im-

Please see TYCOON page A11

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

Explosive Action Fails to Ignite

SOME MOVIES grow as you think back on them, others shrink. "Atomic Blonde" is a shrinker, which is strange, when you think about it, because this hyperstylized, ultraviolent thriller with a super-seductive title stars Charlize Theron, a marvelous actress in any role and, in this one, a huge presence throughout.

She plays Lorraine Broughton, an MI6 agent sent to Berlin in 1989, just before the crumbling of the Wall, to retrieve what's called an atomic bomb of information, a list of double agents that could, someone says, extend the Cold War by 40 years. The script is based on a graphic novel series called "The Coldest City." That's why the film is grimly handsome, in color that yearns to be black and white.

One early shot is almost worth the price of admission, not because it's conventionally erotic but because it's chillingly beautiful, as well as indispensable to the trailer. Jonathan Sela's camera studies Ms. Theron's Lorraine from above, nude in a sullen blue light and rising slowly from a bathtub full of ice cubes, her powerful body covered with scars



Charlize Theron stars as Lorraine Broughton in David Leitch's 'Atomic Blonde'

FOCUS FEATURES

and bruises that attest to the punishment she takes in the course of her work. Lorraine gives what she gets, of course. She's a bisexual Wonder Woman minus

the lariat and the buoyant spirit, though with myth-worthy boots; the only source of pleasure in her life is a brief encounter with a young French intelligence agent,

Delphine Lasalle, who is played by Sofia Boutella.

In other words, Lorraine doesn't have a lot of fun. She's approximately as joyous as Richard Burton's Alec Leamas in "The Spy Who Came In From the Cold," a Cold War thriller that was in black and white and didn't want to be anything else. That's perfectly fine because Ms. Theron has the sly style, the deadpan wit and the drop-dead beauty to pull it off. (James McAvoy is also entertaining as David Percival, an MI6 station chief and Lorraine's Berlin contact.) But the film as a whole is a deep-dyed downer, notwithstanding Ms. Theron's sensational physicality in several spectacular fight sequences—the director, David Leitch, is a former stunt man of note—and a pounding soundtrack of 1980s rock and pop. The story is impenetrable, with more betrayals than you can give a damn about, and the frigid tone borders on self-parody, with frequent excursions to the wrong side of the border. As strong and formidable and commanding tall as Ms. Theron is, she can't rise above the gloom.



Rosemarie De Witt as Rose Brady

TYCOON

Continued from page A10
mensely complicated life. In mourning for his beloved actress wife, who died in a fire, he finds solace, briefly, in an affair with Rose (Rosemarie De Witt), wife of his boss, a man with whom he has an even more complicated relationship. Ms. De Witt is stellar as Rose, heartbreakingly and cuttily to the point about her need to continue the affair. Monroe wants out—everything about this violates his sense of propriety. Rose, like numerous others around him, is in love with Monroe, who is everything her husband is not—her husband being, as she informs him one night, in a biting summation, a man who takes sexual advantage of women who work for him, doesn't mind impoverishing his employees, and traffics with Nazis.

The sumptuous period detail here will invite comparisons to "Madmen," but there's infinitely more in this re-creation of an era than its fidelity to the look of things—though that look is, always, inescapably captivating, whether it's of people hoping for a career in pictures, or of those, like the regally beautiful Margo Taft (Jennifer Beals), who already have one. A stardom so powerful she's known to demand that any director wanting to work with her submit to having her measure his private parts. Then there's the look, no less entralling, of the actual old movie moguls as they traded, bargained and engaged in murderous competition, including blackmail threats like leaked scandals, involving some rival studio's star. Here is MGM's Louis B. Mayer, as portrayed, wickedly, by Saul Rubinek; he bears no resemblance to Mayer but you get the picture, especially from the scene in which Mayer delivers a heartfelt funeral eulogy.

"The Last Tycoon"—from Billy Ray and Christopher Keyser, executive producers and writers—has, in addition to its looks, superb writing, wit and huge ambition, its grasp of the passionate political heart of the era. There are no dead spots.

The Last Tycoon
Friday, Amazon



DANIEL RADER

Claire Brownell and Carson Elrod in Alan Ayckbourn's 'Taking Steps'

THEATER REVIEW | By Terry Teachout

A PURELY COMIC FARCE

Pittsfield, Mass. **ALAN AYCKBOURN'S** plays, many of which combine frenzied farce with deep-dyed melancholy, are popular in England but much less well known over here. Could the problem be that audiences in this country prefer that funny plays be funny and serious plays serious? Whatever the reason, an Ayckbourn revival is always worth traveling to see, and Barrington Stage Company's production of "Taking Steps," which had a brief Broadway run in 1991 but doesn't seem to have received any major American stagings since then, is a joyous romp from curtain to curtain.

"Taking Steps," like "Bedroom Farce" and "The Norman Conquests" before it, is one of Mr. Ayckbourn's scenically conceptual plays. The initiating premise is that the action takes place in a rundown three-story country house that is allegedly haunted and was once a Victorian brothel—except that there aren't any stairs. In-

stead, the three floors are all on the same level, and the actors mime clambering up and down the steps that connect them. Unusually for Mr. Ayckbourn, "Taking Steps" is a purely comic farce (six doors, six characters) with no dire emotional undertones. Like all classic farces, it hinges on the humiliation of a pompous ass, a manufacturer of buckets (Richard Hollis) whose ditzy wife (Claire Brownell) decides to leave him at the exact moment that he decides to buy the country house in question. The resulting craziness is screwed up into successively higher keys by the arrival of the wife's boring brother (Luke Smith); the bucket magnate's klutzy, inarticulate lawyer (Carson Elrod); the loud-mouthed owner of the house (Matthew Greer); and the brother's miserable fiancée (Helen Cespedes).

"Taking Steps" was written to be performed in the round, and any attempt to mount it on a proscenium stage, as Barrington Stage is

doing, must account for this inescapable fact. Enter Sam Buntrock, the director, whose solution to the problem, arrived at in collaboration with Jason Sherwood and David Weiner, respectively the set and lighting designers, is to interlock the three playing areas instead of placing them side by side on the stage, using lighting cues to signal where the characters are at any given moment. You'll have no trouble keeping up with their demented doings, and Mr. Buntrock is splendidly adept at the hair-trigger timing necessary to keep a farce in motion. Mr. Elrod takes top marks as the bumbling lawyer who...but I'd probably better stop right there.

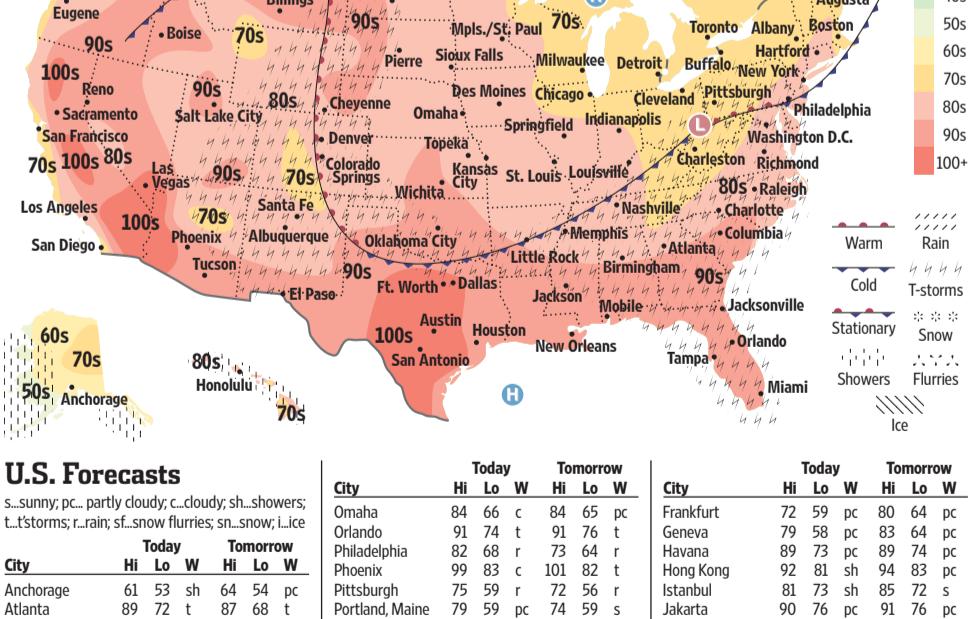
It's enough to say that certain of Mr. Ayckbourn's characters end up in bed with certain other characters, and that some of them—but not all—get what they want. If what you want is nonstop laughter, rest assured that you'll find it here.

Taking Steps

Barrington Stage Company, Boyd-Quinson Mainstage, 30 Union St., Pittsfield, Mass. (\$15-\$62), 413-236-8888, closes Aug. 13

Mr. Teachout is the Journal's drama critic. "Billy and Me," his new play, opens at Palm Beach Dramaworks on Dec. 8. Write to him at tteachout@wsj.com.

Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Today Hi Lo W

City Anchorage 61 53 sh 64 54 pc

Atlanta 89 72 t 87 68 t

Austin 103 74 s 105 79 pc

Baltimore 82 66 r 73 62 r

Boise 97 67 s 100 68 s

Boston 79 63 c 68 63 c

Burlington 74 56 s 74 56 s

Charlotte 86 68 t 86 64 pc

Chicago 79 62 s 79 63 s

Cleveland 79 65 r 77 63 s

Dallas 102 80 s 96 79 pc

Denver 89 63 t 84 60 t

Detroit 77 60 pc 81 61 s

Honolulu 88 77 pc 88 76 s

Houston 99 79 s 97 80 pc

Indianapolis 80 58 pc 76 59 s

Kansas City 83 64 pc 81 62 pc

Las Vegas 105 84 pc 104 85 pc

Little Rock 88 72 t 87 64 s

Los Angeles 85 67 pc 83 67 pc

Miami 92 80 t 93 82 pc

Milwaukee 75 63 pc 76 64 s

Minneapolis 84 63 s 83 65 pc

Nashville 85 69 t 83 62 pc

New Orleans 94 77 s 89 75 t

New York City 82 67 t 71 63 r

Oklahoma City 91 69 c 93 69 c

Today Hi Lo W Today Hi Lo W

City Omaha 84 66 c 88 65 pc

Orlando 91 74 t 91 76 t

Philadelphia 82 68 r 73 64 r

Phoenix 99 83 c 101 82 t

Pittsburgh 75 59 r 72 56 r

Portland, Maine 79 59 pc 74 59 s

Portland, Ore. 82 56 s 86 63 s

Sacramento 97 61 s 96 63 s

St. Louis 88 65 s 85 65 s

Salt Lake City 94 71 s 95 72 t

San Francisco 72 56 pc 73 57 pc

Santa Fe 82 59 t 85 61 t

Seattle 78 56 s 82 61 s

Sioux Falls 81 62 pc 82 61 pc

Wash. D.C. 84 68 t 73 64 r

Today Hi Lo W Today Hi Lo W

City Frankfurt 72 59 pc 80 64 pc

Geneva 79 58 pc 83 64 pc

Havana 89 73 pc 89 74 pc

Hong Kong 92 81 sh 94 83 pc

Istanbul 81 73 sh 85 72 s

Jakarta 90 76 pc 91 76 pc

Jerusalem 88 71 s 85 68 s

Johannesburg 67 40 s 67 42 s

London 69 58 r 71 56 c

Madrid 99 68 s 98 70 s

Manila 84 79 t 86 80 t

Melbourne 57 48 pc 61 51 pc

Mexico City 77 58 pc 77 56 pc

Milan 90 69 pc 91 70 pc

Montreal 83 68 pc 80 58 t

Mumbai 84 78 sh 85 79 sh

Paris 73 61 pc 79 63 pc

Philadelphia 73 61 pc 79 63 pc

Richmond 80 69 pc 80 58 t

Washington D.C. 88 73 sh 85 72 s

Winnipeg 80 69 pc 80 58 t

SPORTS

The San Francisco 49ers enter the season with nearly \$67 million in cap room—the most in the league.



MARCO JOSE SANCHEZ/ASSOCIATED PRESS

FOOTBALL

NFL's New Tanking Strategy

The salary cap is a record \$167 million per team—but many teams are hoarding the extra cash

BY ANDREW BEATON

AS NFL TEAMS report to training camp, most of them are toting an unexpected heavy load—a mountain of unspent cash.

The league's 32 teams are a combined \$602 million beneath the salary cap, 36% higher than the amount of reserves around this time last year. That's an average of nearly \$19 million per team or, in total, enough to fund four full rosters.

The flush coffers highlight a peculiar reality across the league this year: Most teams in the league could be better. They chose not to be.

To put it another way: This is tanking, 2017 style.

It wasn't supposed to be this way. The NFL's salary cap for this season—a record \$167 million per team—should have, in theory, produced a spending bonanza. In some instances, it did. But most teams simply added the surplus to their rainy-day funds.

This is possible because of a provision in the collective-bargaining agreement that requires teams to spend 89% of their caps, but measured over a four-year window. This year marks the beginning of a new four-year period so, in effect, all teams begin this season with the option to squirrel away cash. And they are seizing that opportunity.

Teams argue they are simply managing the system. Others say it's concerning—most notably the players, who want those extra dollars to end up in their pockets.

"If I'm a season-ticket holder, why do I want to renew my tickets if my team isn't even trying to win?" said Eric Winston, a Cincinnati Bengals tackle and president of the NFL Players Association.

Adds long-time NFL executive Bill Polian: "You've got to be right if you're going to follow this approach. If they're not right, they really have cheated the fans."

It is undeniable that the NFL's salary-cap system rewards tanking

more than ever.

In the past, the main payoff from tanking was a high draft pick to be used on a franchise quarterback or other potentially transformative player. Now teams have increasingly embraced the ability to also stockpile tens of millions of dollars that, theoretically, can be spent once the team is in a push for the playoffs or even the Super Bowl.

"That's the key word: flexibility," said Parag Marathe, chief strategy officer of the 49ers. But he adds, "you don't win the Lombardi for having the most cap room."

Except if they did hand out Super Bowl titles for managing the cap, San Francisco would be scheduled for a ring-fitting. The 49ers enter the season with nearly \$67 million in cap room—the most in the league. Or, to put it another way, they could afford to help their neighbors pay for Kevin Durant, Klay Thompson and Draymond Green, and have millions to spare.

Of San Francisco's cash reserve,

almost \$39 million is the result of carryover from prior years. The Browns, with more than \$50 million in carryover, lead the league in that department.

And it's no coincidence that these two teams had the two worst records in the NFL last season. Both teams have been undergoing major rebuilds—so with the choice over the past few years of spending more to prop up a bad team, or to have even more to spend down the road, they chose the latter.

Which explains both why they have struggled so much and why they have reasons to be optimistic going forward.

In some respects, they're already seeing the benefits. Both signed a bevy of free agents this offseason—and still have a stockpile of cash in reserve. And the Browns used some of their flexibility to net a second-round draft pick when they used a chunk of their cap room to take on quarterback Brock Osweiler, and his mega

Dollars and Sense

Teams with the most cap room this season:

TEAM	CAP ROOM	CARRYOVER
49ers	\$66,821,831	\$38,708,916
Browns	\$53,282,209	\$50,123,269
Jaguars	\$44,820,328	\$39,314,310
Titans	\$43,804,064	\$24,046,522
Texans	\$31,113,285	\$4,935,924

*As of July 26, 2017

The 2017 cap total is \$167 million per team.

Source: NFLPA; WSJ

contract, from the Texans.

The idea of successfully timing a spending spree isn't far-fetched. After the 2015 season, the Raiders had some of the most money to spend in the league—and they had to spend to reach the 89% salary cap floor after years of building slowly around quarterback Derek Carr. The Raiders signed four stars to rich deals last offseason, then proceeded to make their first playoff appearance in more than a decade.

One of the main reasons so many teams have reached a position to build such fluffy cushions is how much the cap has gone up. This season alone, it rose \$12 million. The \$167 million cap is \$47 million higher than in 2012.

The problem, at least as viewed from the other side of the negotiating table, is that every dollar a team rolls over is a dollar that didn't get paid to a player here and now. On average, teams have about \$5 million more in cap room than they did this time last year. So of the extra \$12 million teams could spend this year, more than 40% got tucked away.

"When you see these numbers out there," says Kyle Dolan, an agent with the firm Priority Sports, "it's staggering and a little bit frustrating."

Whether the floor for individual teams is too low or if the four-year period is too long is something that will be examined before the next CBA talks, Winston said. The NBA, for example, has a salary floor that teams have to meet every single season.

Yet there is an upside for players who hit free agency in a different part of the spending cycle. For example: If Kirk Cousins hits free agency next offseason, any number of teams could make him the NFL's highest-paid player without having to do a bit of belt-tightening to afford it. In the meantime, a swath of lower- and middle-tier NFL players are paying the price. As Winston put it, "The ability to roll over will always have a positive effect for one person and a negative effect for another."

THE COUNT

ALTUVE'S HISTORIC MONTH



For much of the first half of 2017, the best player in baseball was Yankees rookie outfielder Aaron Judge, a 6-foot-7 behemoth who might actually be a real-life Terminator in disguise. But as we head into August, the race for AL MVP honors has a new contender—and he barely reaches Judge's shoulders standing on his tiptoes.

Jose Altuve, the Astros' 5-foot-6 second baseman, is having a remarkable year. He leads the majors with a .365 batting average, putting him in position to win his third AL batting crown. His 1.005 on-base-plus-slugging percentage ranks second in the AL only to Judge, and he is on track to lead the AL in hits for the fourth straight season.

If Altuve's incredible numbers come as a surprise, don't feel bad: He's done all of this in the past four weeks. Or, at least, it feels that way.

With four more games remaining in July, Altuve is having one of the greatest offensive months in history. He's batting .494, including .513 during his current 18-game hitting streak. It's not all singles, either: He has four home runs and nine doubles in July, posting an OPS of 1.285 over that span.

Since 1913, there have only been seven instances of a player going through a calendar month with at least 100 plate appearances and a .500 batting average. Six of those times took place between 1913 and 1927, featuring names like Shoeless Joe Jackson, Rogers Hornsby and Ty Cobb. The only player to do this since the Hoover administration was former Rockies first baseman Todd Helton, who hit .512 in May 2000.

Altuve could join that exclusive club with a few more good games. He'd be the shortest member by five inches.

—Jared Diamond

Can't Get Him Out

Players who had a .500 average in a calendar month, since 1913

PLAYER	MONTH/YEAR	BA
George Sisler	June 1920	.526
Ty Cobb	July 1918	.521
Joe Jackson	June 1916	.512
Todd Helton	May 2000	.512
Rogers Hornsby	Aug. 1924	.509
Joe Jackson	May 1913	.505
Harry Heilmann	Aug. 1927	.505

Note: Minimum 100 plate appearances

Source: Baseball-Reference; WSJ

NFL | By Jason Gay

THIS IS 40, TOM BRADY!

Tom Brady turns 40 next week, and the sports world is acting like a dog is going to win the Indianapolis 500.

Come on! It isn't so crazy. Speaking as someone in his 40s, let me confirm that 40 isn't that decrepit. It's barely halfway to dead! Brady is undoubtedly special, and football is a dangerous game, but all around us, there are miraculous 40-year-olds who can still put on both shoes in the morning, who can download a podcast, who can make an emergency turkey sandwich at 2 a.m. and not wake the entire family.

There are even a few who can explain Snapchat.

Age is purely a number—the cliché has never been more true! Today I know butt-kicking 80-something men and women, 70-something triathletes, 60-something runners, and a whole bunch of CrossFit-sculpted 50-somethings you don't want to get trapped in a conversation about CrossFit with. The one and only Kirk Douglas is now 100, and I am certain I would lose an arm-wrestling match to 100-year-old Kirk Douglas.

Did you see those recent photos of buffed-out Amazon kingpin Jeff Bezos? Mr. Prime is in his prime: At 53, and now the world's richest person, Bezos is completely jacked, a total biceps gun show with free two-day delivery. (I probably would still favor Warren Buffett in an arm-wrestling match, because who bets against Warren Buffett?)

Business thankfully doesn't (always) kick its aging to the curb, but sports has a weird time wrapping its brain around the older athlete. We see a guy like Roger Federer capturing Wimbledon again, and we hail it as a clock-defying miracle, as if Wilford Brimley won a Grand Slam.

Federer is 35! Thirty-five is a sweet spot of life. If you gave an

ordinary person the ability to permanently lock into a certain age, 35 would be a top choice. You're old enough to have accomplished a few things, and you're young enough to not frighten everyone when you take off your shirt at the beach.

I'm confident no one would pick being 25. Twenty-five is the pits. You're insecure, underpaid and probably still sleeping on a smelly futon. Plus all the older people in the office despise you, because in you, they see their own demise. I know I feel that way about the 25-year-olds at the Journal. They can all go work at Instagram, or Cold Stone Creamery, as far as I'm concerned.)

None of this is meant to knock Brady. He's exceptional, and has been for his entire career: the late draft pick turned back-up turned sudden superstar who has ascended the football mountaintop. He leads an enviable life of fame, success, money, love, family, and mumbly conversations with Bill Belichick.

And, generously, he wants to share his secrets. As Brady has gotten older, he's begun to style himself as an anti-aging guru, selling dietary supplements and fitness doodads and even magic space pajamas that cost as much as a plane ticket to Chicago.

Brady's morphing into a fusion of George Clooney and Jack LaLanne. I'm confident that in 50 years, we're going to turn on the television (or whatever television is—television's probably going to be gone in two years) and see a 90-year-old Tom Brady yanking on re-

sistance bands and yelling at us all to get to the gym. On Mars.

I'm also confident a 90-year-old Tom Brady will be playing QB for the Jets.

This isn't to say there aren't downsides to aging. It's true that as you get older, your body changes, and you probably need to take it easy on the peanut butter pretzels. If you drink sugary cocktails, you're going to wake up feeling like an elephant is sitting on your head. You're going to read a lot of articles about Bitcoin and Ethereum and be completely confused.

Meanwhile, you have weird, obsolete old person habits. You have a DVD player. You can navigate a car—a stick-shift!—without checking Google Maps. You leave and listen to voice mails. You care about cable news. You're reading this in newsprint.

And you start to lose your fashion sense. One of the most popular articles the Journal has published lately offered style advice for men over 40. Apparently, once a man turns 40, picking out clothes starts to resemble juggling nuclear fuel rods. *For the love of mankind, don't wear the cargo shorts!*

I don't think this is a reason to be fearful of aging. Nobody looks good in cargo shorts.

Tom Brady is going to be 40, and I think we should tell him the truth: he's only getting started. Life only gets better from here. There's fun, there's family, there's Viagra. If not, he can always lounge on the couch, eat a turkey sandwich and watch football. That's good, too.



Tom Brady turns 40 on Aug. 3.

KEVIN C. COX/GTY IMAGES

OPINION

Who Paid for the ‘Trump Dossier’?



It has been 10 days since Democrats received the glorious news that Senate

POTOMAC WATCH
By Kimberley A. Strassel

Judiciary Chairman Chuck Grassley would require Donald Trump Jr. and Paul Manafort to explain their meeting with Russian operators at Trump Tower last year. The left was salivating at the prospect of watching two Trump insiders being grilled about Russian “collusion” under the klieg lights.

Yet Democrats now have weekly and noiselessly retreated, agreeing to let both men speak to the committee in private. Why would they so suddenly be willing to let go of this moment of political opportunity?

Fusion GPS. That’s the oppo-research outfit behind the infamous and discredited “Trump dossier,” ginned up by a former British spook. Fusion co-founder Glenn Simpson also was supposed to testify at the Grassley hearing, where he might have been asked in public to reveal who hired him to put together the hit job on Mr. Trump, which was based largely on anonymous Russian sources. Turns out Democrats are willing to give up just about anything—including their Manafort moment—to protect Mr. Simpson from having to answer that question.

What if, all this time, Washington and the media have had the Russia collusion story backward? What if it wasn’t

the Trump campaign playing footsie with the Vladimir Putin regime, but Democrats? The more we learn about Fusion, the more this seems a possibility.

We know Fusion is a for-hire political outfit, paid to dig up dirt on targets. This column first outed Fusion in 2012, detailing its efforts to tar a Mitt Romney donor. At the time Fusion insisted that the donor was “legitimate subject of public records research.”

Mr. Grassley’s call for testimony has uncovered more such stories. Thor Halvorssen, a prominent human-rights activist, has submitted sworn

testimony outlining a Fusion attempt to undercut his investigation of Venezuelan corruption. Mr. Halvorssen claims Fusion “devised smear campaigns, prepared dossiers containing false information,” and “carefully placed slanderous news items” to malign him and his activity.

William Browder, a banker who has worked to expose Mr. Putin’s crimes, testified to the Grassley committee on Thursday that he was the target of a similar campaign, saying that Fusion “spread false information” about him and his efforts. Fusion has admitted it was hired by a law firm representing a Russian company called Prevezon.

Prevezon employed one of the Russian operators who were at Trump Tower last year. The other Russian who attended that meeting, Rinat Akhmetshin, is a former Soviet counterintelligence officer. He has acknowledged in court documents that he makes his

career out of opposition research, the same work Fusion does. And that he’s often hired by Kremlin-connected Russians to smear opponents.

We know that at the exact time Fusion was working with the Russians, the firm had also hired a former British spy, Christopher Steele, to dig up dirt on Mr. Trump. Mr. Steele compiled his material, according to his memos, based on allegations from unnamed Kremlin insiders and other Russians. Many of the claims sound eerily similar to the sort of “oppo” Mr. Akhmetshin peddled.

Democrats don’t want you to find out—and that ought to be a scandal of its own.

We know that Mr. Simpson is tight with Democrats. His current attorney, Joshua Levy, used to work in Congress as counsel to no less than Chuck Schumer. We know from a Grassley letter that Fusion has in the past sheltered its clients’ true identities by filtering money through law firms or shell companies (Bean LLC and Kernel LLC).

Word is Mr. Simpson has made clear he will appear for a voluntary committee interview only if he is not specifically asked who hired him to dig dirt on Mr. Trump. Democrats are going to the mat for him over that demand. Those on the Judiciary Committee pointedly did not sign letters in which Mr. Grassley demanded

that Fusion reveal who hired it.

Here’s a thought: What if it was the Democratic National Committee or Hillary Clinton’s campaign? What if that money flowed from a political entity on the left, to a private law firm, to Fusion, to a British spook, and then to Russian sources? Moreover, what if those Kremlin-tied sources already knew about this dirt-digging, tipped off by Mr. Akhmetshin? What if they specifically made up claims to dupe Mr. Steele, to trick him into writing this dossier?

Fusion GPS, in an email, said that it “did not spread false information about William Browder.” The firm said it is cooperating with Congress and that “the president and his allies are desperately trying to smear Fusion GPS because it investigated Donald Trump’s ties to Russia.”

If the Russian intention was to sow chaos in the American political system, few things could have been more effective than that dossier, which ramped up an FBI investigation and sparked congressional probes and a special counsel, deeply wounding the president. This is all to Mr. Putin’s benefit, and the question is whether Russia engineered it.

If Special Counsel Robert Mueller, Democrats and the media really want answers about Russian meddling, this is a far deeper well than the so-far scant case against Mr. Trump. If they refuse to dive into the story, we’ll know that the truth about Russia and the election was never what they were after.

Write to kim@wsj.com.

Why Not a Day of Rest From Politics?

HOUSES OF WORSHIP
By Libby Sternberg

For the past decade I have attended a Protestant church near my home. Every Sunday I am surrounded by loving friends and acquaintances. I rejoice in the good news of the Gospel. I ponder how to live a better life. I petition God for my family and friends, asking for good health, prosperity and wisdom. I pray that the light of love will shine into dark hearts.

Yet I do all this knowing that my church is effectively a political adversary. I am a Republican.

The Episcopal Church, like many mainline Protestant denominations, supports a “social justice” agenda that reads as if it were pulled straight from the Democratic National Committee platform.

I know I’m not alone. Mainline Protestants are about evenly divided politically, according to a 2014 Pew Forum poll. Forty-four percent support or lean toward Republicans, and 40% support or lean toward Democrats. Yet you wouldn’t know this by reading these churches’ statements on public policy.

The advocacy arms of the Episcopal Church and the Evangelical Lutheran Church have urged legislators to oppose any attempt to rein in ObamaCare’s Medicaid expansion. “As you may know,” the Episcopal Church’s director of

government relations wrote in a March letter to Congress, “our Church upholds affordable and effective health care for every American, backs Medicaid as an essential program for low-income families, and supports adequate government funding for research and medical care for women’s health.”

In states with partisan voter registration, nearly 60% of some Mainline Protestant denominations’ pastors are listed as Democrats, according to an academic study released in June. Left-of-center religious leaders are also more high-profile than ever, since Donald Trump’s victory compelled many of them to increase their focus on anti-Republican activism.

After decades of evangelical conservative influence on the Republican Party, the Christian left wants to leave its mark on congregations and the Democratic Party.

Instead, I offer a plea to all religious leaders, on the left and right: If you’re considering involving your churches in political debates, please don’t. Don’t actively work against those sitting in your pews who agree with Christ’s message but disagree about using government programs to advance it. Instead, focus on the individual acts of mercy that matter most.

I realize that church leaders face a conundrum. If they truly believe they see injustice

in the world, and if it happens to be sponsored by an opposing political party, they reasonably could believe they have a religious obligation to fight it. Why would they stand by while millions of people are being hurt? Moreover, the list of brave Christians who stood up to an unjust state spans centuries and continents, from Thomas Becket to Martin Luther King Jr.

Mainline Protestant pastors are more left-leaning than their parishioners.

Many of today’s clerical approaches to public policy seem inspired by Dietrich Bonhoeffer, the anti-Nazi Lutheran pastor. Millions of Germans either supported Hitler or remained silent. That collective sin darkens the 20th century, a constant reminder that failing to act can be as repugnant as endorsing evil.

Bonhoeffer felt driven by his Christian faith to aid the resistance. For this he was imprisoned and ultimately executed in 1945.

Bonhoeffer’s witness surely must energize today’s

pastors, who believe Christ calls them not to remain silent but to fight injustice. To that impulse, I say huzzah.

The faithful are indeed meant

to help the poor and those who have been treated unfairly—and I’ll admit to wishing I could do more in this regard.

Yet when it comes to the confiscatory and regulatory power of the state, my answer to the what-would-Jesus-do question gets complicated. Would he want me to force my fellow citizens, on penalty of jail time, to give up more of their earnings to fund programs I personally like? Would he want me to jeopardize their security and happiness to support policies I happen to think are compassionate? Or does he call me to act without manipulating the heavy hand of government to impose my will on others?

I don’t always know the answers to these questions. Sometimes I wonder, with a smile, what might happen if Jesus appeared in the flesh and disagreed with the policy statements on many churches’ websites. If he quietly suggested that we, as individuals, should focus more on personal charity and community involvement than on political advocacy for government programs, would religious leaders think him not “Christian” enough? I’m sure he’d forgive them for the snub.

Ms. Sternberg is the author of “Fall from Grace,” forthcoming from Bancroft in September.

Drug Cartels Could Defeat Trump’s Wall

By Jeremy Bagott

Calexico, Calif. A piece of precision equipment about the size of a tractor could defeat a key mission of any new wall along the southern U.S. border, even before the foundation is poured. Horizontal directional drilling—known in oil-and-gas parlance as “HDD”—made the fracking revolution possible. But an unexpected early adopter near this California border town is a drug cartel.

The kingpin Joaquin “El Chapo” Guzman Loera is being held in a hardened Manhattan jail cell, but nobody does cross-border digging better than his Sinaloa Cartel. The drug lord escaped from prison in 2015 after a crew tunneled to retrieve him. Soon all-but-undetectable boreholes may whisk cylindrical containers across the border from Mexico, wall or no wall.

Last year, while doing work linked to the modernization of

The site had already been raided and its owner arrested. A house had been built around a hole leading to a 32-foot vertical shaft and then the main tunnel. It was an engineering marvel, with rails and lighting, running 415 yards across the border to the back of a restaurant in Mexicali.

The feds have discovered more than 80 cross-border smuggling tunnels since 2006. Most have been man-sized,

but those may soon be obsolete. A used directional-drilling rig—say, the Vermeer Navigator DI0x15 or the Ditch Witch JT25—can be bought online starting at about \$100,000. The low cost could “democratize” drug tunneling and render obsolete the anti-drug mission of a Trump-esque wall.

The technology requires almost no manual labor. A rig can drill a tube, from 8 to 80 inches in diameter, for a mile horizontally, “geo-steered” to hit a precise target. The driller can monitor his progress in real time while the system automatically lays pipe behind the drill head.

In Calexico, seven trafficking operations involving HDD rigs have been discovered since 2008, sometimes when the drill bits hit city infrastructure, as Jason Kersten reported for GQ in 2014. He explains that in 2011 the Calexico Fire Department responded to a report of a foul odor from a

motorcycle shop. A hazmat team broke inside and found a Ditch Witch JT8020—one of the so-called maxi-rigs. Smugglers had planned on drilling underneath a canal to reach Mexico.

Ground-scanning radar may be able to help uncover such plots, but the technology has not kept pace. San Diego’s Tunnel Task Force reportedly uses its units only rarely. “The tunnel task force has experimented with ground-penetrating radar devices,” a reporter for the Voice of San Diego wrote last month, “but rocky soil and a web of interconnecting sewage systems that run through the area interfere.”

The reality is that there may not be a ready solution to fight these illicit subterranean activities. But one thing that clearly won’t work is a big, beautiful wall.

Mr. Bagott is a real-estate appraiser for Bender Rosenthal in Los Angeles.

BOOKSHELF | By Paul Dickson

Who Belongs In the Hall?

The Cooperstown Casebook

By Jay Jaffe

(Thomas Dunne, 446 pages, \$25.99)

The Hall of Fame for Great Americans was created in 1900 to be the American equivalent of London’s Westminster Abbey or Paris’s Panthéon. Almost immediately the matter of who would be celebrated at this memorial in the Bronx became a matter of public interest and vigorous street-corner debate. Today hardly anyone goes there. Instead, the Hall of Fame in Cooperstown, N.Y., is the one that provokes heated arguments as to who deserves and who does not deserve to be enshrined among baseball’s greatest. Outfielder Tim Raines, for instance, would not be joining Jeff Bagwell and Iván Rodríguez at this weekend’s induction ceremonies without years of campaigning by advocates quoting advanced statistics.

Jay Jaffe, a pioneering statistical analyst, has long promulgated his own player-ranking system called JAWS, which claims to measure the worthiness of individual players for inclusion in the Hall of Fame.

His new book is boldly titled “The Cooperstown Casebook: Who’s in the Baseball Hall of Fame, Who Should Be In, and Who Should Pack Their Plaques.” Not everyone will agree with his selections.

Among right fielders, for example, those who deserve induction include Larry Walker (of the Expos and Rockies), for whom he makes a strong and extended case, arguing against those who believe Mr. Walker’s offensive record benefits unfairly from Colorado’s thin atmosphere. Dwight Evans of Red Sox fame also deserves further consideration, as does the Twins’ Tony Oliva. “The most dubious honorees” among right fielders are Ross Youngs, who played for the New York Giants in 1917-26, and Tommy McCarthy, who played mostly in Boston and St. Louis from 1884 to 1896.

In terms of starting pitchers, Mr. Jaffe is not kind to Hall of Famers Catfish Hunter, Lefty Gomez, Rube Marquard or the man he calls “the bottom of the barrel among enshrined starters,” one Jesse “Pop” Haines, who threw his last pitch for the St. Louis Cardinals in 1937. He argues passionately for the inclusion of Mike Mussina (Orioles and Yankees) and Curt Schilling (Orioles, Astros, Phillies, Diamondbacks and Red Sox). Mr. Jaffe clearly does not like Mr. Schilling as a person but shows that his performance on the field leaves little doubt that he belongs in Cooperstown. Finally, Mr. Jaffe names the top three starting pitchers of all time—Walter Johnson, Cy Young and Roger Clemens, the last of whom sportswriters have refused to vote into the Hall due to speculations about performance-enhancing drugs.

To understand how Mr. Jaffe reaches these conclusions, readers must first try to understand JAWS—the Jaffe WAR Score—and to do so one must first understand WAR, the acronym embedded in Mr. Jaffe’s acronym, which stands for Wins Above Replacement. (For the purposes of calculation, a replacement-level player at a position—whatever theoretical bench-rider a team would have to substitute if a player got injured—produces zero wins.) At the recent All-Star break, for instance, Yankee slugger Aaron Judge led the majors with a WAR of 5.2, followed by Nationals pitcher Max Scherzer at 5.0.

New stats helped convince voters to give Tim Raines a Hall of Fame plaque. Should Curt Schilling and Larry Walker be joining him?

Got all that? Didn’t think so. From their inception in the past decade, complicated formulas like those determining WAR have eluded the ability of the average fan to compute on his own, let alone comprehend. Clearly the higher that one’s WAR is, the better. But can you really compare pitchers and batters using the same metric? JAWS, like WAR, also makes no attempt to account for postseason play, awards won and historical importance.

Mr. Jaffe is a clear and clever writer who does an excellent job of putting statistics into play and explaining how his own metric evolved as a tool for Hall of Fame voting. (Indeed, many Hall of Fame voters now point to JAWS ratings when explaining their votes.) The statistical portion of the book, however, will appear somewhere on a scale of daunting to dull to many readers. Fortunately, Mr. Jaffe is far more than a skilled sabermetrician, which he shows when he gets down to the specific cases of men whose election to the Hall of Fame has been either denied or delayed. His chapter on third basemen, for example, dwells on the career of Ron Santo, who despite obviously worthy credentials wasn’t elected until 2011, 37 years after the end of his career and a year after he died. In Mr. Jaffe’s final ranking, Santo ends up in seventh place at his position, somewhere between George Brett and Brooks Robinson.

Mr. Jaffe warns us at the beginning of the book that as much as he personally admires Sandy Koufax, the JAWS system shows him no mercy: Mr. Koufax places No. 87 among all starting pitchers and in the lowest quartile of the starting pitchers now in Cooperstown. The author admits that this ranking alone may cause some readers to become very upset and politely asks those who break the book’s binding by throwing it against the wall to consider buying a new copy. He ends his Koufax entry by adding that, despite his poor JAWS score, “if you needed one pitcher to win one game, prime Koufax would get strong consideration.”

In his most provocative sections of “The Cooperstown Casebook,” Mr. Jaffe rails against past injustices. Larry Doby, the first African-American to play in the American League, was turned down in 1967; an additional 31 years had to pass before he was elected by the veterans committee, five years before his death. After recounting this travesty, Mr. Jaffe adds a one-word sentence, in which a term unsuitable for this forum is inserted between “un” and “believable.” For a man of numbers, Mr. Jaffe can sound a lot like the guy at the other end of the bar. But that’s why his book is so much fun to read, whatever one might think about our ability to precisely measure baseball greatness.

Mr. Dickson is the author, most recently, of “Leo Durocher: Baseball’s Prodigal Son.”

Coming in BOOKS this weekend

Richard Brookhiser on John Quincy Adams • Englishness & A.E. Housman • Bob Dylan & Woody Guthrie • Hunting a 500-year-old shark • Our debt to classical Greece • Why farming is bad for you • Lizzie Borden revisited • & more

OPINION

REVIEW & OUTLOOK

Tax Reform Principles

The "Big Six" GOP tax negotiators released a statement of principles Thursday, and the main news is the death of the House border-adjustment tax. A favorite idea of Speaker Paul Ryan, the BAT was savaged by retailers who feared they'd pay more for imports. The problem is that the BAT would have raised as much as \$1 trillion to pay for lower tax rates, so its defeat raises a new obstacle to reform.

This shows that tax reform may be even harder to pull off than repealing ObamaCare given how politicians have laced the tax code with subsidies and carve-outs. Interests clawing to keep their favors usually defeat the public interest in lower rates. But the potential payoff in faster growth and rising incomes is still worth the political effort, so give Congress and President Trump credit for setting the goal of a signing ceremony this year.

As the debate begins, this is a good moment to offer some principles to judge how reform is faring:

The growth priority. After 12 years of a lackluster economy, or worse, tax reform's overriding goal should be to lift annual GDP to 3% or more. The current expansion is into its ninth year and showing signs of age. Europe has grown faster than the U.S. for some time. The Trump bump in financial markets hasn't been matched in the real economy.

Amid a labor shortage and sluggish incomes, a capital spending surge is crucial to give the expansion a second wind. This is where tax reform must focus. This means lowering tax rates on business and individuals to spur risk-taking and investment.

In particular it means cutting the U.S. corporate tax rate low enough to compete with the rest of the world and return \$2 trillion in capital that U.S. companies have stashed overseas. A corporate rate much higher than 20% won't do the job. The evidence of economic research is overwhelming that cuts in corporate tax rates flow to workers in higher wages.

The political opposition will come from Democrats and many Republicans who view tax reform mainly as a populist lever to redistribute income. They include White House aide Steve Bannon, who wants to raise tax rates on the affluent, and conservatives like Mike Lee on Capitol Hill who think taxes should serve social policy. The risk is that they will steal money for tax credits that do nothing for growth and could be used to reduce rates.

Make cuts immediate. One temptation in every reform debate is to phase-in tax cuts to fit inside Congress's 10-year budget-deficit box. That is a growth killer as investors delay decisions to wait for lower rates. George W. Bush made that mistake with his 2001 tax cut, which was a growth bust. He corrected it by making his 2003 cuts immediate, and the faster growth that followed saved his re-election.

The Nuclear Spirit of Iran

One almost has to admire Iran's chutzpah. On Wednesday after the U.S. House of Representatives passed a bill, 419-3, which would impose sanctions on Iran's ballistic-missile program, its foreign ministry called the legislation "illegal and insulting." On Thursday Iran made a scheduled launch of a huge missile, which it says will put 550-pound satellites into orbit.

The only people who should feel surprised or insulted by this are Barack Obama and John Kerry, who midwifed the 2015 nuclear-weapons agreement with the untrustworthy Iranians. State Department spokeswoman Heather Nauert rightly called the missile launch a violation of the spirit of that agreement.

That is as far as she can take it because

Tehran continues to exploit John Kerry's missile loophole.

Iran's ballistic-missile program wasn't formally in the nuclear agreement, despite Mr. Kerry's statements of concern during negotiations.

In the end he wanted a deal more than limits on those missiles. We assume Iran's missile engineers are at least as competent as those in North Korea, which is approaching the ability to deploy intercontinental ballistic missiles.

Advocates of the nuclear deal persist in arguing that Iran is in compliance with its provisions. It takes considerable credulosity to believe that over the course of this agreement the Iranian military won't adapt technical knowledge gained about launch and guidance from projects like its "satellite missile" program. With or without compliance, Iran is making progress as a strategic threat.

Trump's Transgender Tweet

Allow us to surmise what Secretary of Defense Jim Mattis and General Joe Dunford, Chairman of the Joint Chiefs of Staff, were doing prior to the President's transgender-policy tweet Wednesday.

We would guess they were spending most of their time shaping U.S. policy toward the enormously complex military challenge in the Middle East and toward the nuclear-bomb threat posed by North Korea's Kim Jong Un.

No longer. Instead, they must now pull over, park what they were doing and deal with what is charitably being called Mr. Trump's "policy announcement" on transgender people serving in the U.S. military. The President revealed this policy in three tweets—three because a single tweet is only 140 characters.

Notwithstanding that the President dedicated some 520 characters to the U.S. military's new transgender policy, officials at the Pentagon have expressed some, er, confusion about the details of the directive, whose timing apparently took them by surprise.

For the record, let it be noted that Mr. Trump did tweet that he made the decision, "After consultation with my generals and military experts." As to catching the entire structure of the U.S. military by surprise, White House press spokeswoman Sarah Huckabee

Apparently he thinks he can run the government by himself.

Sanders explained, "Sometimes you have to make decisions, and once he made a decision, he didn't feel it was necessary to hold that decision."

Our view is that given the troubled state of the world, the military has more important duties than social engineering. That said, the fact is that the Obama Administration in 2016 lifted the ban on transgender individuals serving in the military and made plans for their recruitment.

In June Secretary Mattis announced that the recruitment piece of this policy would be delayed until next January pending further study. As to that, Gen. Dunford released a statement post-tweet Thursday that there would be no modifications to current policy "until the President's direction has been received." As we went to press, no such "direction" had come from the White House.

Issuing a major Pentagon policy change, via Twitter, before anything resembling the details of that policy exists, as happened with the initial travel ban, is awful management. It diverts and wastes the valuable time of the Administration's highest officials. It creates (another) political storm and inevitably lawsuits that no one has had time to prepare for. Mr. Trump keeps driving policy like he's the only person in government—and if he keeps it up, he might be.

LETTERS TO THE EDITOR

Congress Is Right to Boost Russia Sanctions

Wolfgang Ischinger, Germany's former ambassador to the U.S., explains "Why Europeans Oppose the Russia Sanctions Bill" (op-ed, July 17). A respected diplomat, Mr. Ischinger deserves attention. But his argument is misleading and based on an inaccurate reading of the bill.

Mr. Ischinger's ire is directed at a provision authorizing sanctions against companies that invest in Russian energy pipelines. But that provision is discretionary, meaning it doesn't require new sanctions on anybody. It's hardly a reason to reject the bill.

Mr. Ischinger also criticizes a provision that extends current sanctions on Russian offshore oil ventures to projects in which any Russian company is involved. He claims this provision endangers Shah Deniz, a gas field in Azerbaijan. This is false, as the sanctions target oil projects specifically. In fact, the provision smartly closes a loophole that could allow Russia to copy advanced drilling techniques from U.S. firms.

Most misleading, Mr. Ischinger asserts the bill would undermine trans-Atlantic unity on Russia sanctions, arguing that Washington should negotiate new sanctions multilaterally. As one of the negotiators of existing U.S.-EU sanctions, I'm sympathetic to this argument. But it's a pipe dream that the Kremlin-friendly Trump administration would collaborate with Brussels to impose new sanctions on Russia. Moreover, the EU isn't exactly clamoring for new Russia sanctions either. Far from risking trans-Atlantic unity, the bill protects it by ensuring Mr. Trump can't capriciously lift sanctions.

A strong response to Russia is in the interest of America and Europe. This bill is just that.

EDWARD FISHMAN

Washington

Mr. Fishman was on the team that negotiated U.S.-EU sanctions in response to Russia's invasion of Ukraine.

As a former U.S. diplomat with strong ties to Europe, I concur with Wolfgang Ischinger's plea for trans-Atlantic unity in the face of Russian aggression in Ukraine.

However, the proposed U.S. sanctions bill is not the "Trojan horse" portrayed in German media, or by longtime opponents of European sanctions toward Russia. The bill's main objective is to codify existing sanctions into law, not to penalize Europe's energy companies. The vast majority of the additional measures—including the energy sections—are discretionary and will not be applied automatically, should the bill be signed into law.

There is a wider point for Europe to consider. The conflict in eastern Ukraine is escalating. Russian-backed forces are continuing their daily rocket and artillery attacks and civilian casualties are rising substantially. Europe's response has been the continuation of a status quo that is not delivering. Unity is important, but above all it must have a purpose: to end a war prolonged by Russia and its proxies. This will only be made possible when we change Moscow's calculus by raising the costs of aggression and increasing our own leverage by creating new incentives to deliver a cease-fire and restoration of Ukrainian sovereignty over its occupied eastern territories.

The U.S. sanctions bill could have been drafted more judiciously. However, German and Austrian ministers' outright rejection of it is not acting in the spirit of maintaining unity either. Instead, we should engage in a trans-Atlantic dialogue to ensure that this bill will encourage Russia to change its behavior toward its European neighbors, without long-term damage to European or American companies.

AMB. ALEXANDER VERSHOBOW

Washington

Mr. Vershbow is a former NATO deputy secretary-general and U.S. ambassador to Russia.

Federal Takings Aren't From New Deal Politics

The letter from Kelley L. Ross (July 20) was kind to acknowledge the Supreme Court's interpretation of the Takings Clause in *Lucas v. South Carolina Coastal Council*.

However, Mr. Ross's letter curiously suggests that broad exercises of federal power under the Commerce Clause in the 1930s New Deal era prompted the onset of the federal regulatory takings issue. Certainly, Justice Oliver Wendell Holmes was very bright—but was he also clairvoyant?

In 1922, when Holmes released his opinion in *Pennsylvania Coal v. Mahon*, it revealed that state regulation might cause a Fifth Amendment "taking." The Holmes revelation also occurred in the wake of even earlier applications of the Takings Clause.

In *Mugler v. Kansas* (1887), Kansas outlawed the use of a recently equipped property for brewing beer, leaving its owner dry and not so high. The consideration of a Takings Clause violation was met by the continuing recognition of originalist thought: "Prior to the adoption of the Fourteenth Amendment, a man whose property was taken by any state process for public use, without just compensation, could not on that ground resort to the federal courts for redress. His remedy was in the state courts, and it remains

so to this day, that amendment being entirely silent upon the subject."

Your editorial ("A Taking By Any Other Name," June 24) that kicked off this series of letters addressed the June 2017 decision in *Murr v. Wisconsin* which, like *Mahan* and other notable takings cases, focused not on federal Commerce Clause regulation but rather on state regulation of land use.

GERALD A. FISHER

Clarkston, Mich.

Trump Has Every Reason To Like Democracy. He Won

William Galston says that there is no evidence that Donald Trump cares much about democracy, one way or the other ("What Does Trump Mean by 'the West'?", Politics & Ideas, July 12). President Trump actually participated fully and with his own money in the most democratic event in the U.S., the presidential election. He literally put his money where his mouth was, and rather than writing or talking about democracy, he did what Teddy Roosevelt respected the most: He got in the arena and got elected.

LARRY STEWART

Ponte Vedra Beach, Fla.

Activist Investors Aren't All That Democratic

Jeffrey Sonnenfeld offers a solid contrarian view on the growing tendency for corporate boards to oust CEOs ("The CEOs Who Didn't Deserve the Boot," op-ed, July 13). However, one of his sharpest observations concerns a disturbing trend that receives too little notice. An activist investor, who may represent 4% or less in total company ownership, nevertheless negotiates to replace a third or more of the total board with his own slate. As corporate boards are increasingly expected to take on the characteristics of an elected parliament, this power seems like the opposite of representative democracy.

RALPH WARD
Editor, *Boardroom Insider*
Riverdale, Mich.

his tenure. But in late 2005 he was ousted because he refused to let Morgan Stanley take huge risk positions,

dramatically increase leverage and be in the subprime mortgage fiasco.

Looking at the market collapse two-plus years later, Mr. Purcell was a sage unappreciated in his time.

ROGER A. KEATS

Morgan Stanley Branch Manager

(1998-2005)

Dripping Springs, Texas

Pepper ... And Salt

THE WALL STREET JOURNAL



Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

The Democrats' Biggest Problem Is Cultural

By Ted Van Dyk

Six months into the Trump presidency, congressional Democrats have begun to frame an alternative agenda. Recognizing their abandonment in 2016 by so-called working-class voters, they have unveiled a handful of spending and tax-policy benefits targeted to that constituency.

A much larger, comprehensive policy package is needed. Beyond that, Democrats need to recognize a profound voter shift that has been under way since 1968 and is centered on cultural issues.

Since 1968, the party has been alienating working-class voters. President Trump is the latest result.

Three statements in recent years illustrate why former Democratic voters have abandoned their party. First, Barack Obama's 2008 campaign remark that small-town Americans "cling to guns and religion." Second, Michelle Obama's statement, also in 2008, that "for the first time in my adult lifetime I am proud of my country." Third, Hillary Clinton's 2016 characterization of Trump supporters as "deplorables": "They are irredeemable, but thankfully they are not America."

None of these statements had anything to do with national security or economics. They revealed a mind-set that many voters find offensive—a huge cultural chasm that

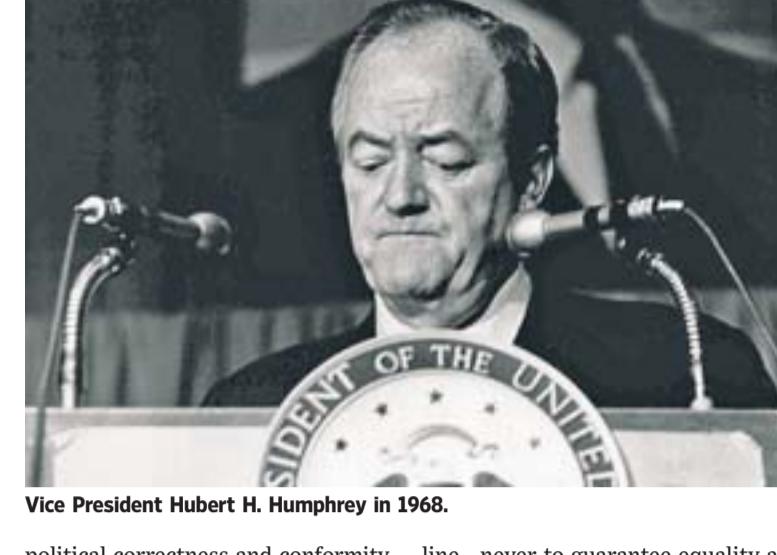
cannot be bridged by offering voters economic goodies.

The Democratic voter exodus began in 1968 when millions of traditional blue-collar and middle-income voters moved to Republican Richard Nixon or third-party candidate George Wallace, a Democratic former governor of Alabama. Alienated by street and campus riots and disorder, these voters bought into the Nixon/Wallace law-and-order themes. Some also were attracted to their message that Great Society programs had overreached.

As Vice President Hubert Humphrey's assistant, I stood with him on election night when we learned that he had lost both Ohio and New Jersey, and the national election, because old-style Democrats had defected in those key states. I recalled visiting Democratic Rep. Pete Rodino's campaign headquarters weeks earlier in New Jersey and seeing posters of Rodino and Wallace but none of Humphrey.

The shift, and the margin of Democratic loss, became far more dramatic in 1972. I was policy and platform director for George McGovern's campaign. Our organizers and convention delegates were mostly from the generation that had come of age during the 1968 protests. They opposed the Vietnam War. But they were mostly interested in cultural and lifestyle issues—"acid, amnesty and abortion," as Republicans called them, picking up a line that turned out to have originated with McGovern's first running mate, Sen. Thomas Eagleton. Those Democrats gave short shrift to jobs, economic growth, public safety and other traditional voter concerns.

Their successors in the party have continued to focus on cultural issues with limited appeal. Their focus on



THE DENVER POST/GETTY IMAGES

Vice President Hubert H. Humphrey in 1968.

political correctness and conformity has left an impression on traditional Democrats that their party leaders care more about transgender bathroom access than employment, the cost of living, education or public safety. Mrs. Clinton's "deplorables" reference struck home with these voters.

The Democrats' post-1972 evolution also has turned upside down the party's approaches to racial and economic justice. The Great Society approach was to enact laws, such as the Civil Rights and Voting Rights acts, removing legal obstacles to justice. Medicare and Medicaid provided a health-care safety net to the elderly and poor. Job training, early education, nutrition, health and other War on Poverty programs were provided to the poor and only incidentally benefited minorities disproportionately. They were designed to help lift disadvantaged Americans to an equal place at the starting

line—never to guarantee equality at the finish line. We also talked of "equal law enforcement," which would protect citizens in minority neighborhoods while at the same time assuring race-blind treatment of offenders and suspects.

Decades later, urban black communities in particular are in crisis. School dropout and incarceration rates, high black-on-black murder and other crime rates, births out of wedlock far outnumbering intact families, pervasive drug dealing and use, and a disgraceful poverty rate should shame all of us.

The answer to this crisis does not lie in cries of black victimization by police or other authorities. It lies instead with tangible, practical programs like those we launched in the 1960s. We purposefully sought bipartisan sponsorship in Congress and enlisted labor, business, academic and other support in society more broadly. We did it that way because

we believed we were all in it together and had to address priorities together. Most Americans today would agree this is the way to go, but their leaders are offering mainly partisanship and polarization.

Political scientist V.O. Key famously observed that "the voters are not fools." Millions of them, including traditional Democrats, driven by anger and frustration, abandoned their political roots last November to make Donald Trump president. Many probably sensed that chaos and fumbling would follow. By their lights, it was an acceptable price to pay to rid themselves of leaders who had forgotten them.

Congressional Democrats are right to begin construction of an alternative agenda. But as they do so, they must recognize that most Americans are not racist, sexist, ignorant or opposed to alternative lifestyles. Most largely accept the cultural and social changes of the past half-century. To recapture traditional Democratic voters, and attract new ones, Democrats must learn empathy for those who believe they are being mocked for working hard, going to church, serving in the military, and trying to instill moral standards in their children.

Back in the day we spoke admiringly of officeholders and candidates who were "for the people." Those same people now must come to feel again that there are Democrats who understand them, their values and their aspirations and do not view them as cultural inferiors to be manipulated in campaign years. President Trump is not our problem.

Mr. Van Dyk was active for more than 40 years in Democratic administrations and campaigns.

South Africa's Great Reconciliation Is Coming Apart

By F.W. de Klerk

South Africa's "miracle," the great nonracial constitutional accord negotiated in the early 1990s, is in deep trouble. Ten years ago, Jacob Zuma was elected leader of the ruling African National Congress. At the ANC's 2007 national conference, 60% of delegates voted for Mr. Zuma in full knowledge of the 783 outstanding fraud and corruption charges against him.

They chose Mr. Zuma because of his struggle credentials, his charisma and his appeal to African traditionalists. But he turned out to be a far more formidable politician than the ANC's left wing, which assured his victory, had anticipated. Many of the delegates who voted for him now bitterly regret their role in his ascendance.

Mr. Zuma was elected president in 2009, and soon he began to seize personal control of important state institutions by appointing loyalists to lead them. Those under his control include the National Prosecuting Authority, Directorate for Priority Crime Investigation (better known as the "Hawks," South Africa's version of the FBI), the intelligence services, and possibly even the new Public Protector, or state ombudsman.

These institutions are now routinely abused to harass Mr. Zuma's opponents and protect his corrupt friends and allies. Parliament has all too often been an uncritical rubber stamp for his policies. Legislators have failed to exercise proper oversight to prevent corrupt practices.

The erosion of these institutions' independence has released a flood of corruption. Media accounts, along with a report from the former Public Protector, show that the three Gupta brothers, Indian-born business magnates, have played a brazen role in this process. They are closely associated with Mr. Zuma and have allegedly, according to thousands of leaked emails, siphoned hundreds of millions of dollars from state contracts, such as a recent locomotive deal, and redirected millions to finance the lavish wedding of one of their nephews. (The Guptas have denied wrongdoing.)

The ANC's policy of "cadre deployment," its euphemism for appointing party loyalists to key posts despite their lack of skills and experience, also has weakened government departments and debilitated state-owned enterprises. Since 2007, South Africa's government has abrogated bilateral investment treaties with 13 European Union countries. It has adopted a new Mining Charter that

would ratchet up requirements for black shareholding and management, though the policy is now shelved by legal challenges from the mining industry. The Zuma government is adopting legislation to limit land holdings and prohibit foreign ownership of agricultural property. Mr. Zuma has threatened to expropriate white-owned farms without compensation to accelerate land reform.

President Zuma has imperiled the nation. Will his successor be able to turn things around?

These actions, together with Mr. Zuma's decisions to fire two competent and principled finance ministers, have led to recession and discouraged critically needed investment. South Africa's bond ratings have been downgraded to junk.

Finally, the Zuma government is undermining the racial reconciliation that Nelson Mandela worked so hard to establish after 1994. It has adopted an openly hostile attitude toward whites, whom it routinely characterizes as "colonialists" and then blames for its own failures. The ANC

is creating a hostile racial climate to justify a "Radical Economic Transformation" aimed at further restricting white ownership, management and employment in the private sector.

All this will be discussed at the ANC's next national conference, in December. There are two principal candidates to succeed Mr. Zuma, who will be stepping down as the ANC's president after two terms. The first is Nkosazana Dlamini Zuma, his preferred candidate and former wife. The second is the informal candidate of Mr. Zuma's opponents, Deputy President Cyril Ramaphosa, a multimillionaire former businessman and trade unionist. Whoever leads the ANC will succeed Mr. Zuma as South Africa's president if the party wins the next election in 2019.

Inevitably, the ANC will find it difficult to accommodate its divergent factions. Some delegates will want to turn left and follow the South African Communist Party down the road to socialism. Others would prefer to remain on the gravy train of self-enrichment and racial entitlement. Still others want the ANC to return to the constitution and the vision of its founding fathers. Such a split could lead to a new political arrangement, in which South Africans might come together on the basis of shared values and policies, rather than on race.

The good news is that the courts, civil society and media are still free and remain vocal opponents of abuse and corruption. South Africans of all races are increasingly angered by the incompetence and exploitation of the ruling elite. There is a good chance that in future elections they will make their voices heard.

South Africa would then be in a good position to achieve its enormous potential. My country has the world's largest mineral reserves, a strong financial sector and a sophisticated industrial base—and it is at the gateway to Africa, one of the world's fastest-growing markets.

A great deal is at stake. Failure would be devastating across the southern part of the continent. It would have a chilling effect on efforts to solve conflicts elsewhere through peaceful negotiations and solemn agreements. Success, on the other hand, could open South Africa—and the rest of Africa—to First World prosperity and stability. That would be fitting validation for the great nonracial accord concluded with Nelson Mandela and other national leaders 23 years ago.

Mr. de Klerk was president of South Africa, 1989-94. This is adapted from a longer article published by Raddington Report.

Al Gore's Climate Sequel Misses a Few Inconvenient Facts

By Bjorn Lomborg

They say the sequel is always worse than the original, but Al Gore's first film set the bar pretty low. Eleven years ago, "An Inconvenient Truth" hyped global warming by relying more on scare tactics than science. This weekend Mr. Gore is back with "An Inconvenient Sequel: Truth to Power." If the trailer is any indication, it promises to be more of the same.

The former vice president has a poor record. Over the past 11 years Mr. Gore has suggested that global warming had caused an increase in tornadoes, that Mount Kilimanjaro's

glacier would disappear by 2016, and that the Arctic summers could be ice-free as soon as 2014. These predictions and claims all proved wrong.

"An Inconvenient Truth" promoted the frightening narrative that higher temperatures mean more extreme weather, especially hurricanes. The movie poster showed a hurricane emerging from a smokestack. Mr. Gore appears to double down on this by declaring in the new film's trailer: "Storms get stronger and more destructive. Watch the water splash off the city. This is global warming."

This is misleading. The Intergovernmental Panel on Climate

Change—in its Fifth Assessment Report, published in 2013—found "low confidence" of increased hurricane activity to date because of global warming. Storms are causing more damage, but primarily because more wealthy people choose to live on the coast, not because of rising temperatures.

Even if tropical storms strengthen by 2100, their relative cost likely will decrease. In a 2012 article for the journal *Nature Climate Change*, researchers showed that hurricane damage now costs 0.04% of global gross domestic product. If climate change makes hurricanes stronger, absolute costs will double by 2100. But the world will also be much wealthier and less vulnerable, so the total damage is estimated at only 0.02% of global GDP.

In the trailer, Mr. Gore addresses "the most criticized scene" of his previous documentary, which suggested that "the combination of sea-level rise and storm surge would flood the 9/11 Memorial site." Then viewers are shown footage of Manhattan taking on water in 2012 after superstorm Sandy, apparently vindicating Mr. Gore's claims. Never mind that what he actually predicted was flooding caused by melting ice in Greenland.

More important is that Mr. Gore's prescriptions—for New York and the globe—won't work. He claims the answer to warming lies in agreements to cut carbon that would cost trillions of dollars. That would not have stopped Sandy. What New York really needs is better infrastructure: sea walls, storm

doors for the subway, porous pavement. These fixes could cost around \$100 million a year, a bargain compared with the price of international climate treaties.

Mr. Gore helped negotiate the first major global agreement on climate, the Kyoto Protocol. It did nothing to reduce emissions (and therefore to rein in temperatures), according to a March 2017 article in the *Journal of Environmental*

Eleven years after his first climate-change film, he's still trying to scare you into saving the world.

Economics and Management. Undaunted, Mr. Gore still endorses the same solution, and the new documentary depicts him roaming the halls of the Paris climate conference.

By 2030 the Paris climate accord will cost the world up to \$2 trillion a year, mostly in lost economic growth, according to the best peer-reviewed energy-economic models.

It will remain that expensive for the rest of the century. This would make it the most expensive treaty in history.

And for what? Just ahead of the

Paris conference, the United Nations Framework Convention on Climate Change estimated that if every country fulfills every promised Paris carbon cut between 2016 and 2030, carbon dioxide emissions will drop by only 60 gigatons over

that time frame. To keep the temperature rise below 2 degrees Celsius, the world must reduce such emissions nearly 6,000 gigatons over this century, according to the IPCC. A "successful" Paris agreement wouldn't even come close to solving the problem.

Mr. Gore argues that the Paris approach pushes nations and businesses toward green energy. Perhaps, but the global economy is far from ready to replace fossil fuels with solar and wind. The International Energy Agency, in its 2016 *World Energy Outlook*, found that 0.6% of the world's energy is supplied by solar and wind. Even with the Paris accord fully implemented, that number would rise only to 3% in a quarter-century.

In part because of activists like Mr. Gore, the world remains focused on subsidizing inefficient, unreliable technology, rather than investing in research to push down the price of green energy. Real progress in Paris could be found on the sidelines, where philanthropist Bill Gates and others, including political leaders, agreed to increase spending on research and development. This is an important start, but much more funding is needed.

Mr. Gore declares in his new film that "it is right to save humanity." No argument here. But is using scare tactics really the best way to go about it?

Mr. Lomborg is the president of the Copenhagen Consensus Center and the author of "The Skeptical Environmentalist" and "Cool It."

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp
Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancy, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

Robert Thomson
Chief Executive Officer, News Corp
William Lewis
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:

Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer & CFO;

Katie Vannbeck-Smith, President

OPERATING EXECUTIVES:

Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitmann, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Jonathan Wright, International

DJ Media Group;

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business;

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head

DOW JONES
News Corp

WORLD NEWS

German-Turkish Relations Grow Tenser

Detentions in Turkey heighten strains; Berlin declines to extradite generals

In early June, Turkish President Recep Tayyip Erdogan hosted German Foreign Minister Sigmar Gabriel and made an unusual offer, according to

By Andrea Thomas
and Anton Troianovski
in Berlin and Ned Levin
in Istanbul

German officials briefed on the exchange: extradite two Turkish generals who had applied for asylum in Germany, and receive a detained German-Turkish journalist in return.

According to the German officials, Berlin rejected the offer. A senior Turkish official, meanwhile, denied it was ever made and officials at the Turkish president's office didn't respond to requests for comment. But that meeting did nothing to soothe the strain in one of Europe's most important alliances.

After a year of slights, barbs and misunderstandings, both sides are now girding for a showdown that could rattle the European Union, alter the fight on terrorism and escalate the refugee crisis.

Turkey has made some efforts to calm the waters in recent days, but tensions continued to run high this week. Mr. Erdogan said in parliament that if any country implemented economic sanctions against Turkey, as Germany had threatened to do, "you'll have to take bigger consequences into account." A Turkish pro-government newspaper put a swastika on an image of Chancellor Angela Merkel on its front page. The headline: "Worse than Hitler."

German officials and politicians said they were prepared for the spat to get worse. Advisers who can moderate Mr. Erdogan, they said, have lost virtually all influence in An-



Turkish President Recep Tayyip Erdogan gestured toward German Chancellor Angela Merkel at the Humanitarian Summit 2016 in Istanbul in May of last year.

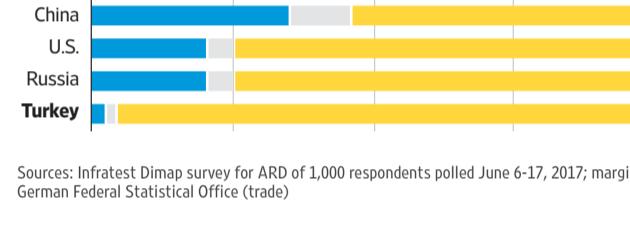
KAYHAN OZER, PRESS POOL

Despite Close Ties, a Trust Deficit

Even before the Germany-Turkey dispute escalated this month, the vast majority of Germans thought the country couldn't be trusted. Germany is Turkey's biggest trading partner and the commercial relationship has deepened in recent years.

Can the following countries be trusted as Germany's partners?

■ Yes ■ Undecided ■ No



Sources: Infratest Dimap survey for ARD of 1,000 respondents polled June 6-17, 2017; margin of error between 1.4 - 3.1 percentage points (poll). German Federal Statistical Office (trade)



THE WALL STREET JOURNAL.

kara; and Turkey's ambition to become a bigger player in the Middle East in its own right diminishes the weight placed by Turkish leaders on good ties with the EU, they said.

"The entire framework has

changed," said German lawmaker Rolf Mützenich, a foreign-policy specialist for the center-left Social Democrats. "The best we can do currently is damage control."

Turkish officials said Tur-

key hadn't altered its policy on Germany.

On July 5, on an island near Istanbul, came a pivotal moment in the drawn-out German-Turkish split: Turkish police stormed a seminar on data

protection and detained a German Amnesty International activist, Peter Steudtner. He and five others were later charged with aiding terrorism, a charge Amnesty has described as absurd.

The arrest—the first of a German national with no prior link to Turkey—convinced Berlin that Ankara wasn't interested in repairing the bilateral relationship, according to a senior German official. After the arrest Mr. Gabriel broke off a vacation and said, "We cannot carry on as before."

Ms. Merkel backed Mr. Gabriel's tough line even though their two parties are competing ahead of Germany's Sept. 24 national election. Mr. Steudtner's detention represented "the latest case in which, from our perspective, innocent people" had landed behind bars in Turkey, she said.

Turkish officials maintain that the arrests of Mr. Steudtner and other German citizens, including Deniz Yucel, the reporter arrested in February on terror charges and reportedly offered in exchange for the extradition, are part of an independent judicial process.

Mr. Yucel is accused of spreading propaganda for a terrorist group, related to his reporting on the Kurdistan Workers' Party, according to his newspaper, Die Welt. Mr. Yucel has denied the charges.

Mr. Steudtner faces a trial on charges of aiding a terror group, even though German officials say he had never gone to Turkey for work before the seminar earlier this month on information security.

"Turkish-German relations have a long history and there is no reasonable ground to break them now," Ibrahim Kalin, spokesman for the Turkish presidency, wrote in a newspaper column published Monday.

—Erdem Aydin contributed to this article.

U.K. Ministers Agree To Brexit Transition

BY STEPHEN FIDLER

It took a while, but British government ministers have finally got their messages aligned over an issue many businesses regard as vital. Finally speaking with one voice, they said Britain would seek a multiyear transitional agreement with the European Union to reduce the economic uncertainty around Brexit.

From either side of the Brexit divide inside Prime Minister Theresa May's government, ministers publicly backed an intermediate period post-Brexit before the U.K. fully separates from the EU. That would help firms adjust to leaving the bloc's regime of zero tariffs and common regulation, and provide time for customs and other parts of the bureaucracy to cope.

They found common cause partly in recognition that it would be impossible, in the 20 months left before Brexit, to

porarily inside the bloc's single market and customs union.

The EU insists that free movement of goods, services, capital and labor come as a package. If you want to stay in the EU's single market and enjoy free movement of services, goods and capital, as many businesses are demanding, then labor comes as part of the deal.

It would be tough for London to persuade the bloc to make concessions to a non-member of the EU, like the U.K. after Brexit day, that it wouldn't grant to a member.

The real problem with a transitional arrangement has lain with Britain's most eager EU-leavers, many of whom are in the governing Conservative Party. For them, staying in the single market would extend the agony of the jurisdiction of the European Court of Justice that polices it, and mean Britain would have to keep accommodating EU workers.

It would also mean continued U.K. contributions into the EU budget—a prospect Brexiteers hate but that provides a big incentive for the EU to accept a transition. Such a deal would keep a large net payer in the fold for a while longer and postpone a big impending fight between net contributors and recipients of EU funds over the bloc's spending.

A transition would also likely mean delaying the implementation of any trade agreements the U.K. negotiates with non-EU countries such as the U.S. Since customs unions impose common tariffs on goods coming from outside, members can't negotiate away tariffs with third parties.

Ministers have been talking of a three-year transition, allowing the U.K. to be free of its EU entanglements by the next scheduled U.K. general election in 2022.

U.S. President Donald Trump might thus be able to sign a trade accord with the U.K. during his first term of office. But he would have to win the 2020 election to oversee its implementation.

British firms want time to adjust to leaving the bloc's regime of zero tariffs.

negotiate a wide-ranging permanent trade and economic agreement with the EU and have it ratified by the more than 30 national and regional parliaments that must do so.

In fact there was unity only up to a point. On Thursday, immigration minister Brandon Lewis told the British Broadcasting Corp. that "Free movement of labor ends when we leave the European Union in the spring of 2019."

If Mr. Lewis is really ruling out free movement of labor from the EU on Brexit day, he is also probably ruling out the most likely and practical transition deal with the EU, one that would keep the U.K. tem-

France Fends Off Italian Control by Nationalizing Atlantic Shipyard



PARIS—Emmanuel Macron's government said it would temporarily nationalize the STX France shipyard to stop Italian company Fincantieri SpA taking majority control, a move that sparked tensions between Paris and Rome.

The French government said it

would use its pre-emption rights to take 100% control of the shipyard at Saint-Nazaire on France's Atlantic coast, just days before Italian state-controlled Fincantieri was to take a 66.7% stake from South Korea's STX Offshore & Shipbuilding. The French state already owns 33.3% of STX France.

(Above, Mr. Macron on a visit to

the shipyard in May.)

"The decision has one sole objective: defend France's strategic interests in shipbuilding," said French Finance and Economy Minister Bruno Le Maire. The move will cost the state around €80 million (\$93.9 million).

The Italian government de-

scribed the seizure as "grave and incomprehensible."

A Fincantieri spokesman said the company had no immediate comment. Fincantieri was the sole candidate to buy STX Offshore & Shipbuilding's share in STX France as part of a court-ordered restructuring process of the Korean shipbuilder.

—William Horobin

and Giovanni Legorano

Police Eye Local Council Over London Fire

BY JENNY GROSS

LONDON—Police investigating the deadly blaze at Grenfell Tower said there were grounds to suspect the local council that oversaw the building's management may have committed corporate manslaughter, according to a letter sent to residents.

Police said they notified the Royal Borough of Kensington and Chelsea and the Kensington and Chelsea Tenant Management Organization, which

managed the building, that after an initial assessment, there were "reasonable grounds" to suspect the organizations.

Police said they would interview officials from both organizations in relation to the potential offense once all the relevant facts had been gathered.

London's Metropolitan Police is investigating the cause and spread of the fire at Grenfell Tower in June, in which at least 80 people were killed. The blaze at the 24-story

apartment block in West London started in a refrigerator-freezer before it rapidly spread across the building.

Police on Thursday said the criminal investigation would be complex, far-reaching and would take "a considerable time to complete."

"Alongside the recovery operation in Grenfell Tower to find, recover and identify all those that died, we are conducting one of the largest criminal investigations outside of counter terrorism opera-

tions," the letter said. "We have seized a huge amount of material and taken a large number of witness statements."

Corporate manslaughter is an offense under the Corporate Manslaughter and Corporate Homicide Act of 2007, which took effect in 2008, and prosecutions have in the past resulted in fines for corporations found guilty.

The Royal Borough of Kensington and Chelsea couldn't be reached for comment.

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Friday, July 28, 2017 | B1

S&P 2475.42 ▼ 0.10%

S&P FIN ▼ 0.53%

S&P IT ▼ 0.82%

DJ TRANS ▼ 3.11%

WSJ \$IDX ▲ 0.38%

LIBOR 3M 1.311

NIKKEI (Midday) 19994.54 ▼ 0.42%

See more at WSJMarkets.com

Amazon's Expansion Costs Take a Toll

Profit tumbles 77% as retailer pours funds into new warehouses, data centers and Alexa

By LAURA STEVENS

Amazon.com Inc. said quarterly profit fell 77% even as sales jumped, a sign of the high cost of its increasing dominance of retail.

The Seattle-based retailer eked out its smallest quarterly profit in nearly two years. The company reported \$197 million in profit on \$38 billion in sales in the second quarter as it spent on new warehouses and delivery capacity for its retail business and data cen-

ters for cloud services. The company also poured funds into hiring engineers to work on its artificial intelligence Alexa service as well as warehouse workers.

"We are continuing to invest in businesses that will achieve four goals...Customers love them, they can grow to be large, they have strong financial returns and they are durable and can last for decades," Chief Financial Officer Brian Olsavsky said on a media call. "That is, in essence, our investment philosophy."

Amazon's 25% sales growth comes at the expense of traditional retailers, which are struggling with declining foot traffic and the shift of consumer spending online. At a

time when Amazon is investing heavily and expanding, other retailers are saddled with high debt loads and falling sales, forcing them to close stores and cut jobs—and extending Amazon's advantage.

"Amazon is a great disrupter in traditional retail," said Trip Miller, founder and managing partner at Amazon investor Gullane Capital LLC. "Everyone is pivoting and trying to change their game to deal with Amazon. I would hate to be the competition in anything they get involved in."

Amazon's stock price was down 2.3% in after-hours trading as the company missed profit and guidance expectations, a tempered reaction given that other retail stocks

often drop in the double digits when Amazon makes a move to compete in the same market. Amazon shares, which finished Thursday at \$1,046, were up about 39% year to date at the close.

Amazon is now making a big push into brick-and-mortar, something expected to further hurt traditional retail competitors. Last month, Amazon announced a \$13.7 billion including debt acquisition of Whole Foods Market Inc., catapulting it into a major player in brick-and-mortar retail and grocery. Whole Foods reported Wednesday that comparable

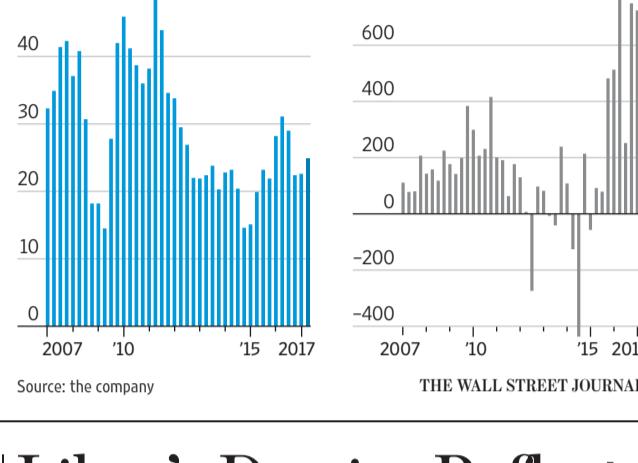
Please see **AMAZON** page B2

◆ Heard on the Street: Amazon's growth bill comes due..... B12

Expensive Growth

Earnings for the e-commerce giant fell despite 25% growth in sales in the most recent quarter.

Revenue, year-over-year change

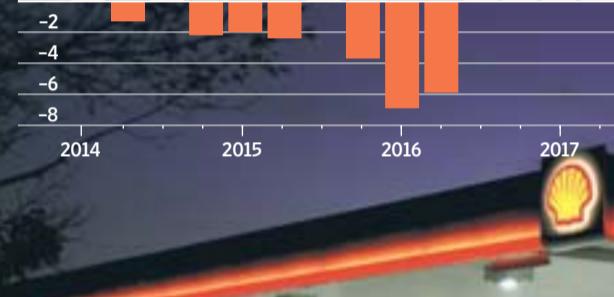


Source: the company

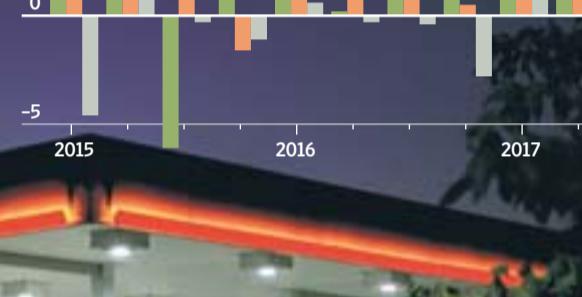
THE WALL STREET JOURNAL.

Pumping Cash

Shell has improved its cash cover* in the past year.



Other European energy companies are also making a comeback.



*Cash left over after paying cash dividends and capital expenses

Sources: S&P Global Market Intelligence, WSJ analysis (cash flow); the companies (profits)

THE WALL STREET JOURNAL.

Shell Girds for 'Lower Forever' Oil

By SARAH KENT

LONDON—Royal Dutch Shell PLC presented a pessimistic vision for the future of oil on Thursday, even as the company reported success in generating cash during a prolonged energy downturn.

Shell has cut costs and said it is preparing for a world in which crude prices may never regain precrash levels and petroleum demand declines.

Shell CEO Ben van Beurden said the company has a mindset that oil prices would remain "lower forever"—a riff on the "lower for longer" mantra the industry adopted

for a price slump that has proved unexpectedly lasting.

"We have to have projects that are resilient in a world where oil has peaked," Mr. van Beurden told reporters on a conference call discussing the company's second-quarter financial results. "When it will happen we don't know, but that it will happen we are certain."

The views of the British-Dutch oil company reflect the transition under way in a global energy industry grappling with the twin forces of an oil-supply glut and a looming consumer shift away from petroleum. These trends are even more pronounced for oil

companies in Europe, where local and national governments are trying to phase out vehicles with internal-combustion engines, encourage electric automobiles and reduce overall carbon emissions.

Experts differ on the timing of peak oil demand. In its most-guarded scenario, Shell sees oil peaking within the coming decade. The International Energy Agency says the timing will be more like 2040. The advent of declining demand—after decades of unrelenting growth—would likely erode the value of oil and the companies that produce it.

On the other hand, U.S. en-

ergy giants such as Exxon Mobil Corp. and Chevron Corp. have said peak oil demand is still far off. And even when oil consumption eventually stops growing, Shell isn't expecting it to drop off a cliff.

"It doesn't mean it's game over straight away," Mr. van Beurden said. "There will be a continued need for investment in oil projects."

Mr. van Beurden's comments are broadly in line with Shell's overall strategy of moving toward producing fuel for electricity, such as natural gas and even renewables, and focusing on keeping costs low.

Please see **SHELL** page B2

Libor's Demise Reflects Era of Runaway Greed

By DAVID ENRICH

The world's most important number will be no more.

Libor—the London interbank offered rate—was created in 1986 to help banks set interest rates on big corporate loans.

Thirty-one years later, a top U.K. banking regulator said the benchmark would be phased out over the next five years.

Libor is calculated by asking banks how much it theoretically would cost them to borrow money from other banks. It wasn't designed to be anything more than an invisible bit of financial wiring, hidden deep below the surface of the banking system. Nobody expected it to become a foundation of global finance or a synonym for one of the era's biggest banking scandals.

Libor started out as a symbol of the clubby and arguably incestuous world of London banking in the 1970s and '80s. Libor was based on something resembling an honor system.

Libor quickly came to symbolize much more: the globalization of finance and the adrenaline-crazed, anarchic environment that overtook the banking system in the years leading up to the financial crash last decade.

Banks, driven by a rational desire for ever-increasing profits, rushed to create new-fangled products that their traders used to place bets on the future direction of interest rates and many other trends, and Libor became a crucial ingredient. The lobbyist group that ran Libor, the British Bankers' Association, hungered for new revenue sources and concocted dozens of new flavors of its product, across different currencies and time

periods.

By the late 1990s, the once-obscure benchmark expanded to a core component of trillions of dollars of derivatives and other financial contracts.

Meanwhile, American banks adopted Libor to determine what borrowers paid on variable-rate mortgages, student loans and, more recently, credit cards. Libor soon was buried in the fine print of countless contracts all over the world.

Because most derivatives aren't traded on public exchanges, it is hard to say exactly how vast Libor's reach is, but studies have estimated

\$10B

The rough amount banks paid in penalties related to Libor

that hundreds of trillions of dollars of financial contracts world-wide are based on the benchmark.

That was great news for the BBA, which triumphantly coined the phrase "the world's most important number." That wasn't much of an exaggeration.

The London lobbying group was unregulated, and so was its primary product. A gusher of licensing fees poured into the BBA, which used the funds to push a deregulatory agenda.

But Libor was rife with problems. Its method of calculation—the BBA simply asked banks to estimate how much it might cost them to borrow—was inexact at best. And the lack of government supervision

Please see **LIBOR** page B10

Uber Weighs Immelt At GE as Next Chief

By GREG BENINGER

Uber Technologies Inc. is considering General Electric Co. Chief Executive Jeff Immelt among a handful of candidates for its top position, according to a person familiar with the matter.

The ride-hailing company's five-member search committee has had active discussions with Mr. Immelt, this person said. Mr. Immelt is relinquishing his role as GE's leader at the end of the month and will remain chairman through year-end.

Representatives for GE and Uber declined to comment.

Mr. Immelt is among the most-seasoned executives that Uber has approached in the past five weeks since investors orchestrated a dramatic revolt to push out co-founder Travis Kalanick following a series of scandals at the eight-year-old company. Mr. Kalanick remains on the board and is a member of the search committee.

The hurried search process, which Uber hopes to wrap up by Labor Day, has whittled the

candidates down to just a few names, people familiar with the matter said, including Meg Whitman, the CEO and chairman of **Hewlett Packard Enterprise** Co.

On Thursday night, Ms. Whitman took her name out of the running, tweeting that she won't be the next CEO at Uber. "Normally I do not comment on rumors, but the speculation about my future and Uber has become a distraction," she wrote. "So let me make this as clear as I can. I am fully committed to HPE and plan to remain the company's CEO...Uber's CEO will not be Meg Whitman."

It isn't clear the degree to which Mr. Immelt is interested in the embattled company's top job, which would be a change for the veteran executive who runs a business that dwarfs Uber by revenue. It is possible Mr. Immelt or the other candidates could withdraw their names from consideration, these people said. Bloomberg News earlier reported the executive

Please see **UBER** page B6

INSIDE



BUD LIGHT LOSES ITS WAY IN U.S.

MARKETING, B3



BEARS PLUNGE AHEAD AGAINST RETAIL

SHORT SELLING, B11

HEARD ON THE STREET By Justin Lahart

Bull Market's Growth Trouble

Boom and Bust

Cumulative total return from the end of 1996 through 2002

■ S&P 500 Growth Index

■ S&P 500 Value Index

250%

200

150

100

50

0

'96 '97 '98 '99 '00 '01 '02

Source: FactSet

and price-to-book ratios, has returned 6%. Nor is this just about investors' infatuation with the S&P's Gang of Four —growth stocks'

outperformance extends to the shares of midsized and small companies.

The narrow preference for

growth may be a sign that

we are in the late stages of

the economic cycle, says Société Générale quantitative

strategist Andrew Lapthorne.

Late in economic expansions, earnings growth slows and profit margins narrow. That puts a premium on companies that are able to keep generating growth. Indeed, in the latter stages of both the bull market that ended in 2007 and the one that ended in 2000, growth stocks outperformed.

Investors have become ruthless with companies that aren't growing rapidly enough. On Thursday, Whirlpool fell 6.3% and F5 Networks fell 7.2% after their growth rates failed to satisfy investors.

Even if we are in the last stage of the economic cycle, it is impossible to know how long that stage will last.

Growth stocks had only a brief period of outperformance in 2007 before the financial crisis. But rapidly growing companies led the market for three years during the tech bubble. The rally in growth stocks will probably end badly, but it also may only have just begun.

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

Adobe Systems.....B11
Advanced Micro Devices.....B4,B11
Airbus.....B3
Air France-KLM.....B3
Alphabet.....B1,B4,B12
Amazon.com.....B1,B2,B11,B12
Anheuser-Busch InBev.....B3
Apple.....B1,B4,B6
AstraZeneca.....B5,B12
AT&T.....B12

B

Bain Capital.....B4
Bank of America.....A6
Biogen.....B6
BMC Software.....B4
Boeing.....A1,B11
Boingo Wireless.....B12
Bristol-Myers Squibb.....B12

C

CA.....B4
Canary Wharf Group.....B4
Carlyle Group.....B10
Carrier.....B6
CenturyLink.....B12
Cheung Kong Property Holdings.....B4
China Eastern Airlines.....B3
CK Infrastructure Holdings.....B4
Coca-Cola.....A2
Comcast.....B5
CSX.....A2
CVC Capital Partners.....B4

D - E

Dalian Wanda Group.....B2
Delta Air Lines.....B3
Deutsche Bank.....B10
Deutsche Lufthansa.....B3
Diageo.....B3
Dow Chemical.....A1
eBay.....B12
Emirates Airline.....B3
Expedia.....A1

F

F5 Networks.....B1

Facebook.....B1,B11,B12

FedEx.....B5

Fidelity Investments.....A1,B4

Fincantieri.....A16

Fleurette Group.....B6

G

Gecamines.....B6

Glencore.....B6

Golden Gate Capital.....B4

Goldman Sachs Group.....A1

H

Hasbro.....A2

Hewlett Packard Enterprise.....B1

Hilton Worldwide Holdings.....B10

hiQ Labs.....B4

HNA Group.....B10

Huawei Technologies.....B4

I

Intel.....A1,B4,B11

International Business Machines.....A3

Invesco.....B11

Ista International.....B4

J - K

JetBlue Airways.....B5

Johnson & Johnson.....B6

KKR.....B10

Kohl's.....B11

Kroger.....B10

L

Land Securities Group.....B4

Level 3 Communications.....B12

LinkedIn.....B4

LKK Health Products.....B4

M

Mastercard.....B10

Merck.....B12

Mercury Research.....B4

Microsoft.....B12

Mobileye.....B4

Monness, Crespi, Hardt.....B3

Morgan Stanley.....A1

MSCI.....B12

N - P

Nordstrom.....B11

Nvidia.....B4,B11

Pfizer.....B5,B6

Plug Power.....A2

Pratt & Whitney.....B3

Q

Otting, Joseph.....B10

H

Hanrahan, Alan.....B6

Hogan, Art.....B12

Huffington, Arianna.....B6

I - J

Immelt, Jeff.....B1

Johri, Akhil.....B3

K - L

Kanno, Ryoji.....B6

Laphorne, Andrew.....B1

Li, Ka-shing.....B4

M

Martello, Wan Ling.....B6

Milanesi, Carolina.....B6

Miller, Trip.....B1

Musk, Elon.....B4

N

Nuttall, Scott.....B10

O

Odean, Terrance.....A6

Olsavsky, Brian.....B1

Y

Yu, Richard.....B4

SHELL

Continued from the prior page

The company now produces more gas than oil. It is also building a massive wind farm off the Dutch coast and envi-

ronments spending as much as \$1 billion a year on developing new energy sources such as renewables by the end of the decade.

Despite Shell's warnings on oil, the company posted what analysts said was a strong second quarter. Shell's equivalent of net profit rose to \$1.9 billion from \$239 million a year earlier and its cash flow from

operations—a metric that has

become increasingly important to investors—soared to \$11.3 billion. The company said it

generated \$38 billion of cash from its business over 12 months, enough to cover divi-

dend payments and pare debt.

In the first quarter of last

year when oil hit its nadir of

\$27 a barrel, Shell's cash flow

fell to just \$700 million. Oil's

fragile recovery to around \$50

a barrel has helped the sector,

but Shell and its peers have

also engaged in aggressive ef-

forts to bring down costs. "We

are getting fit for the 40s,"

Mr. van Beurden said, refer-

ring to a world in which oil

trades below \$50.

By Kosaku Narioka,

Takashi Mochizuki

and Peter Landers

People involved in talks over

Toshiba's workout, including

business partners, lawyers and

people with ties to the com-

pany's main bankers, said

banks are pushing for a Toshiba

bankruptcy filing as the best

path to rebirth after its effort

to raise money through a chip-

unit sale stalled.

H

Priceline.....A2

Procter & Gamble.....B5

R

Robert Half International.....A2

Royal Dutch Shell.....B1

S

Samsung Electronics.....B4

Singapore Airlines.....B3

SK Hynix.....B2

SkyBridge Capital.....B10

Snap.....B1

Sony Pictures Entertainment.....A6

Southern.....B2

Southwest Airlines.....B5

SpaceX.....B4

Staples.....B4

Starbucks.....B5

STX France.....A16

Sunac China Holdings.....B2

Sycamore Partners.....B2

T

Target.....B2

Tesla.....B11

T-Mobile US.....B5

Toshiba.....B2

Toyota Motor.....B6

Trican Fund Management.....B5

Twitter.....B3,B12

U

Uber Technologies.....B1

United Parcel Service.....B5

United Technologies.....B3

United Therapeutics.....B6

U.S. Cellular.....B12

V

Verizon Communications.....B5,B11,B12

Virgin Atlantic Airways.....B3

Virgin Group Holdings.....B3

VISA.....B1

W

Wal-Mart Stores.....A2,B2

WebMD Health.....B10

Western Digital.....B2

Westinghouse Electric.....B1

W

Waddell, M. Keith.....A2

Waller, Kathy.....A2

Wang, Jianlin.....B2

Whitman, Meg.....B1

Y

Yu, Richard.....B4

BUSINESS & FINANCE

Mogul's Hollywood Dream Shrinks

By WAYNE MA

BEIJING—Chinese billionaire Wang Jianlin was on the verge last year of becoming the entertainment industry's newest mogul, snapping up prime media assets and setting his sights on a major Hollywood studio.

But that breakthrough now seems remote with the \$13 billion sale of assets by Mr. Wang's majority-owned company **Dalian Wanda Group** to **Sunac China Holdings Ltd.**

Buried in the fine print of filings related to the asset sale is the disclosure that Mr. Wang is unloading his nascent sound-stage business, known as Wanda Studios. The 30 film and TV sound stages are part of the Qingdao Movie Metropolis entertainment complex that Mr. Wang was building in the seaside city of Qingdao.

Once billed as a \$7.4 billion project with production facilities, a studio tour, outdoor theme park, yacht club and hotels, the Qingdao Movie Metropolis was the focal point of Mr. Wang's filmmaking ambitions.

In 2013, he flew Hollywood luminaries including Leonardo DiCaprio, Nicole Kidman and John Travolta to Qingdao for a red-carpet launch event and vowed to make China the global center of filmmaking.

BUSINESS NEWS

Growth Eludes Twitter, Shares Tumble

Site fails to add users, and revenue declines for the second time since IPO in 2013

BY GEORGIA WELLS

Twitter Inc. shares sank 14% on Thursday after the company reported no meaningful increase in users since getting a bump from the U.S. presidential election, stressing the challenges the social-media company faces in reviving growth.

The number of people using Twitter monthly remained at 328 million from the first quarter to the second quarter and was up only 5% from a year earlier, the company said in reporting its latest earnings. In the first quarter, Twitter added 9 million monthly users, as activity picked up following the election of Donald Trump as president.

The U.S. was a weak spot for the company, Twitter operating chief Anthony Noto said in a conference call with analysts.

Twitter's number of monthly users in the U.S. declined by 2 million during the latest quarter to 68 million.

"It's clear the boost to user growth and engagement from Trump's election was a one-time deal," said James Cakmak, an analyst at the research firm **Monness, Crespi, Hardt & Co.**

Prior to the election bump, Twitter had been adding 5 million or fewer users each quarter for nearly two years. Analysts had anticipated a return to the norm in the second quarter, with fewer than a million users joining in, according to FactSet.

In the face of skimpy user growth, Twitter has been pushing Wall Street to focus on daily engagement as a more likely avenue for reviving revenue, which fell in the second quarter.

Daily active users were up 12%, the third straight quarter of double-digit increases from a year earlier. The company doesn't disclose the base number of people.

Mr. Noto said there is plenty

of room to drive daily-user growth even if the monthly-users tally stays flat, but suggested Twitter faces tougher comparisons after eight quarters of strong numbers. The latest rate was down from a 14% increase in the first quarter.

Since the start of the year, Twitter has lost more than eight executives. On the call, Twitter Chief Executive Jack Dorsey said he spends most of his time recruiting. "We are looking for more engineering and product leadership throughout the company," he said.

Revenue slid 5% to \$574 million, the second time it has declined since the company went public. Global ad revenue, which makes up about 85% of overall revenue, fell 8%.

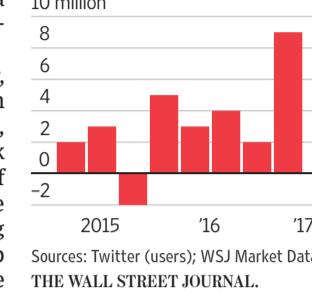
"The weakness in advertising revenue growth for Twitter is kind of shocking," said Michael Nathanson, senior research analyst at MoffettNathanson.

"They are growing less than television and newspaper advertising."

Zero Quarter

Twitter's election-fueled jump in users was brief

World-wide quarterly net change in monthly active users



Sources: Twitter (users); WSJ Market Data Group (share price)

THE WALL STREET JOURNAL

Twitter share price



Thursday \$16.84 ▼14%

THE WALL STREET JOURNAL

hanna Financial Group analyst Shyam Patil said for the first time in a long time he is starting to hear positive feedback from advertisers about Twitter, specifically around video ads.

Twitter, which has posted losses every quarter since going public in November 2013, said its second-quarter loss widened to \$116 million from \$107 million a year earlier. The results included a \$55 million charge related to its investment in SoundCloud Ltd.

Excluding certain expenses such as stock-based compensation, Twitter said it earned 8 cents a share. The company said it altered how it calculates income taxes in accordance with Securities and Exchange Commission guidance; otherwise the earnings figure would have been 12 cents a share.

Analysts had expected Twitter to report \$536.6 million in revenue and 5 cents a share in adjusted profit, according to S&P Global Market Intelligence. Twitter shares, which originally priced at \$26, closed Thursday at \$16.84.

Twitter has said the weakness in revenue stems partly from its winding down less-profitable parts of its advertising business, such TellApart, an ad-targeting firm it acquired in 2015. Twitter said it doesn't expect revenue growth to pick up in the second half of 2017.

One bright spot was engagement around live video, a crucial piece of Twitter's strategy. In the second quarter, Twitter

streamed more than 1,200 hours of live video, with 55 million unique viewers tuning in, up from 45 million from the preceding quarter. The company recently announced a range of streaming deals with companies including Buzzfeed and MLB Advanced Media. Twitter said video remains its largest and fastest-growing ad format.

In a research note ahead of the earnings report, Susque-

Airbus Scales Back Production Plans For Superjumbo Jet

BY ROBERT WALL

LONDON—European plane maker **Airbus SE** again cut production plans for its A380 superjumbo, bringing nearer to an end the era of the big, four-engine long-haul jets closely associated with the rise of global jet-setting.

Boeing Co. pioneered the age with the introduction of the iconic 747 jumbo jet, which entered service in 1970. But the latest model, the 747-8, has sold poorly. The Chicago-based plane maker has cut production plans and said it could cease building the humped-back jet.

Airbus said it would build

big planes has softened in recent months.

Airbus now loses money on every A380 built, though Mr. Enders said cost-cutting efforts mean the impact on earnings is marginal.

The plane maker has sold 317 A380s with **Emirates Airline** alone ordering 142 of them. The future of some A380 deals in the backlog are uncertain.

The company is also contending with supplier issues that are hobbling deliveries of some of its more popular planes. Delivering new planes smoothly underpins its promise to investors that earnings and cash flow will improve toward the end of the decade.

Lower deliveries of those planes, particularly the A320neo single-aisle jetliner that has a record backlog of orders and the A350 long-range jet, dragged on the company's second-quarter earnings Thursday. Airbus reported a 34% fall in net income to €895 million (\$1.05 billion).

The company also suffered about €2 billion in cash outflow in the first six months of 2017.

Airbus did, however, stick to its full-year guidance, including delivering about 720 jetliners. That would include close to about 200 A320neo models, which Mr. Enders said was contingent on engines being available. Airbus said meeting its targets was now "more challenging."

Mr. Enders expressed frustration with continued problems **Pratt & Whitney**, a unit of **United Technologies Corp.**, was having with the engines it makes for the A320neo.

The engine maker delivered to Airbus far fewer engines than it should have in the first six months and reliability problems haven't been fixed, the Airbus CEO said.

United Technologies Chief Financial Officer Akhil Johri this week said supply chain issues had been addressed and reliability issues would make for the A320neo.

The engine maker delivered to Airbus far fewer engines than it should have in the first six months and reliability problems haven't been fixed, the Airbus CEO said.

Airlines have shied away from the big, expensive planes, worried about filling all the seats. They have instead flocked to more efficient, twin-engine long-range jets such as Airbus's A350 and Boeing's 787 Dreamliner and 777. Even demand for those

Airlines are shunning the big, expensive planes, worried about filling all the seats.

only eight of its double-decker A380 a year from 2019. It had already cut production plans to 12 planes starting next year from 15 planned in 2017. Production of the aircraft, which have a list price of \$436.9 million each, peaked at 30 aircraft in 2014.

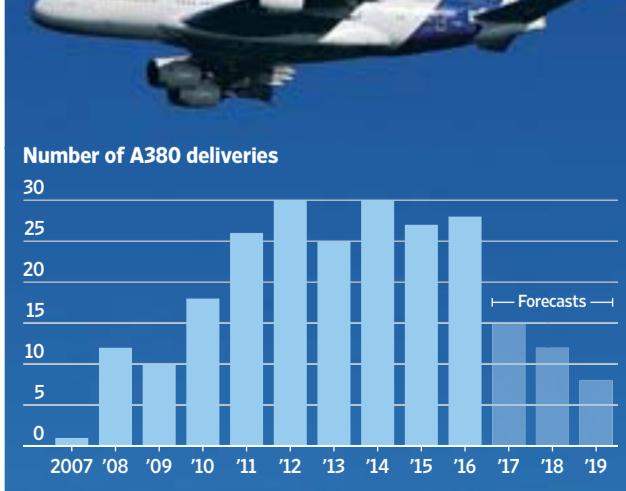
"The situation is certainly not comfortable," Airbus Chief Executive Tom Enders said, adding that there were sales prospects, but "not many."

Singapore Airlines, the first operator of the plane, has said it wouldn't renew the lease of its first A380s and planned to retire some starting next year. Other airlines, including **Air France-KLM SA** and **Deutsche Lufthansa AG** have reduced orders.

Airlines have shied away from the big, expensive planes, worried about filling all the seats. They have instead flocked to more efficient, twin-engine long-range jets such as Airbus's A350 and Boeing's 787 Dreamliner and 777. Even demand for those

Sharp Descent

Airbus is cutting A380 production amid a prolonged order drought.



Longer-term struggles in the crucial U.S. market threaten to overshadow the international brewery giant's shorter-term gains.

AB InBev's U.S. Market Share Sags

BY NICK KOSTOV

Bud Light's long-running turnaround is still falling flat.

Anheuser-Busch InBev NV, the world's largest brewer by sales, said its best-selling brand in the U.S. lost almost a full percentage point of market share in the three months to June 30—a steeper-than-expected retreat in a beer guerrilla war usually fought in tenths of a percentage point.

Budweiser also lost market share—more than one-third of a percentage point in the U.S.

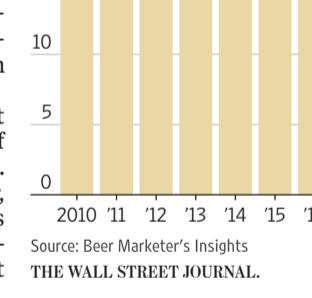
Those setbacks came, however, as AB InBev made progress consolidating control over SABMiller, which it bought last year for more than \$100 billion.

Cost-cutting associated with that integration, as well as higher prices, helped boost global profit for the beer giant in the three-month period ended in June. The company reported overall growth in volumes around the world for the quarter. Earnings, stripping out one-time gains or losses, beat analysts' expectations.

Still, AB InBev's longer-term struggles in the crucial U.S. market threaten to overshadow those shorter-term gains. In May, the company said it was launching one of the largest capital-investment programs in U.S. brewing history, pouring close to \$500 million

Losing Fizz

Bud Light, America's best-selling beer, has been losing market share in the U.S.



Source: Beer Marketer's Insights

THE WALL STREET JOURNAL

million into its U.S. operations this year and a total of \$2 billion through 2020. AB InBev's sales in the U.S. have fallen as American consumers shift away from domestic lagers toward craft beers, Mexican imports, wine and spirits.

That spending follows previous efforts at turning around Bud Light and Budweiser, AB InBev's namesake beers.

AB InBev said it has seen some improvement from those efforts, but was disappointed in the steep market-share decline. Bud Light lost nine-tenths of a percentage point of market share in the second quarter of 2017.

Drinks Giant Diageo Makes Headway

LONDON—**Diageo PLC** on Thursday reported improved earnings for the year and raised its target for profit-margin growth as the world's largest spirits maker benefited from currency moves and sales growth across its major regions.

For the year ended June 30, the maker of Johnnie Walker whisky, Guinness beer and Smirnoff vodka reported its operating profit, which excludes one-time items, climbed 20% to £3.6 billion (\$4.73 billion).

On an organic basis, which strips out currency movements and acquisitions, net sales rose 4% to £12.05 billion. Volumes edged up just 1%, meaning much of the sales lift came from Diageo raising prices.

Following a lackluster cou-

ple of years, Diageo has made strides with its performance in North America, its largest and most profitable market. More broadly, the company is using data to make better choices about how to allocate its marketing budget and has been cutting costs throughout its business.

On Thursday the company raised its cost-cutting target to £700 million from £500 million and said it now aims to increase its profit margin by 175 percentage point, instead of a previously targeted single point, by fiscal 2019.

The company announced a £1.5 billion share buyback in fiscal 2018.

Including the impact of currency and acquisitions, Diageo reported a net profit of £2.66 billion for the year, compared with £2.24 billion a year earlier, on net sales that rose 15% to £12.05 billion.

—Saabira Chaudhuri

earnings rose 12% to \$5.35 billion as the company benefited from higher prices and additional cost savings from its acquisition of SABMiller.

AB InBev said the integration of SAB "continues to go as planned," with savings of \$335 million from the combination in the period.

Airlines Team Up on International Routes

BY SUSAN CAREY
AND ROBERT WALL

Three of the world's biggest carriers, Delta Air Lines Inc., **Air France-KLM SA** and **China Eastern Airlines Corp.**, strengthened their partnership through a series of share transactions, amid mounting competition on lucrative international routes.

Delta said Thursday that it intends to buy a 10% stake in Air France for €375 million (\$437 million), as the longtime partners aim to strengthen their position on the lucrative trans-Atlantic market. China Eastern,

a Delta partner in China, intends to buy 10% of Air France. The two carriers will spend a total of €751 million to acquire the stakes in Air France.

Delta said the expanded joint venture will offer nearly 300 daily nonstop trans-Atlantic flights.

Air France said it also will acquire a 31% stake in **Virgin Atlantic Airways Ltd.** for £220 million (\$287.5 million) from majority owner Richard Branson's **Virgin Group Holdings Ltd.** Delta already owns 49% of the niche long-haul carrier. The three carriers—Delta, Air France and Virgin Atlantic—intend to

create a global joint venture. Each transaction is subject to shareholder, board and regulatory approvals.

After the transaction, Air France would become the second-largest shareholder in Virgin Atlantic behind Delta. The French government's stake in Air France-KLM will be reduced from around 18% to 14%, Air France-KLM Chief Executive Jean-Marc Janillac said.

Many airlines have made equity investments recently to strengthen their partnerships amid increasing competition. In the lucrative, high-volume trans-Atlantic route, Middle East air-</

TECHNOLOGY

LinkedIn Lawsuit Tests Limits on Mining Online Data

By JACOB GERSHMAN

A lawsuit against LinkedIn Corp. is shaping up as a test of the legality of collecting publicly viewable information posted by internet users.

The social network for professionals faces a lawsuit brought by hiQ Labs, a San Francisco company that scrapes and analyzes personal data on LinkedIn to predict whether individual employees are likely to leave their jobs. hiQ says it excludes profiles that require a LinkedIn account to view, analyzing fewer than 175,000 profiles in a 500-million-member network. It sells its "flight-risk" assessments to companies.

Starting in 2012, hiQ had amassed the data without objections from LinkedIn, which Microsoft Corp. acquired late last year. But in May, LinkedIn's legal counsel wrote to hiQ and ordered it to stop accessing the site. LinkedIn also communicated that it had tried to ban hiQ through an IP-address block, asserted the company was violating a federal anti-hacking law and threatened to take it to court.

However, hiQ got there first. It filed suit in June, asking a federal judge in California to declare that it was complying with the anti-hacking law and that LinkedIn was unlawfully attempting to stifle competition. On Thursday, a hearing was held on whether LinkedIn should be prevented from limiting hiQ's access to its site.

LinkedIn says it has a "right to control access to its private property" and argues that hiQ's data-scraping threatens its members' privacy.

The dispute has deeper implications for the growing industry of data analytics and

whether "legitimate business will be permitted to scrape from the public portion of websites like LinkedIn," said David Thaw, a professor of law and information sciences at the University of Pittsburgh.

These days, the online activities of billions are mined to estimate inflation, glean consumer insights, forecast stock movements, value real estate or, as in hiQ's case, predict employee behavior. Companies or researchers sometimes get explicit approval to harvest data from a website, but much of the industry operates in a legal gray zone.

The case is also the latest to ponder what constitutes hacking under the 1986 Computer Fraud and Abuse Act, which prohibits unauthorized access to computer systems and carries both criminal and civil penalties.

The statute is mostly used to prosecute hackers and data thieves. Whether businesses that scrape publicly available information can be held liable under the law is a hotly debated legal question.

For hiQ, the stakes are high. Without LinkedIn data, hiQ may need to "close down its operations, lay off its employees, and put to waste millions of dollars in investor capital," its lawyers said in a court filing.

Lawyers for hiQ say LinkedIn has stretched the meaning of "unauthorized access" under the anti-hacking statute. But LinkedIn says hiQ's data-scraping isn't as innocent as the startup contends.

"Indeed, if LinkedIn members knew that hiQ was accessing and collecting their data in this manner, many would not update their profiles," the company told the court.

ADVERTISEMENT

Legal Notices

To advertise: 800-366-3975 or WSJ.com/classifieds

INTERNATIONAL NOTICES

Record No. 2017 224 COS

THE HIGH COURT

COMMERCIAL

IN THE MATTER OF

INNOCOLL HOLDINGS PUBLIC LIMITED COMPANY

AND IN THE MATTER OF

THE COMPANIES ACT 2014

AND IN THE MATTER OF

SECTIONS 449 TO 454 OF THE COMPANIES ACT 2014

AND IN THE MATTER OF

SECTIONS 84 TO 86 OF THE COMPANIES ACT 2014

NOTICE is hereby given that on 24 July 2017 that:

(i) The Order of the Irish High Court made on 21 July 2017 confirming the reduction of the capital of Innocoll Holdings public limited company (the "Company") pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 28 June 2017; and (ii) the cancellation of arrangement of all the Cancellation Shares (as defined in the scheme of arrangement between the Company and the Scheme Shareholders (as defined therein); and

(ii) The minute approved by the Irish High Court showing the share capital of the Company as altered by the said Order,

were registered by the Registrar of Companies pursuant to Section 86(1) of the Companies Act 2014.

WILLIAM FRY

Solicitors for the Company

2 Grand Canal Square

Dublin 2

28 July 2017

THE WALL STREET JOURNAL

LEGAL NOTICES

ADVERTISE TODAY

(800) 366-3975
sales.legalnotices
@wsj.com

For more information
visit wsj.com/classifieds

© 2017 Dow Jones & Company, Inc.
All Rights Reserved.

ADVERTISEMENT

Legal Notices

To advertise: 800-366-3975 or WSJ.com/classifieds

NOTICE OF SALE

Notice Of Secured Party's Public Sale Of Collateral Under Uniform Commercial Code

PLEASE TAKE NOTICE that on **Tuesday, August 1, 2017, at 10:00 A.M. local time**, West 126th Street Mezz Lender LLC ("Secured Party"), will offer for sale at a public auction, and sell to the highest "qualified bidder," at the office of Cole Schotz P.C., 1325 Avenue of the Americas, 19th Floor, New York, New York 10019, under Section 9-610 of the Uniform Commercial Code as enacted in the State of New York, all of Secured Party's right, title, and interest as a secured creditor of Columbia Lawrence Holdings 1 LLC, a New York limited liability company ("Debtor 1") and Columbia Lawrence Holdings 2 LLC, a New York limited liability company ("Debtor 2," together with Debtor 1, the "Debtors") in 100% of the membership interests in 126 Columbia Tower 1 LLC, a New York limited liability company, and 126 Columbia Tower 2 LLC, a New York limited liability company (collectively, the "Issuer"), pledged to Secured Party by Debtor. The principal asset of Debtor is 100% of the limited liability company interests in the Issuer and certain related rights and property relating thereto (collectively, the "Collateral"). Secured Party is informed and believes that Issuer owns certain real property known as: 402-410, 412-414, 416, 418, 420 and 422 West 126th Street, NY, NY, 429 West 126th Street, NY, NY; 422 West 127th Street, NY, NY; and 423 West 126th Street, NY, NY. This sale will be held to enforce the rights of Secured Party under (i) that certain Mezzanine Loan Agreement dated as of November 19, 2015, and (ii) those

certain two (2) LLC Membership Interest Pledge Agreements dated as of November 19, 2015, executed by Debtor 1 and Debtor 2, respectively, in favor of Secured Party. The sale will be **FINAL** and on an "**AS-IS, WHERE IS**" basis and will be made **WITHOUT REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, POSSESSION, QUIET ENJOYMENT, OR ANY OTHER MATTER**. Secured Party reserves the right to establish other reasonable bidding procedures and to require potential bidders to reasonably demonstrate their ability to perform and close on the acquisition of the Collateral to the satisfaction of Secured Party. Secured Party reserves the right to credit bid at the auction. Secured Party also reserves the right to adjourn continue, or cancel the auction without further notice. Any parties interested in further information about the Collateral, becoming a "qualified bidder," and/or the terms of the sale should contact Jonathan Cuticelli of Sheldon Good & Company at (800) 516-0015 or jpcuticelli@sheldongood.com. Qualified bidders may obtain a confidentiality agreement by visiting <http://www.SheldonGood.com>. Any prospective bidder must satisfy the requirements to be a "qualified bidder" by no later than 9:00 A.M. local time, on Tuesday, August 1, 2017. The sale will be conducted by Jonathan Cuticelli, Sheldon Good & Company, a New York licensed auctioneer, license No. T387302.

Huawei Plays Catch-Up In Global Phone Race



TAYLOR WEIDMAN/BLOOMBERG NEWS

Chinese telecommunications giant **Huawei Technologies Co.** has reclaimed the top spot in China's fiercely competitive smartphone market, but it still faces a tough fight in its goal to become the world's top seller of phones.

Huawei said it shipped 73 million smartphones during the first six months of the year, up 21% from the same period last year. It said strong sales growth in China and Europe powered that increase, and that it sold

more high-end phones.

Though Huawei is narrowing the gap with **Apple Inc.** and South Korea's **Samsung Electronics**, it still has some catching up to do with its rivals in the competitive and slowing smartphone market, especially overseas. It had 9.9% of global market share in the first quarter, up a percentage point from a year ago but behind Apple and Samsung, according to analytics firm Canalys.

Last year, the company's top

consumer executive, Richard Yu, set a target of becoming the No. 1 smartphone vendor within five years.

At the company's Shenzhen headquarters Thursday, Mr. Yu said Huawei is sticking to its goal. A priority is boosting its sales and brand image in the more profitable high-end phone market, he said. "We are trying to build up a high-end and premium brand image," Mr. Yu said.

—Dan Strumpf

SpaceX Raises \$350 Million, Lifting Valuation to \$21 Billion

BY ROLFE WINKLER
AND ANDY PASZTOR

SpaceX has raised as much as \$350 million in a new round of financing that would value the company at around \$21 billion, a vote of confidence for billionaire founder Elon Musk who is seeking to prove the rocket maker can use reusable engines to speed up launches and become a major satellite operator.

The funding was revealed in a corporate filing, according to Equidate, a private-stock trading firm that estimated the new valuation of SpaceX based on an analysis of the document.

Investors in the new round couldn't be learned. SpaceX's previous valuation was set in 2015 at \$12 billion when Google parent **Alphabet Inc.** and mutual-fund company **Fidelity Investments** invested \$1 billion.

A SpaceX spokesman declined to comment. The New York Times reported news of the fundraising Thursday.

With some \$10 billion in launch business on its books, including contracts from the Pentagon and the National



BEN MACMAHON/EUROPEAN PRESSPHOTO AGENCY

Aeronautics and Space Administration, SpaceX has set the pace for the budding commercial space industry. But in addition to its swift growth and lofty exploration ambitions—including a manned flyby of the moon as early as next year—much of the company's growth starting in the next few years is predicated on swiftly launching a separate, multibillion-dollar satellite-communication business.

The valuation markup is a sign investors believe that SpaceX is on the path to meeting Mr. Musk's ambitious financial forecasts laid

out in 2016. The company told investors last year that its satellite-internet business, still in development, would generate more than \$30 billion of revenue by 2025, over six times as much as the launch business, The Wall Street Journal previously reported.

The latest financing round would follow seven months of reliable launches and a marked increase in the cadence of SpaceX's missions. SpaceX has rebounded from launch delays stemming from explosions of a pair of Falcon 9 rockets in 2015 and 2016 as it tries to reassure commercial and U.S. government customers that it is safely ramping up its launch tempo.

So far this year, SpaceX has launched 10 rockets, surpassing its previous record of eight in 2016. By year-end, some company officials envision launches occurring roughly every two weeks.

Internal company documents from 2016 projected an average of one launch a week by 2019, or five times as many as its primary U.S. and European rivals.

Intel Posts Increase In Profit, Revenue

BY TED GREENWALD

Intel Corp. said quarterly profit climbed as the company posted revenue growth in many of its units despite increasing competition in core markets.

Intel reported profit of \$2.8 billion in the quarter ended July 1, compared with \$1.3 billion in the same quarter last year. Revenue at the Santa Clara, Calif., company rose 9.6%, to \$14.8 billion, from a year earlier, driven partly by strength in its division selling chips for personal computers and industrial-strength servers.

Shares rose in after-hours trading as the company said it increased its full-year revenue and earnings-per-share forecast. The latest adjusted per-share earnings figure and revenue exceeded analyst expectations.

Intel holds 93% of the roughly \$31 billion global market for the calculating engines in PCs and approaches 100% share of the \$16.5 billion world-wide market for server processors, according to **Mercury Research**. That leaves it almost no room to expand. Competition, meanwhile, is beginning to emerge in both servers and PCs.

Still, the company said it was expanding in areas like artificial intelligence development and autonomous driving. Intel is in the process of buying Israeli car-camera pioneer **Mobileye NV** for \$15.3 billion. That deal is expected to close in the third quarter.

Revenue at Intel's unit responsible for PC chips rose 12% from the year-ago quarter. Personal computer sales have been in a persistent decline as consumer spending shifts to mobile devices, though Intel's rising PC-chip prices have somewhat made up for it. That unit saw a 3% increase in volume and an 8% rise in prices.

Revenue in the division that sells server processors for data centers, a market central to the chip company's future, rose 8.6%, at the high end of Intel's guidance.

The company said it now expects \$61.3 billion in revenue and adjusted earnings per share of \$3. It previously expected \$60 billion in revenue and \$2.85 in per-share earnings.

Intel's server chips face rising competition from **Nvidia Corp.**'s graphics processors.

Advanced Micro Devices Inc. in June launched a direct assault on Intel's server chips. Its Epyc line is aimed squarely at the lower half of Intel's data-center offerings, which accounted for roughly 80% of its 2016 server-chip sales, according to Bernstein Research.

BUSINESS WATCH

JOE RYAN/INVISION/ASSOCIATED PRESS
London's Walkie Talkie building

DEALS

Chinese Interest In Europe Persists

A joint venture backed by Hong Kong billionaire Li Ka-shing agreed to acquire Germany's **Ista International GmbH**, betting on the increasing adoption of smart-metering technology to cut water and power consumption.

The sale price wasn't disclosed. But the deal values Ista at about €4.5 billion (\$5.3 billion), including debt, according to people familiar with the matter.

The transaction coincides with an investment by a Hong Kong company in U.K. real estate. Thursday, **LKK Heath Products Group** agreed to acquire one of London's most recognizable office towers—known as the Walkie Talkie because of its shape—for £1.28 billion (\$1.68 billion).

The acquisitions signal companies based in China can secure foreign deals even as European sellers show skittishness after China's clampdown on capital outflows and scrutiny of loans.

Cheung Kong Property Holdings Ltd. and **CK Infrastructure Holdings Ltd.** are acquiring Ista from **CVC Capital Partners** and **Canada Pension Plan Investment Board**. In the real-estate deal, LKK is buying the Walkie Talkie building from **Land Securities Group PLC** and **Canary Wharf Group**.

—Ben Dummett

people familiar with the matter. The deal the companies discussed would have been structured as a leveraged buyout and counted as one of the largest such deals in years, given CA's market value of \$14.6 billion.

The fact that the deal was even explored shows the increasing health of the LBO market as private-equity firms continue to raise cash to invest and borrowing remains cheap. **Sycamore Partners** last month agreed to buy office-supplies retailer **Staples Inc.** for \$6.9 billion in the largest LBO announced this year.

So far in 2017, U.S. buyout volume has totaled \$80 billion, up 23% from the same period in 2016 and the most in any comparable period since 2013, according to Dealogic.

Still, private-equity firms have yet to come anywhere near their pre-financial crisis buying spree. In 2007, they committed to more than \$380 billion worth of acquisitions through late July.

Bain and Golden Gate took BMC private in a \$7 billion deal in 2013. Year-to-date, technology is the second-busiest sector for mergers globally after real estate, though the pace of such deals has slowed.

—Dana Mattioli and Dana Cimilluca

EARNINGS

AstraZeneca Shares Plummet On Drug News

BY DENISE ROLAND

LONDON—AstraZeneca PLC reported disappointing results for a closely watched lung-cancer drug trial, wiping away more than \$13 billion of market value Thursday and raising fresh questions about the company's growth plans.

The clinical trial, dubbed Mystic, aimed to show that the combination of two of AstraZeneca's immuno-oncology drugs—designed to boost the immune system's ability to attack cancer cells—could enhance their disease-fighting prowess. AstraZeneca said Thursday the trial instead showed the combination was no better than standard chemotherapy at shrinking tumors in newly diagnosed advanced lung cancer.

AstraZeneca's shares fell sharply on news of the results, closing down 15% at £43.25 (\$56.49) in London trading.

The test was seen as an important milestone in Chief Executive Pascal Soriot's go-it-alone strategy, outlined after

he rebuffed Pfizer Inc.'s 2014 takeover offer that was worth \$120 billion at the time. In rejecting the rich premium that the offer represented, he promised AstraZeneca's research and development pipeline would supercharge revenue over the next decade.

Adding to investor unease, Dr. Soriot refused to rule out that he might be leaving the company. Earlier this month, an Israeli news outlet reported he was headed to run Israeli drug giant Teva Pharmaceutical Industries Ltd. Shares dropped sharply on the report, though they had recovered those losses before Thursday.

AstraZeneca representatives have declined to comment on what they described as rumors. Dr. Soriot did the same Thursday. "I'm not a quitter," Dr. Soriot told reporters inquiring whether he was staying or going. "That's as far as I will go."

AstraZeneca said Thursday it swung to a profit of \$477 million in the second quarter, despite its revenue falling 10% to \$5.05 billion.

Procter & Gamble, Peltz Spar on Results

BY SHARON TERLEP

Procter & Gamble Co. sparred with activist investor Nelson Peltz on Thursday, with the two sides debating whether the company's latest results prove a turnaround is taking hold.

P&G executives argued that the company's higher profit and sales showed progress on multiyear efforts to cut costs and refocus on its biggest brands, building their case against Mr. Peltz's demand for a board seat.

But soon after Thursday's report, Mr. Peltz's **Trian Fund Management** LP issued a statement saying the maker of Tide, Crest and Gillette continues to lose market share and is saddled with "excessive costs and bureaucracy."

In an interview, P&G Chief Executive David Taylor said he would listen to Mr. Peltz but there was no reason to revisit the company's strategy or give the activist a board seat. "I want to stay focused on delivering the plan," he said. "We have done a tremendous amount of work—redoing it is not needed."

Mr. Peltz "hasn't offered incremental thoughts that we haven't considered," Mr. Taylor said, "and there's a history

of establishing a shadow management team which we believe firmly would derail the work that is already delivering improvement."

Mr. Taylor said Mr. Peltz had offered to have Trian researchers do additional analysis on the company, something the CEO considered unnecessary. DuPont Co., which won a proxy fight against Mr. Peltz in 2015, had accused Trian of seeking to establish a "shadow management" team focused on short-term results.

Trian called Mr. Taylor's comment "recycled public relations rhetoric. The real issues that must be addressed are P&G's deteriorating market share and excessive cost and bureaucracy."

Trian said P&G's improved profit margins and earnings in the latest quarter "came as a result of reducing advertising, specifically digital, a tactic we believe will damage the value of the company's brands if continued in the long term."

P&G said organic sales increased 2% for the quarter and full year ended June 30. The closely watched metric, which strips out currency moves, acquisitions and divestitures, remains below prerecession levels.

—Cara Lombardo contributed to this article.

set disappointing results from "The Mummy" reboot.

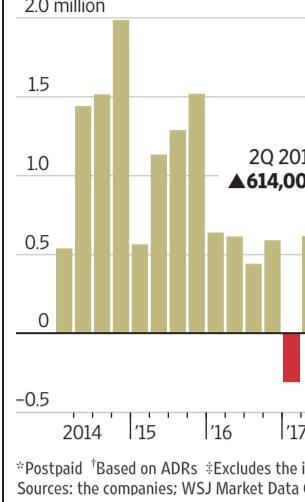
The cable networks and broadcast TV units increased revenue and earnings due to increases in subscription fees from pay TV providers, but both also saw a decline in ad sales.

Net income rose to \$2.51 billion, or 52 cents a share, from about \$2.03 billion, or 41 cents a share, a year ago. Revenue grew 9.8% to \$21.17 billion. Revenue and profit exceeded estimates from analysts, who were projecting earnings of 48 cents a share on \$20.86 billion in revenue, according to Thomson Reuters.

—Austen Hufford

Highlights From a Busy Day in the Season

Verizon's net new wireless subscribers*



*Postpaid [†]Based on ADRs [‡]Excludes the impact of acquisitions, divestitures and foreign exchanges ^{**}Ended June 30

Sources: the companies; WSJ Market Data Group (Astrazeneca)

AstraZeneca's market cap, year-to-date[†]

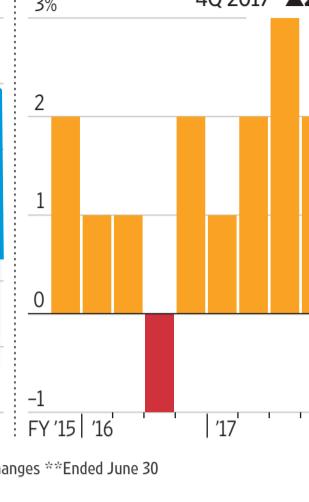


[†]Based on ADRs [‡]Excludes the impact of acquisitions, divestitures and foreign exchanges ^{**}Ended June 30

Sources: the companies; WSJ Market Data Group (Astrazeneca)

After a lung-cancer trial showed disappointing results, the company's shares dropped 15%, wiping away \$13 billion of market value.

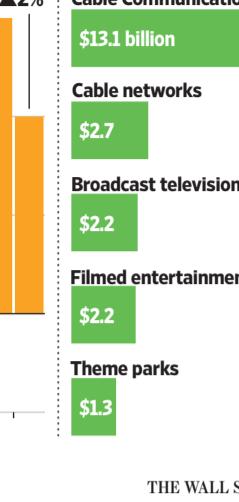
Procter and Gamble's organic sales growth from previous year[†]



[†]Based on ADRs [‡]Excludes the impact of acquisitions, divestitures and foreign exchanges ^{**}Ended June 30

Sources: the companies; WSJ Market Data Group (Astrazeneca)

Comcast second quarter revenue by segment



THE WALL STREET JOURNAL.

The cable networks and broadcast TV units expanded revenue and earnings, but both also saw a decline in ad sales because of ratings softness.

Verizon Reverses Subscriber Losses

BY RYAN KNUTSON AND AUSTEN HUFFORD

After losing subscribers earlier this year, Verizon Communications Inc. turned things around in the second quarter. But it came at a price.

In response to aggressive marketing from rival **T-Mobile US** Inc., Verizon last year started selling wireless plans with a "safety mode" feature that slowed data speeds instead of charging overage fees when customers exceeded their data caps. Then, in February, the U.S.'s largest wireless carrier by subscribers started selling unlimited data plans for the first time in five years.

Customers responded, and the carrier added 614,000 net postpaid subscribers in the second quarter, a major improvement over the 307,000 it lost during the first three months in the year. Already, 59% of Verizon's customers have moved to an unlimited plan or one that doesn't charge overage fees.

Alongside the customer gains, however, is a dramatic drop in revenue from overage fees. Overage-fee revenue fell 34% in the second quarter compared with a year earlier.

Verizon reported net income of \$4.36 billion, or \$1.07 a share, compared with \$702 million, or 17 cents a share, a year ago. Excluding certain items, Verizon earned 96 cents a share.



VICTOR J. BLUE/BLOOMBERG

UPS Pushes Peak Holiday Fee

By PAUL ZIOBRO

United Parcel Service Inc. expects most retailers to agree to higher shipping prices during the weeks leading up to Christmas, which it says are necessary because of the glut of online orders.

UPS last month revealed the extra peak-season fee, which will affect packages shipped in the two weeks around Thanksgiving and in the week before Christmas. Discussions with retailers about the charges and their holiday-season forecasts are continuing, but UPS said it expected most shippers will have to pay them.

UPS is encouraging retailers to avoid shipping during those peak-season weeks by holding promotions earlier in November, offering incentives to shoppers to accept later deliv-

eries or other tactics.

"If you can work with us to smooth out the flow, then it reduces your costs as well," Chief Executive David Abney said in an interview Thursday. In the week leading up to Christmas, where the surcharge is between 27 cents and 97 cents per package based on the service used, shippers may be able to delay orders that aren't gifts. "Not everything is a Christmas present," he said.

Shipping consultants say retailers may have some wiggle room to negotiate other elements of their contracts. UPS still needs prices to rise to cover the costs of delivering packages during a period when daily volumes surge by nearly 60% to 30 million.

UPS is already getting paid more for the extra packages it delivers. In the second quarter,

its revenue per unit shipped rose 1.7%, including 3% in the U.S. package business. That pushed U.S. package revenue up 8.1% to \$9.75 billion. Gross margins rose to 14.3%, the highest level in nearly two years for the division.

Investors have been looking for evidence that UPS and rival FedEx Corp. can offset the higher costs of e-commerce deliveries by raising prices and operating more efficiently. The shift to online shopping and the closing of thousands of brick-and-mortar stores has put stress on delivery networks, as deliveries to homes are more costly than bulk deliveries to stores. In the second quarter, UPS total operating expenses rose 7.5%.

UPS posted higher sales in its international division.

—Ezequiel Minaya contributed to this article

EARNINGS WATCH

COMCAST

Box Office Boosts Entertainment Unit

Comcast Corp.'s entertainment unit surged in the second quarter, helped by the strong box-office performance of "The Fate of the Furious," lifting profit and revenue even as cable video subscriber losses ticked up.

At the NBCUniversal media division, revenue rose 17% to \$8.33 billion. Revenue in the filmed entertainment division jumped 60%, thanks to the latest installment of the "Fast and the Furious" franchise, which off-

set disappointing results from "The Mummy" reboot.

The cable networks and broadcast TV units increased revenue and earnings due to increases in subscription fees from pay TV providers, but both also saw a decline in ad sales.

Net income rose to \$2.51 billion, or 52 cents a share, from about \$2.03 billion, or 41 cents a share, a year ago. Revenue grew 9.8% to \$21.17 billion. Revenue and profit exceeded estimates from analysts, who were projecting earnings of 48 cents a share on \$20.86 billion in revenue, according to Thomson Reuters.

—Austen Hufford

STARBUCKS

Coffee Chain Regains Growth Rate in U.S.

Starbucks Corp. said on Thursday that it reached the sales growth rate investors had been seeking in its key U.S. market but the coffee giant warned of potential problems ahead.

After missing the mark in the U.S. for several quarters, the chain said it returned to 5% same-store sales growth in its fiscal third quarter because customers are spending more money in the stores.

But the coffee chain missed

earnings expectations, and conceded that the number of visits to its U.S. cafes remained stagnant.

The company reported earnings of 47 cents per share, down 7.8% from a year ago. Excluding one-time items, it earned 55 cents per share. Starbucks reported revenue of \$5.66 billion, up 8.1% from a year ago, versus expectations of \$5.76 billion.

The company has cited reasons ranging from customers turned off by congestion at the mobile-order pickup area to economic uncertainty.

—Julie Jargon

SOUTHWEST AIRLINES

Carrier Looks Ahead Cautiously

Southwest Airlines Co. gave a tempered outlook for the current quarter.

Unit revenue grew in the second quarter but more slowly than at rivals. Revenue per available seat mile grew 1.5%, while JetBlue Airways Corp. posted 7% growth. A year ago, Southwest eked out 0.6% growth. The company expects the figure to be up roughly 1% in the third quarter.

In all, the carrier reported earnings of \$746 million, or \$1.23 per share, down from \$820 million or \$1.28 per share a year earlier. Excluding certain items, earnings rose to \$1.24 from \$1.19 per share. Revenue jumped 6.7% to \$5.74 billion. Analysts expected earnings of \$1.20 per share on revenue of \$5.72 billion.

—Imani Moise



Same-store sales growth returned to 5% at Starbucks as customers spent more money.

ELAINETHOMPSON/ASSOCIATED PRESS

SIT DOWN MOVE ON

Variable™ balans®

The Original Kneeling Chair®

varier®

A Scandinavian Original

Strengthen Your Core. Perfect Your Posture.
Focus Your Mind.

varierofnorway.com/kneel | 888-822-3175

BUSINESS NEWS

Apple Put on Spot Over Factories

Trump's promise of three new U.S. plants brings new scrutiny to firm's manufacturing

BY TRIPP MICKLE

Pressed by President Donald Trump, Apple Inc. suddenly faces new pressure to build factories in the U.S., something it hasn't done for years and has shown no signs of wanting to do.

Mr. Trump's statement that Apple plans to build three big plants in the U.S. has rekindled scrutiny of the company's policy of outsourcing of almost all of its manufacturing to contractor factories overseas—mainly in China.

Mr. Trump had needled the iPhone maker over that issue during the 2016 presidential campaign. He had said little about it publicly since taking office, however, until an interview on Tuesday with The Wall Street Journal, in which he said Apple Chief Executive Tim Cook had told him the company planned to build the plants in the U.S.

The pressure threatened to grow on Apple with the announcement Wednesday by the head of Foxconn Technology Group, Apple's largest contract manufacturer, that it plans to invest \$10 billion in a display-panel factory in Wisconsin. Foxconn made the announcement at a White House ceremony with Mr. Trump. A senior White House official told reporters the plant wasn't among the three potential Apple facilities to which the president had referred.

The White House didn't respond to requests for additional comment about Mr. Trump's remarks. Apple has declined to comment.

The episode is the latest example of the complex relations



Apple has built its supply chain in China and has scant manufacturing in the U.S. Above, a worker cafeteria at a Shenzhen Foxconn plant

between the White House, which is pushing to rebuild U.S. manufacturing, and corporate America, which for years has been adding more jobs overseas. The tension has put companies such as Carrier Corp. and Ford Motor Co. in Mr. Trump's crosshairs, though the White House also has proposed policies welcomed by many companies, including proposed cuts to corporate taxes.

Carrier, which faced criticism from Mr. Trump over a plan to shift production to Mexico, said in November it would keep about half the jobs in Indiana that it had planned for Mexico. Ford, which drew Mr. Trump's criticism over plans to shift compact-car

manufacturing to a new plant in Mexico, said in January it would cancel the plant and allocate \$700 million in savings to create jobs at a Michigan plant. Last month, it said it would produce compact cars for the U.S. in China.

Apple today has only one plant of its own—in Cork, Ireland. Its contract manufacturers operate two small U.S. plants, in Austin, Texas, and Fremont, Calif. Those facilities have never grown beyond their narrow role making Apple's Mac Pro computer, a niche product that sells for \$3,000 or more.

At least initially, the Austin plant was hampered by worker friction, inexperienced managers and quality-assurance is-

sues, said Alan Hanrahan, a former Apple manufacturing supervisor who was flown to work at the Texas site from Apple's Irish facility.

Supply-chain experts and analysts say the prospect of Apple building one plant in the U.S.—much less three—is highly unlikely.

Apple has built a sophisticated supply chain in China because that is where component suppliers are located, and manufacturing workers are abundant there. Shipping iPhone or iPad materials to the U.S. for production would cut into Apple's profit margins, observers say.

"You don't go from small facilities for a Mac to three plants," said Carolina Milanesi,

an analyst with the technology firm Creative Strategies.

Apple last opened manufacturing facilities for computers in the 1990s with plants in Fountain, Colo., and Elk Grove, Calif. It shut down its last U.S. manufacturing line in 2004, laying off 235 full-time workers in Elk Grove.

Mr. Cook, who is as reserved and tight-lipped as the president is freewheeling and outspoken, has sought to engage the administration on manufacturing and other issues. He met privately with Mr. Trump in December and dined in January with administration advisers Ivanka Trump, the president's daughter, and Jared Kushner, his son-in-law.

Drugmaker In Talks on Settlement Of Probe

BY PETER LOFTUS

Drugmaker **United Therapeutics** said Thursday it has set aside \$210 million for a possible settlement of a U.S. Justice Department investigation of whether the company's contributions to patient-assistance charity groups violate federal laws against kickbacks and false claims.

United Therapeutics, a Silver Spring, Md., maker of drugs to treat pulmonary arterial hypertension, is in settlement talks with the Justice Department to resolve the investigation, the company said in a filing with the Securities and Exchange Commission. The company said it believes it could successfully defend itself against any action the Justice Department might bring.

United Therapeutics is one of at least nine drug companies being investigated by the Justice Department over their contributions to nonprofit groups that help patients pay their out-of-pocket costs for drugs, including patients in the federal Medicare program for the elderly, according to companies' regulatory filings. Others receiving subpoenas in the probe since 2015 include **Johnson & Johnson**, **Pfizer** Inc. and **BioGen** Inc. The companies have said they are cooperating with the investigations.

United Therapeutics, which had revenue of \$1.6 billion last year, is the first of the companies to disclose a potential settlement. The company's SEC filing said any settlement may include a corporate-integrity agreement with the federal government, a pact that typically requires companies to adhere to certain business practices for several years.

The company said it received a subpoena from the Justice Department in May 2016 seeking documents about its support of nonprofit organizations that provide financial assistance to patients taking its medicines. The company hasn't identified the organizations.

A United Therapeutics spokesman declined to comment beyond what the company disclosed in its filing and its second-quarter earnings press release. A Justice Department spokeswoman declined to comment.

Nonprofit organizations, sometimes centered around a specific disease, provide assistance to reduce patients' out-of-pocket costs, and companies have donated to the charities.

This has triggered scrutiny by the federal government because patients covered by federal health-insurance programs such as Medicare have received the assistance. The federal anti-kickback law prohibits companies from making payments intended to induce the use of a drug or medical product that is reimbursed by federal health programs.

The Office of Inspector General of the U.S. Department of Health and Human Services in 2014 issued a bulletin saying that if a company's donation to a patient-assistance charity is intended specifically to induce the charity to pay for patients' use of the company's drugs, it could be a violation of the anti-kickback law.

The OIG said drug companies' donations to charities can be appropriate if the charity is sufficiently independent in deciding which patients receive the financial help, or how much.

But the OIG said it had concerns that companies were supporting charities for patients with narrowly defined diseases, so that the charities were primarily supporting payments for the donor companies' products.

Toyota: Battery Can Make Electric Cars Go Farther

BY SEAN MCCLAIN

TOKYO—Toyota Motor Corp. believes it has mastered the technology and production process for a new lithium-ion battery that could slash charging time and double the range of electric vehicles, according to U.S. patent filings and one of the inventors.

On Tuesday, Toyota said that by the early 2020s it plans to sell cars equipped with solid-state batteries, which replace the damp electrolyte used to transport lithium ions inside today's batteries with a glasslike plate.

Behind Toyota's brief statement lies years of research aimed at solving issues that have bedeviled batteries for electric cars. Current lithium-ion batteries can't be packed too tightly together because of fire risk. That is one reason electric cars tend to have lim-

ited range compared with gasoline-powered cars.

With the solid-state battery, "you can improve the output and reduce the charge time—hopefully," said Ryoji Kanno, a professor at the Tokyo Institute of Technology. Prof. Kanno led a team including Toyota scientists that discovered the materials for the glasslike electrolyte.

Advances in battery technology have tended to come later than initial expectations, and Prof. Kanno cautioned that his version of a solid-state battery has been shown effective only on a small scale and in a laboratory setting.

Figuring out how to produce more powerful versions of the battery—in large quantities and at reasonable cost—is Toyota's job, he said.

A spokeswoman said that among emerging battery technologies, solid-state batteries

are the closest to practical application in vehicles.

In a series of patent filings, the car maker outlines how it would produce the battery and describes safety features.

One U.S. patent application filed in January states that Toyota overcame a tendency for the batteries to crack during the manufacturing process. Toyota believes it can "easily manufacture a high-performance all-solid-state battery," according to the patent application.

These batteries can store nearly twice the energy compared with batteries with a liquid electrolyte, said Prof. Kanno, in part because they are less flammable by design and can be packed with more energy in the same space.

Toyota also aims to cut charge times because the solid electrolyte can safely handle higher currents.

Jeff Immelt is among seasoned executives Uber has approached.

He spent his entire career with GE, but some observers expect him to remain active in the business and possibly political world.

Uber's search committee consists of five board members, including Mr. Kalanick; Nestlé SA executive Wan Ling Martello; venture capitalist Matt Cohler; media magnate Arianna Huffington and pri-

vate-equity partner David Trujillo.

San Francisco-based Uber was valued at nearly \$70 billion following a fundraising round about a year ago, making it the most valuable private company, and has raised about \$15 billion in venture and debt financing.

—Thomas Gryta contributed to this article.

PER-ANDERS PETTERSSON/GETTY IMAGES

A Congolese copper mine majority-owned by Glencore.

Glencore Payments Face Canada Probe

BY SCOTT PATTERSON AND BEN DUMMETT

LONDON—**Glencore** PLC is subject to a Canadian investigation of more than \$100 million in payments a subsidiary made to a company owned by an Israeli businessman who has been accused of bribing Democratic Republic of the Congo officials, said people familiar with the probe.

The investigation by securities regulators stems from payments that a Canada-based copper-mining company controlled by Glencore and that operates in Congo was expected to make to Congo's state-run mining company, **Gecamines**, but instead sent to a Cayman Islands company owned by Israeli businessman Dan Gertler. Glencore has acknowledged the shift in payments and said it was done at the request of Gecamines.

Canada's Ontario Securities Commission, the country's biggest regional securities regulator, is investigating whether the Glencore subsidiary, Katanga Mining, violated rules requiring

that companies disclose business done with their own investors, said the people familiar with the investigation.

Both Gecamines and Mr. Gertler's company, **Fleurette Group**, have for years been large investors in Katanga Mining's business, according to Canadian public records. Katanga is listed in Toronto.

Glencore and Gecamines declined to comment. A spokesman for Fleurette said it disputes any allegations of bribery and follows all disclosure obligations.

A spokeswoman for the Ontario Securities Commission said the agency had a policy against commenting on the "existence, nature or status of any investigation."

Katanga had disclosed in regulatory filings payments to Gecamines, which it described as a related party, until 2014.

Starting that year, Katanga disclosed no further payments to Gecamines nor the payments to Mr. Gertler's company, according to a review of its filings by The Wall Street Journal.

Dividend Changes

Dividend announcements from July 27.

Company	Symbol	Amount	Payable/	Record
		Yld %	New/Old	Frq
Increased				
Anthem	ANTM	.15 .70 /65	Q	Sep25/Sep08
BancorpSouth	BXS	.19 .14 /125	Q	Oct02/Sep15
Hershey	HSY	.25 .656 /618	Q	Sep15/Aug25
Interface Inc.	TILE	.13 .065 /06	Q	Aug25/Aug11
McKesson	MCK	.08 .34 /28	Q	Oct02/Sep01
NextEra Energy Partners	NEP	.38 .38 /365	Q	Aug14/Aug07
Oneok Inc.	OKE	.53 .745 /615	Q	Aug14/Aug07
People's Utah Bancorp	PUB	.13 .09 /08	Q	Aug14/Aug07
Sprague Resources	SRLP	8.6 .6075 /5925	Q	Aug11/Aug07
Synchrony Financial	SYF	.20 .15 /13	Q	Aug17/Aug07
Funds and investment companies				
Dreyfus Hi Yd Strat Fd	DHF	.81 .0235	M	Aug23/Aug09
Fidelity Corporate Bd	FCD	.28 .119	M	Aug02/Jul31
Fidelity Limited Term Bd	FLTB	.17 .072	M	Aug02/Jul31
Fidelity Total Bond ETF	FBND	.26 .109	M	Aug02/Jul31

KEY: A: annual; M: monthly; Q: quarterly; R: revised; SA: semiannual; S2: stock split and ratio; SO: spin-off.



MARLENE AWAD/BLOOMBERG NEWS

Continued from page B1
names as candidates.

Uber's CEO spot is potentially tantalizing for executives seeking a role in remaking a global powerhouse and a once-in-a-lifetime payout if Uber were to seek an IPO. But the company is grappling with the fallout from a former software engineer's allegations it tolerated sexism and sexual harassment, and it is still seeking a new independent board chairman, as well as chiefs of operations, finance and marketing, among other top positions.

During his 16-year tenure at GE, Mr. Immelt significantly reshaped the industrial giant. He sold off many divisions—including plastics, financial services and virtually all of its consumer-facing products—steering it toward its industrial operations of power turbines, jet engines and medical equipment.

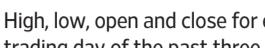
Mr. Immelt's tenure was marred by GE's stock underperforming both peers and the broader market. So far this year, the stock is down nearly 20%.

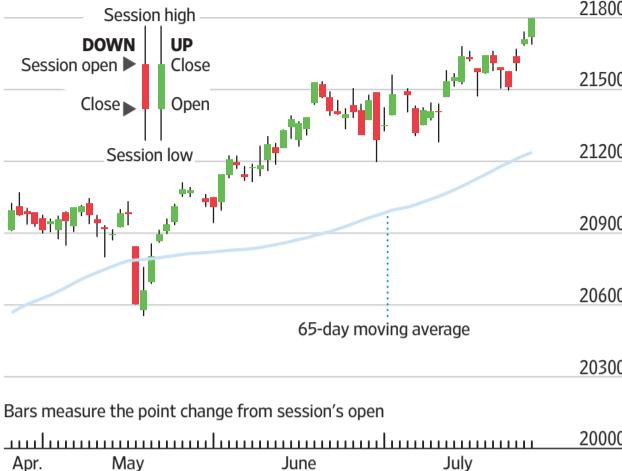
But at 61 years old, the globe-trotting salesman isn't expected to sit still in retire-

MARKETS DIGEST

EQUITIES

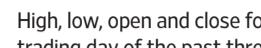
Dow Jones Industrial Average

21796.55  85.54, or 0.39%
 High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open
 Apr. May June July 20000
 Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

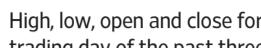
S&P 500 Index

2475.42  2.41, or 0.10%
 High, low, open and close for each trading day of the past three months.



Apr. May June July 2300
 65-day moving average

Nasdaq Composite Index

6382.19  40.56, or 0.63%
 High, low, open and close for each trading day of the past three months.



Apr. May June July 5660
 65-day moving average

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	P/E ratio	EPS
Industrial Average	21798.47	21687.85	21796.55	85.54	 0.39%	21796.55	17888.28	18.1	10.3	8.7
Transportation Avg	9421.26	9147.30	9189.61	-294.51	 -3.11	9742.76	7648.44	16.9	1.6	2.9
Utility Average	724.04	719.58	723.65	1.06	 0.15	737.51	625.44	2.4	9.7	9.1
Total Stock Market	25736.26	25479.05	25633.20	-45.90	 -0.18	25692.25	21514.15	14.4	10.1	7.5
Barron's 400	660.01	650.48	654.00	-4.79	 -0.73	661.93	521.59	19.6	8.7	7.1

Nasdaq Stock Market

Nasdaq Composite	6460.84	6318.62	6382.19	-40.56	 -0.63	6422.75	5046.37	23.8	18.6	12.8
Nasdaq 100	5995.77	5847.05	5917.03	-33.71	 -0.57	5950.73	4660.46	25.3	21.7	14.3

Standard & Poor's

500 Index	2484.04	2459.93	2475.42	-2.41	 -0.10	2477.83	2085.18	14.1	10.6	7.8
MidCap 400	1777.58	1762.20	1771.02	-5.67	 -0.32	1791.93	1476.68	14.0	6.7	8.0
SmallCap 600	873.52	862.77	866.69	-3.54	 -0.41	876.06	703.64	16.7	3.4	9.5

Other Indexes

Russell 2000	1446.63	1427.69	1433.62	-8.66	 -0.60	1450.39	1156.89	17.8	5.6	7.8
NYSE Composite	11977.89	11911.79	11963.23	-1.68	 -0.01	11965.72	10289.35	11.3	8.2	2.9
Value Line	531.91	526.70	529.59	-1.81	 -0.34	533.62	455.65	10.3	4.6	2.3
NYSE Arca Biotech	4073.15	3938.30	3958.59	-84.51	 -2.09	4075.95	2834.14	19.0	28.7	12.9
NYSE Arca Pharma	531.29	527.67	529.89	-4.07	 -0.76	554.66	463.78	-3.7	10.0	0.8
KBW Bank	96.11	94.97	95.50	-0.27	 -0.28	99.33	66.90	40.0	4.0	10.1
PHLX® Gold/Silver	86.63	84.05	84.05	-2.08	 -2.41	112.86	73.03	-22.0	6.6	-6.1
PHLX® Oil Service	135.19	132.50	135.15	0.35	 0.26	192.66	126.75	-14.9	-26.5	-23.4
PHLX® Semiconductor	1120.51	1084.29	1097.27	-18.09	 -1.62	1138.25	755.73	42.4	21.0	21.2
CBOE Volatility	11.50	9.16	10.11	0.51	 5.31	22.51	9.36	-20.5	-28.0	-7.3

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
General Electric	GE	8,450.5	25.76	-0.03	 -0.12	25.81	25.56	
Intel	INTC	8,448.5	35.10	0.13	 0.37	36.55	34.65	
Van Eck Vectors Gold Miner	GDX	7,760.3	22.57	...		22.60	22.50	
PwrShrs QQQ Tr Series 1	QQQ	6,131.0	143.52	-0.44	 -0.31	145.12	143.00	
SPDR S&P 500	SPY	5,644.2	247.01	-0.19	 -0.08	247.84	246.78	
HP	HPQ	5,282.2	19.21	...		19.25	19.15	
LendingClub	LC	3,789.0	5.19	-0.001	 -0.01	5.19		

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
July 2,8925	2,8930	▲	2,8700	2,8740	0.0050	292		
Sept 2,8730	2,8975	▲	2,8620	2,8775	0.0055	147,815		
Gold (CMX)-100 troy oz.; \$ per troy oz.								
July 125,70	125,60		124,20	125,60	10,60	5		
Aug 126,00	126,00		125,90	126,00	10,60	75,246		
Oct 126,70	126,10		125,10	126,20	10,70	38,052		
Dec 126,60	127,30		126,30	126,60	10,90	285,609		
Feb'18 127,60	127,40		126,00	127,00	10,90	18,185		
June 128,30	128,90		127,00	127,90	10,90	8,094		
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
July 864,00	865,00		864,00	881,90	14,00	1		
Sept 867,25	885,00		865,75	876,90	14,00	29,832		
Dec 861,45	876,75	▲	860,60	870,75	13,10	3,776		
March'18 859,10	859,10		859,10	865,50	12,60	134		
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
July 92,30	92,30		92,60	92,20	3,70	3		
Oct 933,10	93,90		92,40	92,40	3,70	64,760		
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
July 16,625	16,650		16,625	16,529	0.114	112		
Sept 16,440	16,810		16,540	16,573	0.114	146,097		
Crude Oil, Light Sweet (NYM)-1,000 barrels; \$ per bbl.								
Sept 48,70	49,24		48,25	49,04	0.29	620,484		
Oct 48,79	49,36		48,35	49,17	0.32	183,360		
Nov 48,89	49,49		48,48	49,32	0.33	121,818		
Dec 49,02	49,40		48,57	49,44	0.33	342,198		
June'18 49,33	49,88		48,93	49,73	0.24	127,846		
Dec 49,66	50,02		49,21	49,88	0.10	173,800		
NY Harbor USLD (NYM)-42,000 gal.; \$ per gal.								
Aug 1,5942	1,6102		1,5885	1,6032	.0079	17,002		
Sept 1,5993	1,6144		1,5919	1,6071	.0076	137,701		
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
Aug 1,6161	1,6488		1,6100	1,6446	.0273	18,750		
Sept 1,5928	1,6238		1,5863	1,6197	.0253	137,677		
Natural Gas (NYM)-10,000 MMBtu; \$ per MMbtu.								
Aug 2,926	2,998		2,904	2,969	.045	4,522		
Sept 2,922	2,990		2,898	2,967	.053	327,706		
Oct 2,953	3,025		2,938	3,003	.051	187,963		
Nov 3,037	3,105		3,017	3,082	.050	86,233		

Cash Prices | WSJ.com/commodities

Thursday, July 27, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Thursday Thursday Thursday

Energy Other metals Food Fibers and Textiles Grains and Feeds Fats and Oils

	Coins, wholesale \$1,000 face-a	12438	Soybeans, No.1 yellw IL-bp.u	9,6900
LBMA Platinum Price PM		*920.0	Wheat, Spring 14% pro Mnpls-u	8,2150
Platinum, Engelhard industrial		934.0	Wheat, No.2 soft red St.Louis-bp.u	4,8200
Platinum, Engelhard fabricated		1034.0	Wheat - Hard - KC (USDA) \$ per bu-u	4,4200
Palladium, Engelhard industrial		883.0	Wheat, No.1 soft white, Portlnd, OR-u	5,2250
Palladium, Engelhard fabricated		983.0		
Aluminum, LME, \$ per metric ton		*1912.0		
Copper, Comex spot		2,8740		
Iron Ore, 62% Fe CFR China-s		69.6		
Shredded Scrap, US Midwest-s.w		296		
Steel, HRC USA, FOB Midwest Mill-s		616		

	Food	Grains and Feeds	Fats and Oils
Bee, carcass equiv. index			
choice 1-3,600-900 lbs.-u	186.11		
select 1-3,600-900 lbs.-u	174.73		
Broilers, dressed 'A'-u	n.a.		
Broilers, National comp wghtd-u.w	1,0196		
Butter, AA Chicago	2,6700		
Cheddar cheese, bb, Chicago	146.00		
Cheddar cheese, blk, Chicago	171.50		
Milk, Nonfat dry, Chicago lb.	85.25		
Cocoa, Ivory Coast-w	n.a.		
Coffee, Brazilian, Comp	1,3250		
Coffee, Colombian, NY	1,5547		
Eggs, large white, Chicago-u	0,8250		
Flour, hard winter K.C	15.00		
Hams, 17-20 lbs, Mid-US fob-u	0.76		
Hogs, Iowa-So. Minnesota-u	85.62		
Pork bellies, 12-14 lb Mid-US-u	n.a.		
Pork loins, 13-19 lb Mid-US-u	1,1039		
Steers, Tex-Oka, Choice-u	117.37		
Steers, feeder, Okla, City-u	162.09		
Cottonseed meal, u.w	200		
Hominy feed, Cent IL-u.w	88		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal, u.w	200		
Meat-bonemeal, 50% pro Mnpls-u.w	318		
Oats, No.2 milling, Mnpls-u	3,2175		
Rice, 5% Broken White, Thailand-u.w	389.00		
Corn gluten feed, Midwest-u.w	74.7		
Corn gluten meal, Midwest-u.w	483.4		
Cottonseed meal			

BANKING & FINANCE

Fed Pick Supports Stress Test Changes

BY ANDREW ACKERMAN
AND RYAN TRACY

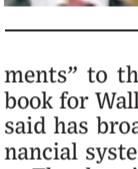
WASHINGTON—Randal Quarles, President Donald Trump's pick to become the Federal Reserve's point person on financial regulation, told lawmakers Thursday he would support changes to the central bank's stress tests for big banks, embracing industry-backed efforts to boost their transparency.

At his confirmation hearing before the Senate Banking Committee, Mr. Quarles criticized "the lack of transparency that has surrounded" the annual tests, which have become the key regulatory hurdle large U.S. banks face.

The remarks suggested Mr. Quarles, if confirmed, would be willing to go further than his predecessor, former Fed governor Daniel Tarullo, in publishing more information about how the tests are run.

"I do think the Fed can look at being more transparent about those activities and do it in a way that doesn't reduce the effectiveness of those tests," Mr. Quarles said.

Mr. Quarles, who was testifying alongside Joseph Otting, Mr. Trump's pick for the Comptroller of the Currency, also called for "some refine-


Randal Quarles is President Trump's choice to lead the Fed's efforts on financial regulation.

ments" to the postcrisis rule book for Wall Street, which he said has broadly made the financial system safer.

The hearing is a crucial step to advance the nominees toward their expected confirmation in the coming months. The nominations require a simple Senate majority to pass, and Republicans control 52 of 100 seats in the chamber.

Both likely would represent more industry-friendly voices at the country's top bank regulators. The Trump administration already is conducting a review of Obama-era banking rules that it says go too far and curb lending.

No Republican criticized either nominee Thursday, but the pair quickly came under fire from Senate Democrats. Sen. Sherrod Brown of Ohio, the panel's top Democrat, highlighted positive remarks about the economy that Mr. Quarles made before the financial crisis while he was serving in the George W. Bush administration.

"Many of his statements leading up to the crisis lead me to wonder whether he was asleep at the switch or willfully turning a blind eye to Wall Street abuses," Mr. Brown said. Mr. Quarles said later at the hearing that he regretted some remarks highlighted by Mr. Brown.

CFTC Nominees Vow to Finish Rule

Three hopefuls differ on how to implement derivatives curb

WASHINGTON—The three nominees for the Commodity Futures Trading Commission promised to complete a long-delayed rule on position limits in derivative markets, though the two Republicans and one Democrat made clear they disagreed on the specifics.

The nominees—Republicans Dawn Stump and Brian Quintenz and Democrat Russ Behnam—received little pushback from members of the Senate Agriculture Committee at Thursday's hearing. The five-seat commission currently has only two members.

While all three nominees voiced support for finalizing the rule on position limits—meant to limit speculation in commodities such as oil and gold—the Republican nominees both argued in favor of robust exemptions to any rule.

—Gabriel T. Rubin

New HNA Owner Raises Questions

Chinese firm's largest holder is a New York nonprofit that has yet to begin operations

Who owns **HNA Group**, a multibillion-dollar Chinese conglomerate that holds a quarter of **Hilton Worldwide Holdings** Inc. and is trying to buy an investment firm from

By Julie Steinberg,
Anjani Trivedi
and Cezary Podkul

White House communications director Anthony Scaramucci?

The answer, it turns out, is a work in progress.

Closely held HNA's biggest shareholder, disclosed in a document released earlier this week, is a New York nonprofit that the group established in December and located in HNA's office building in Midtown Manhattan. That organization, Hainan Cihang Charity Foundation also reflects an opaque Chinese acquirer's struggle to conform to

tion, has yet to commence operations, decide on what charitable causes to contribute to or work out details of how it will be funded, according to people familiar with the matter.

The HNA shares in question—a nearly 30% stake valued at tens of billions of dollars—have yet to be transferred to the foundation, the people said. HNA is learning as it goes: Executives recently held discussions with another big U.S. foundation to understand how it was being run, the people said.

HNA's disclosure of a big, new owner leaves many questions about the group unanswered, especially concerning the provenance of the 30% stake. The shares had been held offshore by two private investors unrelated to HNA who donated them to the foundation, people familiar with the matter said.

The birth of Hainan Cihang Charity Foundation also reflects an opaque Chinese acquirer's struggle to conform to

Western rules. Many of China's most aggressive and entrepreneurial companies are closely held and disclose little information about their operations, ownership or funding. That has hurt them as they have rushed to expand overseas in recent years, with regulators, bankers and lawmakers in numerous countries questioning a wide variety of issues, including potential ties to the Chinese government and whether investments abroad were merely ways of moving private wealth out of China.

HNA, which has \$146 billion in assets and gets half of its revenue from outside China, has encountered challenges at home and abroad. It has been one of the country's most aggressive overseas investors, whose \$25 billion in announced deals since the beginning of 2016 include stakes in **Deutsche Bank** AG, Hilton Worldwide Holdings and the yet-to-close purchase of a stake in hedge-fund invest-

ment firm **SkyBridge Capital** from Mr. Scaramucci.

A few months ago, however, Chinese regulators started probing the group's high debt levels. In the U.S., regulators didn't approve HNA's proposed stake in a Los Angeles-based in-flight entertainment equip-

The nearly 30% stake in the conglomerate is valued at tens of billions of dollars.

ment maker by a deadline set by the two companies, and the deal collapsed this week.

If the foundation gets off the ground this year, as people close to HNA say it should, it will have to disclose more about its funding, activities and holdings than most of the sprawling conglomerate, which is largely composed of private entities,

including hotels and airlines.

Hainan Cihang incorporated in New York, meaning it will have to follow the state's strict rules for nonprofits. It has applied for tax-exempt status as a U.S. private foundation, according to a person familiar with the application, which means it must disclose how much its holdings—including HNA's shares—are worth. That value is difficult to ascertain because HNA's limited disclosure obscures which of its units' debts and assets are considered part of the group balance sheet and how much money the units make.

The foundation also will be bound by rules requiring roughly 5% of its net assets be disbursed for charitable purposes each year.

HNA wanted a New York center for its charitable operations both for the tax benefits and proximity to companies it has acquired and in which it has stakes, according to people familiar with the group's strategy.

Copper Pushes Higher After Fed Comments



AKOS STILLER/BLOOMBERG

SHOWING SOME METTLE: Copper prices rose for the sixth consecutive session with the Federal Reserve's policy statement adding to early-week price momentum on improved forecasts for Chinese growth. Copper wiring is threaded into a pump unit.

FINANCE WATCH

MASTERCARD Consumer Spending Bolsters Results

Mastercard Inc. reported stronger-than-expected earnings and revenue for the second quarter as consumers boosted their spending.

Mastercard Chief Executive Ajay Banga said on the company's earnings call that **Kroger**

Co., the largest traditional grocery chain in the U.S. by sales, will be converting its co-brand credit card program to the Mastercard network. That is a switch from the **Visa** Inc. network that the cards have been running on. Mr. Banga said the issuer remains U.S. Bank. The card program will launch by the end of 2017, with new cards to be issued by spring 2018.

Profit for the second quarter

increased 20% to \$1.18 billion, or \$1.10 a share, from \$983 million, or 89 cents a share, a year earlier. Analysts polled by Thomson Reuters expected profit of \$1.1 billion and earnings per share of \$1.04.

Net revenue increased 13% to \$3.1 billion from a year prior, also beating analysts' estimates.

That was fueled by a continuing rise in gross dollar volume transactions occurring on the Master-

card network, which increased 6% world-wide to \$1.28 trillion in the second quarter from the year prior.

—AnnaMaria Andriots

DEUTSCHE BANK Cost Cutting Helps Profit Top Estimates

Deutsche Bank AG's cost-cutting moves helped it beat analysts' earnings expectations in the second quarter, but year-to-year revenue fell in all three business divisions as its chief executive faces pressure to revive results amid a continuing overhaul.

Deutsche Bank executives again faced questions from analysts about how much more investment-banking market share the bank might lose to rivals. On that call, Chief Executive John Cryan said strategic changes are "starting to bear fruit" but warned that a lot of work remains. The German lender said quarterly net income was €466 million (\$546.8 million), compared with €20 million for the same period a year earlier. But investors focused more on Deutsche Bank's companywide revenue, which declined a worse-than-expected 10%.

—Jenny Strasburg



BEAWIHARTA/REUTERS

The card company benefited from a continuing rise in gross dollar volume on its network.

LIBOR

Continued from page B1
sion proved an invitation for banks to manipulate the number.

Banks had huge stakes in the direction of Libor. The profitability of their loan portfolios hinged on the benchmark's fluctuations. And bank traders, with huge holdings of interest-rate swaps and other derivatives, had billions of dollars riding on tiny swings.

It turned out that banks were skilled at getting Libor to move in favorable directions. After all, it was their employees who were guesstimating their borrowing costs, so it

was simple enough to skew those figures in helpful directions.

Tom Hayes, a UBS Group AG and Citigroup Inc. trader who in 2015 was convicted as the ringleader of a Libor-manipulating crew, once estimated that perhaps 5% of his hundreds of millions of dollars in trading profits stemmed from his ability to get Libor nudged up or down by fractions of a percentage point. And he was hardly alone; dozens of other traders and bank managers were involved in similar manipulative behavior (although Mr. Hayes, sentenced to 11 years in prison, is currently the one of the few behind bars).

When the industry's she-

nanigans first came to light in 2008, they were greeted by indignation, denials from banks, regulators and, most of all, the BBA.

But government investigations soon showed not only that manipulation was widespread and easy to pull off, but also that government officials and central bankers had known for years about Libor's vulnerabilities but failed to act.

More than a dozen banks ultimately paid roughly \$10 billion in penalties related to their fraudulent Libor activities. Senior executives at banks including **Barclays PLC**, **Royal Bank of Scotland Group PLC** and Dutch lender **Rabobank Groep NV** lost their

jobs. The scandal-tarred BBA was recently disbanded.

The era of financial anarchy gave way to a period of intense regulation and risk aversion by banks. Libor—a potent symbol of the heady precrisis days—couldn't survive in that new climate.

Central bankers and regulators in the U.S. and U.K. have been reviewing whether it is possible to make Libor safer. Their ultimate conclusion is that the current system is essentially unworkable; there is no way to guarantee the integrity of a benchmark that is based purely on guesswork by banks, especially when those banks have powerful interests in the outcome of their assumptions.

KKR's bottom line got a lift from its capital-markets business, which advises companies in raising debt and equity capital. The unit's revenue more than doubled from the year-earlier quarter to \$93.7 million.

That marked its second-highest haul yet, following the first quarter's \$121.1 million.

At the end of the quarter, KKR managed \$148.5 billion in assets, up from \$137.6 billion the prior quarter and \$140 billion in June 2016.

MARKETS

Technology Sector Weighs on Stocks

Midday reversal sends Nasdaq and S&P 500 lower, while Boeing boosts Dow to record

BY AKANE OTANI
AND GEORGI KANTCHEV

Technology stocks slid abruptly Thursday, pulling the Nasdaq Composite and S&P 500 away from record territory.

The declines began around midday and accelerated, sending tech stocks sharply lower before they pared losses through the end of the session. The moves marked a reversal from the morning, when **EQUITIES** tech stocks led gains in broader indexes.

In a week packed with earnings reports, some traders said the moves could have been due to investors unwinding bets on what has been one of the best-performing sectors in the stock market this year.

"You might have a little bit of profit-taking—and maybe people trying to game tonight's earnings," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital. **Amazon.com** and **Intel** both reported after the bell, with Amazon shares falling in after-hours trading and Intel rising.

With tech stocks having had a strong run-up this year, the group remains vulnerable to



Verizon shares surged 7.7%, with telecom services the S&P 500's best-performing sector Thursday.

pullbacks, Mr. Bajaj added.

The Nasdaq Composite, which is heavily influenced by tech giants including Facebook, Google and Microsoft, as well as biotechnology firms, fell 40.56 points, or 0.6%, to 6382.19 on Thursday.

The S&P 500 fell 2.41 points, or 0.1%, to 2475.42, pulling back after closing at an all-time high Wednesday. Its tech sector shed 0.8% Thursday.

The Dow Jones Industrial Average rose 85.54 points, or 0.4%, to a new closing record of 21796.55. **Boeing** accounted for much of the blue-chip index's gain, as the aerospace giant continued to rally after

posting forecast-beating earnings Wednesday. Its shares rose \$7.55, or 3.2%, to \$241.00 Thursday, adding roughly 52 points to the Dow industrials.

Corporate-earnings reports released over the past few weeks have largely pointed to continued strength among U.S. companies. With second-quarter results in from nearly half of S&P 500 companies, the broader index is poised to report earnings growth of about 9% from the year-earlier period, according to FactSet.

"Earnings are coming in above expectations, which is justifying the move up in equities," said Jeff Zipper, manag-

ing director at the Private Client Reserve of U.S. Bank. "At the same time, the weaker dollar is good for multinationals' bottom lines."

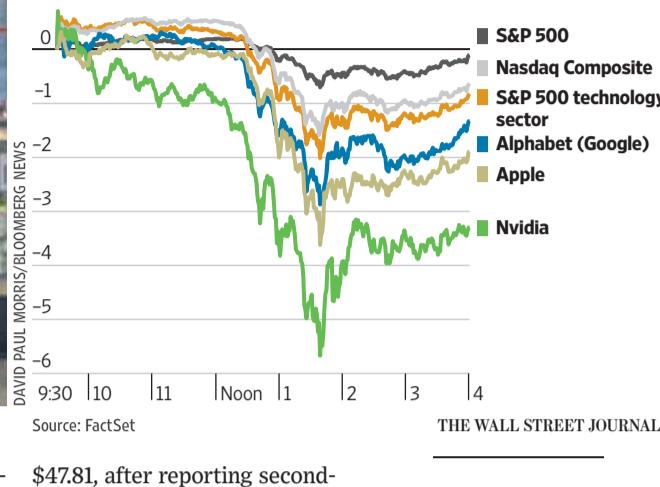
Declines in tech stocks including **Advanced Micro Devices**, **Nvidia** and **Adobe Systems** offset a rally in shares of **Facebook**, which said Wednesday afternoon that profit rose 71% in the second quarter.

Facebook shares added \$4.83, or 2.9%, to \$170.44 Thursday.

Telecommunications-services shares jumped 5.2% in the S&P 500 and were the best-performing sector in the broad index on Thursday. **Verizon** jumped \$3.41, or 7.7%, to

Tech Tumult

Shares of large technology firms tumbled in afternoon trading, pressuring major U.S. stock indexes.



DAVID PAUL MORRIS/BLOOMBERG NEWS

Source: FactSet

THE WALL STREET JOURNAL.

\$47.81, after reporting second-quarter revenue that beat analysts' expectations.

Early Friday, Japan's Nikkei was down 0.4%. Australia's S&P ASX 200 was down 1.4%.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

SEVEN-YEAR NOTES

Applications	\$73,999,124,400
Accepted bids	\$30,846,902,400
*noncompetitively	\$10,859,900
*foreign noncompetitively	\$0
Auction price (rate)	99.993528 (2.125%)
Interest rate	2.125%
Bids at clearing yield accepted	36.46%
Cusip number	912796LJN9

The notes, dated July 31, 2017, mature on July 31, 2024.

Treasury Auctions

The Treasury Department will auction \$72 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 May 4, 2017, maturing Nov. 2, 2017. Cusip number: 912796MA4.

Also, \$33 billion in 26-week bills, a reopening of an issue first sold on Feb. 2, 2017, maturing Feb. 1, 2018. Cusip: 912796LJ6.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

Dollar Puts Central Bankers In a Bind

BY SAUMYA VAISHAMPAYAN
AND JAMES GLYNN

The dollar's recent slump against a range of global currencies is making life more complicated for central bankers outside the U.S., putting downward pressure on inflation at a time when many are contemplating how to exit from years of loose policy.

The dollar's Wednesday decline extended into Asian trading hours Thursday after the ICE U.S. Dollar Index, which measures the U.S. currency against six of its peers, fell 0.2% to its lowest level in more than a year. That came after the Federal Reserve's latest policy statement, which indicated officials had become more concerned about a recent slowdown in domestic inflation.

While the dollar index turned higher by late New York trading to be up 0.3%, the dollar's slide this week extends a run of weakness for the greenback in recent months that has fully reversed its surge in the wake of U.S. elections last November.

The euro and Australian dollar have both surged about 11% against the U.S. dollar this year, while the British pound has gained 5.8% and the Japanese yen is up 5.2%. Intraday Thursday, the Aussie dollar hit its highest level since May 2015 at 80.2 U.S. cents.

The Fed's recent caution, as well as waning optimism over the pace at which the Trump administration's economic policies might take effect, have contributed to the dollar's recent weakness.

For central bankers in places such as Europe and Japan that have fought long struggles against low inflation, the dollar's weakness adds another wrinkle. A stronger local currency tends to drag on inflation because it makes imported goods and services less expensive and it can weigh on growth for trade-reliant economies, as it makes exports more expensive in dollar terms.

"Clearly, both yen and euro appreciation have been unwelcome" given low inflation around the world, Joachim Fels, global economic adviser at fund manager Pacific Investment Management Co., said in a note on Wednesday.

Even if the Reserve Bank of Australia wants to join other central banks in raising interest rates, it is now effectively paralyzed, said Michael Blythe, chief economist at Commonwealth Bank of Australia.



Short interest in the average S&P 500 retailer hit 5.2% last week, according to IHS Markit.

Bears Take Aim at Retailers

BY CHRIS DIETERICH

The bears have been unrelenting in their bets against brick-and-mortar retailers.

Rapid growth of online retailing is prompting store closures and delivering stiff declines to retail stocks this year.

Traders who bet against the sector have profited handsomely, but rather than taking chips off the table, short sellers are plunging ahead with bets against the industry before a slew of corporate earnings reports.

Short sellers borrow shares and sell them, hoping they can buy the shares back later at a lower price and return them, pocketing the difference as profit.

By one important measure, bets against the retail sector

are near their highest level in more than two years. Short interest in the average S&P 500

retailer hit 5.2% last week, more than double the 2.6% average for all S&P 500 stocks, according to IHS Markit.

Department stores are expected to post a 12% earnings decline in the second quarter, while apparel retailers are forecast to see profits fall 8.5%, according to FactSet. Such dismal predictions, however, sometimes leave stocks primed for sharp advances should the news come in better than expected.

Early last month, shares of **Nordstrom** Inc. surged 10% on a single day, a move that analysts bore the hallmarks of a "short squeeze," a cascade of buying that results as traders seek to limit losses by repur-

ching shares they borrowed and sold.

Nordstrom and **Kohl's** Corp. are among the most-heavily shorted retail stocks, each with 17% of shares outstanding on loan, according to Simon Colvin, research analyst at Markit.

On Thursday, Nordstrom rose 2.3%, to \$48.97, while Kohl's gained 3.2%, to \$41.52. Nordstrom is up 2.2% for the year, while Kohl's is down 16%.

Kohl's revenue is forecast to log a decline 1.5% in the second quarter. Sales at Nordstrom's are expected to post a rise of 2.8%, according to analysts polled by FactSet.

The SPDR S&P 500 Retail exchange-traded fund, a proxy for the industry, is down 6.1% this year, while the S&P 500 has climbed 11%.

Invesco Warns on Costs of Pursuing New Clients

BY JUSTIN BAER
AND SARAH KROUSE

Invesco Ltd.'s shares tumbled Thursday after executives warned that the asset manager would rack up higher expenses in its pursuit of new clients, crimping profit margins.

The stock fell 5.1% on Thursday as the forecast overshadowed a second-quarter earnings report that beat analysts' expectations.

Invesco's outlook tempered recent optimism about a money-management industry still struggling to adapt to lower fees, greater regulatory scrutiny and the flow of investors' money toward exchange-traded funds and other cheaper options.

Shares of asset managers had climbed in recent weeks as a run-up in markets boosted earnings from managers such as Legg Mason Inc., T.

Rowe Price Group Inc. and AllianceBernstein Holding LP. The Dow Jones Industrial Average and the S&P 500 index each rose by more than 3% during the second quarter.

"The markets helped everybody a little bit," Legg Mason Chief Executive Joseph Sullivan said in an interview. "When the markets are doing what they're doing, that creates a certain amount of buoyancy to results."

Several money managers said their actively managed stock and bond products pulled in net new money during the period, though far more money poured into ETFs and other low-cost passive investments.

But Invesco's warning about higher expenses reminded some observers that these firms still face a number of challenges. "You had a group that had been ripping," UBS

Group AG analyst Brennan Hawken said. "It had probably been a bit overdone. This could easily be the catalyzing event that signals the end of this rally" in asset-manager stocks.

Invesco's finance chief Loren Starr attributed an expected rise in compensation costs to a recent acquisition, investments in "some of our key strategic initiatives, including building out our institutional business," and "resources that we are adding to meet the growth in regulatory and compliance requirements." The costs, he said, would climb to \$370 million by the fourth quarter.

Invesco's incremental margins, a measure of how much the firm would profit from additional revenue, would likely range from 40% to 50%, compared with 50% to 65% without those added costs, Mr. Starr said.

In an interview, Mr. Starr said he was surprised by the market's reaction to the outlook, considering the firm usually updates its forecast on expenses around midyear.

Invesco is hiring senior salespeople and analysts to build out its most promising businesses, from investment services to big institutions to ETFs and robo-advisory unit. Regulatory changes in Europe, the U.K. and the U.S. have also meant adding more lawyers and compliance executives, he said.

"There's a lot of investment happening now," he said. "It's going to be a slow-motion train wreck for those who aren't doing that. It isn't business as usual."

Many industry executives acknowledge they still face a number of pressures, including lower revenue from cheaper index-tracking funds and a

move by large brokerage firms to trim the number of funds they offer customers. To woo clients, some firms—including BlackRock, AllianceBernstein and T. Rowe Price—have cut fund fees in recent years.

T. Rowe Price Chief Executive Bill Stromberg said in an interview that his firm is also taking a more hands-on approach in dealing with its wealthiest clients. Senior relationship managers there are now charged with calling large, long-term customers that buy funds directly from the firm to ask about their investment needs, an effort to keep and win new assets.

"There's no question that the industry is going through quite a bit of change," Invesco chief executive Martin Flanagan said on the call. "If you are not investing in the future, in a very rapid way, you're going backward."

Even if the Reserve Bank of Australia wants to join other central banks in raising interest rates, it is now effectively paralyzed, said Michael Blythe, chief economist at Commonwealth Bank of Australia.

MARKETS

Telecoms: Market's Endangered Species

With just four companies, index providers weigh eliminating category

By AKANE OTANI

In 2000, the S&P 500 telecom sector was stuffed with a dozen companies, including Nextel Communications and WorldCom Inc. Today, it is down to four.

This has created a strange dynamic for the group, which can swing wildly when the stock price of one or two of the companies changes.

That was on display this week, after **Verizon Communications** Inc. and **AT&T** Inc. reported quarterly earnings. The S&P 500 telecom sector climbed 5.2% Thursday, led by a jump in Verizon, which rose \$3.41, or 7.7%, to \$47.81. On Wednesday, the group rose 3%, boosted by a rally in AT&T. It was the sector's biggest two-day move since 2008.

The question now awaiting investors is: Will the sector disappear entirely?

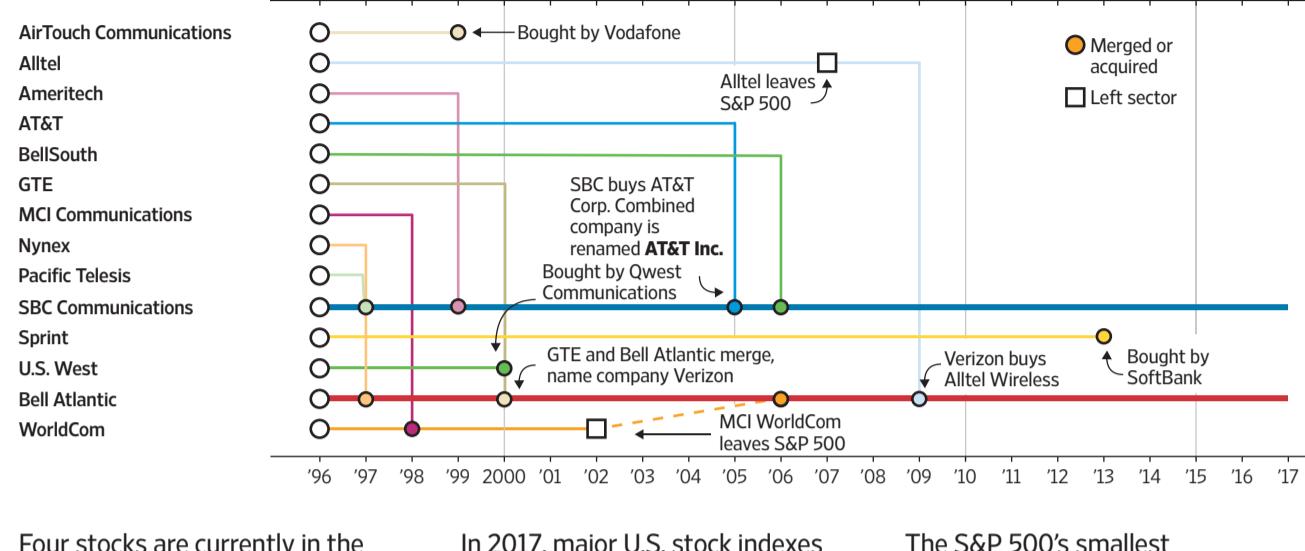
Telecom's influence on the broader S&P 500 has waned over the years because of rampant consolidation, leaving it the next obvious choice for a makeover, investors and analysts say. Telecom, which is made up of Verizon, AT&T, **CenturyLink** Inc. and **Level 3 Communications** Inc., is the smallest of the S&P 500's 11 sectors.

"Right now, when you look at what telecom is doing, it's usually just one of four stocks moving," said Art Hogan, chief market strategist at Wunderlich Securities. "It makes a great deal of sense to look at the sector."

A wave of possible changes to the S&P 500's classifications could overhaul the group and reshuffle billions of dollars in index-tracking funds that stay aligned with the

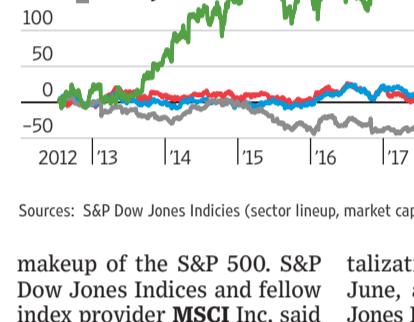
Dialing Down

The number of telecommunications companies in the S&P 500 has shrunk since the late 1990s, as companies have merged, been acquired or spun off businesses.



Four stocks are currently in the group, and three have struggled to gain ground in recent years.

Performance since July 2012



Sources: S&P Dow Jones Indices (sector lineup, market cap); FactSet (performance); staff and company reports (mergers, lineup)

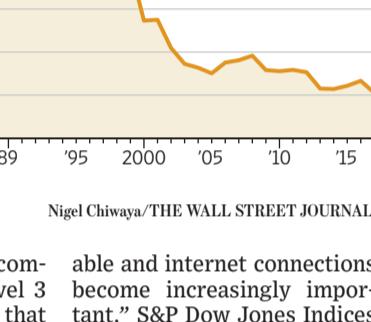
In 2017, major U.S. stock indexes have risen to records while telecom shares have lagged behind.

Performance since the end of 2016



The S&P 500's smallest sector is now under review by index providers.

Telecom market cap by year



Nigel Chiwya/THE WALL STREET JOURNAL.

makeup of the S&P 500. S&P Dow Jones Indices and fellow index provider **MSCI** Inc. said this month that they are considering rolling out a new sector, the communication-services sector, that would fold telecom stocks in with select media, entertainment, consumer-internet and digital-services stocks.

Telecom was 2.1% of the S&P 500's overall market cap-

tialization as of the end of June, according to S&P Dow Jones Indices, down from 8.7% in 1990.

Over that time, giants like the former SBC Communications bought Ameritech Corp. and AT&T Corp. before rebranding itself as AT&T, while GTE Corp. merged with Bell Atlantic and renamed itself Verizon Communications. More recently, CenturyLink

has been preparing to complete its purchase of Level 3 Communications, a move that would further reduce the number of stocks in the telecom sector.

Much of the deal activity in the telecom sector reflects the pressures the industry has faced.

The sector "is changing as landlines disappear, smartphones become more afford-

able and internet connections become increasingly important," S&P Dow Jones Indices and MSCI said in a statement explaining their rationale for the proposal. "Companies in the sector are adapting by diversifying into internet services, cable, media content and other areas by consolidating with other companies."

The flagging telecom sector could get a boost if the two in-

dex providers decide to move some internet-focused companies out of the existing consumer-discretionary and information-technology sectors.

Many such stocks have rallied this year as investors bet on fast-expanding firms. Shares of **Facebook** Inc. are up 48% this year, while **eBay** Inc. is up 22% and Google parent **Alphabet** Inc. has risen 20%. Meanwhile, the S&P 500 telecom sector has shed 8.3%.

Investors, asset managers and analysts have said that the telecom sector is too narrowly defined and that it was due for a review, said David Blitz, head of index policy and governance at S&P Dow Jones Indices. There doesn't appear to be any exchange-traded funds that exclusively track the telecom sector, Mr. Blitz said.

Instead, funds like Vanguard Telecommunications Services ETF, iShares U.S. Telecommunications ETF and SPDR S&P Telecom ETF track a broader and larger group of stocks, including companies like **U.S. Cellular** Corp. and **Boingo Wireless** Inc. that don't belong to the telecom sector.

Still, there are no guarantees of what companies, if any, will be incorporated into a new communication-services sector.

S&P Dow Jones Indices and MSCI are still weighing whether companies that focus on search engines, social media and mobile messaging, as well as web hosting and web-design services, should be folded into the sector, they said.

The two index providers are soliciting feedback on the proposal from members of the investment community until Sept. 29. If they decide to move forward, they would announce the changes by November and roll them out sometime in 2018, S&P Dow Jones Indices and MSCI said.

HEARD ON THE STREET

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Amazon's Growth Bill Comes Due

OVERHEARD

Twitter Must Prove It Can Come Back

Twitter has found a way to moderate its revenue declines, but told investors not to get too excited about it.

The social-media company reported better-than-expected adjusted earnings and revenue for the second quarter Thursday. Revenue fell 5% year over year as advertising revenue dropped 9%. That was an improvement over the previous quarter's declines of 8% and 11%, respectively, as sales of Twitter data and live video offerings grew.

Investors weren't impressed, sending shares down 14%.

Twitter said it was encouraged by the improvement in its revenue trend, but cautioned that it doesn't expect its overall revenue growth rate to get better in the second half of 2017 because it is winding down less-profitable products. It said that would hurt revenue to the tune of \$75 million.

Twitter emphasized growing engagement around live video. It also touted its third consecutive quarter of double-digit percentage growth in daily active users, although it doesn't disclose the total number of such users.

But until the gains in those metrics translate into revenue growth, Twitter will have a hard time convincing investors that they matter much.

Meanwhile, current events don't appear to be helping. The election of President Donald Trump, a frequent Twitter user, helped boost monthly active users in the first quarter. But not all of them chose to stick around. U.S. monthly active users fell 2.9% to 68 million versus the previous quarter.

Investors, too, may continue to tune out.

—Miriam Gottfried

Amazon.com had a lot to live up to ahead of second-quarter results. It still does.

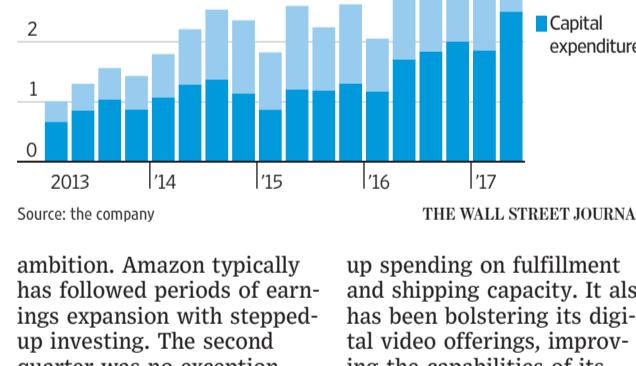
The online retail giant's share price ticked down with the rest of the tech sector Thursday before the report and kept slipping afterward. Sales for the June quarter jumped 25% to \$38 billion, satisfying Wall Street's expectations of consistent double-digit growth. But Amazon's bottom line took a hit, with operating income sliding 51% to \$628 million and missing analysts' \$1 billion target. The company also projects a significant decline in operating income in the current quarter.

Amazon's share price had risen 6% since the online retailer announced its surprise acquisition of **Whole Foods Market** last month—well ahead of the Nasdaq's 3.5% gain. That nearly \$40 billion in additional market value represents a vote of confidence in Amazon's ability to succeed in groceries.

Thursday's results should at least give investors a reminder of the price of that

Billed Out

Amazon's capital investments, quarterly



ambition. Amazon typically has followed periods of earnings expansion with stepped-up investing. The second quarter was no exception. Capital expenditures surged 46% year over year to \$2.5 billion, while property and equipment acquired under capital leases nearly doubled to \$2.7 billion. This brings the company's total capital investment for the quarter to a record \$5.2 billion.

Amazon has been ramping

up spending on fulfillment and shipping capacity. It also has been bolstering its digital video offerings, improving the capabilities of its Echo device and investing in its cloud business.

In fact, Amazon's capital investment in the quarter was more than the combined total of **Microsoft** and Google parent **Alphabet**, its chief cloud-computing rivals. Microsoft's competing Azure cloud business nearly dou-

bled its revenue during the same quarter and is closing the gap with Amazon. Amazon's AWS operating margin slipped to 22% in the second quarter from 26% two quarters earlier as it spent more to battle back against its competitors.

Meanwhile, the company offered few details on the strategy behind its pending deal for Whole Foods. On a call with reporters to discuss its earnings, Amazon claimed this was because the deal hadn't yet closed.

Or perhaps the company wants to keep its strategy vague, giving it room to test ideas and then to pivot if they don't work out. Adding Whole Foods' profitable business could boost Amazon's bottom line. But dominating the market for fresh food, providing that is the goal, will require even more investment.

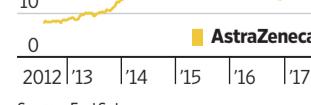
Even under the helm of world's richest man, Amazon investors should be ready to foot the bill.

—Dan Gallagher and Miriam Gottfried

AstraZeneca Reminds Investors Risk Doesn't Have a Cure

Safety Signal

Forward price/earnings ratio



Source: FactSet

benefit. Investors took no comfort in that fact: AstraZeneca shares dropped 15% in London trading.

The news rippled through rivals' share prices as well.

Bristol-Myers Squibb shed

3.1% and **Merck & Co.** gained 3.1% in U.S. trading. Merck has a key part of the lung cancer market to itself for the time being, while Thursday's news appears to have negative implications for a key part of Bristol-Myers' new-drug pipeline.

Immunotherapy drugs, which leverage the body's immune system to fight tumors, are arguably the hottest segment of the market for biotech and pharmaceutical companies.

Share prices for companies of all sizes have gotten a boost thanks to investor enthusiasm. AstraZeneca's U.S. shares had appreciated 24% this year before Thursday's

meltdown. And some of these drugs already have hit the market and generated impressive financial returns, in addition to providing significant benefits to cancer patients on an overall basis.

At the same time, trial failures are starting to pile up. A key Bristol-Myers lung cancer trial failed last summer, and the stock has yet to recover a year later. Even Merck, which now is the clear market leader in immuno-oncology, announced this week that a clinical trial in head and neck cancer missed the target. Fortunately for Merck's shareholders, head and neck cancer is a much smaller market than

lung cancer.

Successfully anticipating clinical trial outcomes with any consistency is a tall order for almost any outside observer.

Investors can protect themselves by not overpaying for growth, though. AstraZeneca shares traded at 17 times forward earnings before the trial results, according to FactSet. That was close to a 10-year high. Bristol-Myers traded at an even loftier 25 times forward earnings last summer before its shares were leveled.

Thursday's collapse is a reminder that great rewards generally come with great risks.

—Charley Grant

Canine confidential:
When real-estate
agents run into
dog trouble M3



MANSION

*'My buildings will be my legacy ...
they will speak for me long after
I'm gone.' —Julia Morgan*

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Friday, July 28, 2017 | M1

What Builders Build for Themselves

Construction-company bosses will splurge on the best materials and perks like seven ovens and a dog-grooming room. Some eschew complex home-automation systems.



COURTYARD COMFORTS Robert Wood completed a 5,200-square-foot house in 2015 in Lubbock, Texas, for himself and his wife, Candace, above. The home's main kitchen, top, was designed for entertaining and has three ovens. Above left, the pool is located in the home's courtyard, which also has a covered patio with an indoor/outdoor kitchen and seating area, above right.

BY KATY MC LAUGHLIN

WHEN DREW DANIELS, a luxury-home builder in the Chicago metro area, shows clients the roughly \$1.5 million house he built last year for himself and his family, they ooh and aah over

the French-country finishes, the European white oak floors and a "dog room" that includes a shower for George and Harry, the family pooches.

But to Mr. Daniels, director of development for custom-builder Sexton Development in Lake Bluff, Ill., the home's best features are invis-

ible—the \$120,000 radiant-heating system, the \$20,000 lighting system that creates "moods" in nearly every room, as well as numerous energy-efficient components.

Try as he might to interest guests in what he jokingly calls the "nerdy, geeky, OCD-psych" el-

Please turn to page M10

HOUSE CALL | WILLIE MCCOVEY

AT HOME AMONG THE GIANTS

The Hall of Fame first baseman was nurtured in a loving home, apart from the indignities of a segregated South

Willie McCovey, 79, is a former first baseman for the San Francisco Giants who played in the major leagues from 1959 to 1980. He hit 521 career home runs and was inducted into the Baseball Hall of Fame in 1986. He spoke with Marc Myers.

The South of my youth in the 1940s was strictly segregated. I grew up in Mobile, Ala., and as long as we stayed in our neighborhood, we were fine. But you still had to deal with the indignities. I remember a white fel-



JASON HENRY FOR THE WALL STREET JOURNAL

A HIT Willie McCovey in the press box at AT&T Park in San Francisco in June.

low in his 20s coming to our house and addressing my father as "boy." That was hard to take.

Our neighborhood was close-knit. My friends and I played sports year-round. But we didn't play much hardball early on. We played fast-pitch softball.

My family's A-frame house was a 15-minute walk from town. It had a living room and not much of a bedroom. I was the seventh of 10 kids—eight boys and two girls. Fortunately, we all

Please turn to page M4

INSIDE

HAMPTONS HAUTE
Producer Harvey Weinstein cuts his price M2



LAKESIDE LUXURY
High-end homes on the market in the Ozarks M8

M8



ONLY NETJETS®

To learn more, visit netjets.com/onlynetjets or call a Private Aviation Concierge at 1-877-JET-5634.

NetJets is a Berkshire Hathaway company. Aircraft are managed and operated by NetJets Aviation, Inc.

NetJets is a registered service mark. ©2017 NetJets IP, LLC. All rights reserved.

MANSION

PRIVATE PROPERTIES | CANDACE TAYLOR

Harvey Weinstein Cuts Price



Academy Award-winning film producer Harvey Weinstein is reducing the price of his Hamptons home—which comes with an elaborate home theater—to \$12.4 million.

Mr. Weinstein and his wife, Georgina Chapman, co-founder of the fashion label Marchesa, bought the Amagansett, N.Y., house in 2014 for \$11.65 million, according to public records. They have been trying to sell it for the past few years, first putting it on the market for \$13.5 million in 2016 then reducing the price to \$12.8 million.

"Unfortunately with our busy schedules we just don't have time to go to Amagansett as much as we'd like," Mr. Weinstein and Ms. Chapman said in an email.

Frank Newbold and Beate V. Moore

of Sotheby's International Realty, who have taken over the listing from the Corcoran Group, said the couple also has homes in New York City and Connecticut and will look for a home closer to the city.

The gated Amagansett estate sits on roughly 2 acres with frontage on Gardiners Bay. Built around 1995 by filmmaker Barry Sonnenfeld, the house measures about 9,000 square feet, with five bedrooms plus an attached two-bedroom guest wing with a separate entrance. The home's terraces, outdoor heated pool and roof deck are positioned to take advantage of the bay views, the agents said.

The home has a finished lower level with a gym, children's playroom

and the home theater, which fits about 50 people.

The space has a separate projection room and a roughly 20-foot-wide screen set up for viewing 3-D films. The screening room contains one of the home's five wood burning fireplaces, so "when you're watching 'Doctor Zhivago' you can light a fire," Mr. Newbold said.

A lobby area adjacent to the theater has a wet bar, a popcorn machine and several tables for dining or cocktails.

Mr. Weinstein and his brother Bob co-founded Miramax Films in 1979. In 2005 the brothers launched their own film production company, The Weinstein Company.

Located in the affluent River Oaks



saltwater aquarium with fish and coral already in place. There are two temperature-controlled wine rooms, one for red wines and one for white. There are seven bedrooms in total between the main house and the guest house. The roughly 1-acre grounds also include an infinity-edge pool and a roughly 4,000-square-foot man-made sandy "beach" with ocean views just beyond the pool.

MariSol Malibu, located in Ventura County, includes 17 homes and building lots, 12 of which have been sold since sales started about three years ago, Mr. Morris said. The remaining lots start at \$6.5 million, he said.

Mr. Heller previously owned another home in MariSol Malibu, which he sold in March for \$15.85 million, according to public records.

A CONTEMPORARY HOUSTON HOME LISTS FOR \$19.5 MILLION

In Houston, a contemporary house built in the 1960s is listing for \$19.5 million. Designed by the Texas architecture firm Howard Barnstone & Partners, the house has a 55-foot-long steel-and-glass living/dining room designed to look as though it is suspended among the trees. The owner is Richard Mithoff, a personal-injury lawyer who bought the house with his wife, Ginni, in the mid-1990s.

Located in the affluent River Oaks

neighborhood, the roughly 11,670-square-foot house has five bedrooms. The Mithoffs kept the original structure but updated the house, covering the home's original brick exterior with stucco, adding glass doors on the front of the house and remodeling the kitchen. Later they built a garage for Mr. Mithoff's car collection.

They also commissioned American sculptor Jesús Moroles to create a sculptural fountain consisting of four



16.5-foot granite towers, which sits at the home's entry. The grounds, which span about 5.2 wooded acres, also include a guesthouse, circular driveway and swimming pool.

Contemporary homes are somewhat rare in Houston, where traditional and transitional homes are more common, said listing agent Jeanne Marosis of John Daugherty Realtors.

As a trial attorney, Mr. Mithoff is known for his work negotiating a \$2.3 billion settlement with the tobacco industry on behalf of several Texas counties; winning \$80 million for the families of nursing-home residents killed when their bus caught fire; and obtaining the first verdict against Dow Corning for silicone breast implants that harmed women.

They are selling because they are downsizing, Mr. Mithoff said, and plan to move into a condominium in the River Oaks area.

► See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com

Weichert®



LOPATCONG TWP. This beautiful Contemporary features a stone exterior, concrete foundation, six-zone baseboard hot water heat and dual AC. Additional amenities include gorgeous landscaping, in-ground pool, tennis court, flagstone porch and walkways, plus a heated three-car garage with half bath, workshop with apartment, carriage house, two-car attached garage heated with cedar storage, state-of-the-art alarm system and whole house generator.

Offered at \$1,500,000



Tracy Mills, Sales Representative
908-283-0114 (cell)

Weichert | Phillipsburg Office
908-454-1717



ENGLISH BRICK ESTATE

Breathtaking water frontage on David's Brook! Over nine story-book acres with fine trees, English gardens, scenic pond and waterfall. Long, gated drive to perfect privacy. Magnificent brick and slate country house, originally built in 1939. Beautifully proportioned and elegantly appointed rooms perfect for entertaining. Custom millwork, nine fireplaces and antique herringbone floors. Spectacular Entrance Hall. Living Room with fireplace and French doors to Solarium. Mahogany Media Room. Formal Dining Room. Impressive Library. Billiard and Exercise Rooms. Wine Tasting Room. 4000-bottle Wine Cellar. Champagne Cellar. Cinema. Pool and Pool House with rooftop Dining Terrace. Guest Cottage with Staff Quarters. \$9,000,000

GINNEL REAL ESTATE
PRIVATE BROKERAGE & ADVISORS
(914) 234-9234 • www.ginnel.com

Weichert®



BEDMINSTER, NJ
Stone and Brick estate set on 19 acres in the heart of Hunt country and borders Trump National GC.

5 Bedrooms, 5 Full Baths, 1 Half Bath.

\$2,490,000

Roger Christman
908-672-0861 (cell)

"Cedarfields" is an exquisite equestrian estate on 19+ acres, in the heart of Bedminster's horse country. 7 Bedrooms, 6 Full Baths, 2 Half Baths. 7,100 Sq. Ft. \$3,950,000

Todd Schaeffer
908-770-0621 (cell)



FAR HILLS, NJ
Unique converted barn in a countryside setting on 15+ acres. Pennbrook Farm constructed in early 1900's and renovated in 2004. 6 Bedrooms. 6 Full and 2 Half Baths. \$3,400,000

Roger Christman
908-672-0861 (cell)



HARDING TWP, NJ
Stunning 7+ acres in Harding Twp. Bright, open floor plan has magnificent views of property from many gathering areas. 6

Bedrooms, 6 Full

Baths, 1 Half Bath

\$2,625,000

Suzanne McGratty
201-919-6799 (cell)

Weichert | New Vernon Office
973-292-6400

GER MAGNUSSON (2)

MANSION

IN THE TRENCHES

Agents Whose Day at Work Went to the Dogs

One finds herself joining a doggie day-care pack, another has to outrun 'Cujo'

BY CANDACE JACKSON

Question: Have you ever had any unusual encounters with animals while on the job?

Maggie Fanney, real-estate agent, Triplemint, New York City

About two months ago, my clients and I got locked inside of a rental apartment we were looking at. It was an Upper East Side two-bedroom walk-up—just one flight up—and it was asking \$3,000 a month. I had gotten the keys from the listing agent, and went inside the apartment and closed the door behind me. We looked around the apartment, which was very stuffy—it was very dark and didn't have enough windows. We went to leave and the doorknob was loose. We kept turning it, but nothing we did to push it open would work. We were stuck. I called the listing agent and the building's super, but they didn't answer. We started looking around the apartment for something to tighten the bolts with, like bobby pins. We found a nail. Nothing worked. Then we turned to the window because there was a fire escape and we thought, "OK, this could be an option."

My clients, a 30-something girl and a guy who were roommates, were trying to look out to see if there was someone who could see us. It was raining. The guy ended up climbing out onto the fire escape and down to an internal courtyard on the first floor and started knocking on doors. I'm looking down and suddenly all I see are 15 to 20 dogs running into the courtyard. I thought, "Who has all these dogs?"



driveway, but I could see the house in the distance. So I'm like, "Alright, I'll go snoop around." Sometimes, as an agent, that's what you have to do. You knock on doors, you check construction sites. I get about halfway down the driveway when Cujo—that's what I called him—sees me. He was a huge German Shepherd, and he starts barking and gets up. I'm thinking maybe he's on a leash, but I don't want to wait around to find out. So I spin on a dime and start running back to the car. It's a warm day and I'm in dress slacks, a nice shirt, wool socks and dress shoes. There was perspiration. I get into the car and figure, well this is not a house I'm going to get to see up close.

What I always do when I get into my car is check my phone, start making calls. I checked pocket one, pocket two. And I'm thinking, "Oh shoot, maybe the phone fell under the passenger seat." Then I had that come-to-Jesus moment where I realized I was going to have to go back out there for the phone. For agents, the phone is everything. It was almost like an Elmer Fudd cartoon. The driveway was dirt and gravel, so the car created a little cloud of dust. My strategy was to try to park farther back from the dog so he wouldn't notice, and get a head start on him. When he saw me he immediately took off and started barking at me. He could run fast, but I had a good head start. I grabbed my phone and made it safely back to the car, though he was chasing me.

I didn't end up buying this property or ever seeing it. If that was the dog, I could only surmise what the owners were like. Definitely unfriendly dogs are a buzz kill for real estate.

—Edited from interviews

Then I realized it was a doggy day care. An employee had opened the door and all the dogs ran out. So he was trying to corral the dogs back in. At first he was annoyed, but eventually we all came down the ladder and they let us all walk out through the doggy day care. It was definitely memorable. The clients didn't rent that apart-

ment, but soon after they found another one through a friend.

Craig Knizek, real-estate agent, the Agency, Los Angeles

I'm an investor and house flipper as well as an agent, and this was back in the bad old days of foreclosures and short sales in 2009. You'd get these whispers

and pieces of information like, "Oh this house is underwater and might go up for auction."

I was looking at a property like that in a remote part of Malibu on a windy road. There was a house on a big piece of land, probably about to sell for between \$1 million and \$2 million. I parked at the gate and there was a very long

REMARKABLE. STRIKING. ELEGANT.
AND THAT'S JUST THE BATHROOM.



Luxury homes that aren't everything to everyone. But everything to a select few.
Browse our collection at berkshirehathawayhs.com

©2017 BHH Affiliates, LLC. Real Estate Brokerage Services are offered through the network member franchisees of BHH Affiliates, LLC. Most franchisees are independently owned and operated. Berkshire Hathaway HomeServices and the Berkshire Hathaway HomeServices symbol are registered service marks of HomeServices of America, Inc.* Information not verified or guaranteed. If your property is currently listed with a broker, this is not intended as a solicitation. Equal Housing Opportunity. ☀

BERKSHIRE HATHAWAY
HomeServices

LUXURY
COLLECTION

MANSION

ANNOTATED ROOM

Luxury Details in a Swiss Penthouse

Gallery owner Stefan von Bartha and the Basel home that holds his personal favorites

Stefan von Bartha doesn't mind taking his work home. The Swiss gallerist sells everything from kinetic art to works of light, which make up part of the personal collection that only friends get to see at his Basel penthouse residence. The 36-year-old, who runs the von Bartha gallery founded by his parents, lives in a 2,600-square-foot, two-bedroom apartment in St. Johann, an artsy neighborhood in the northern

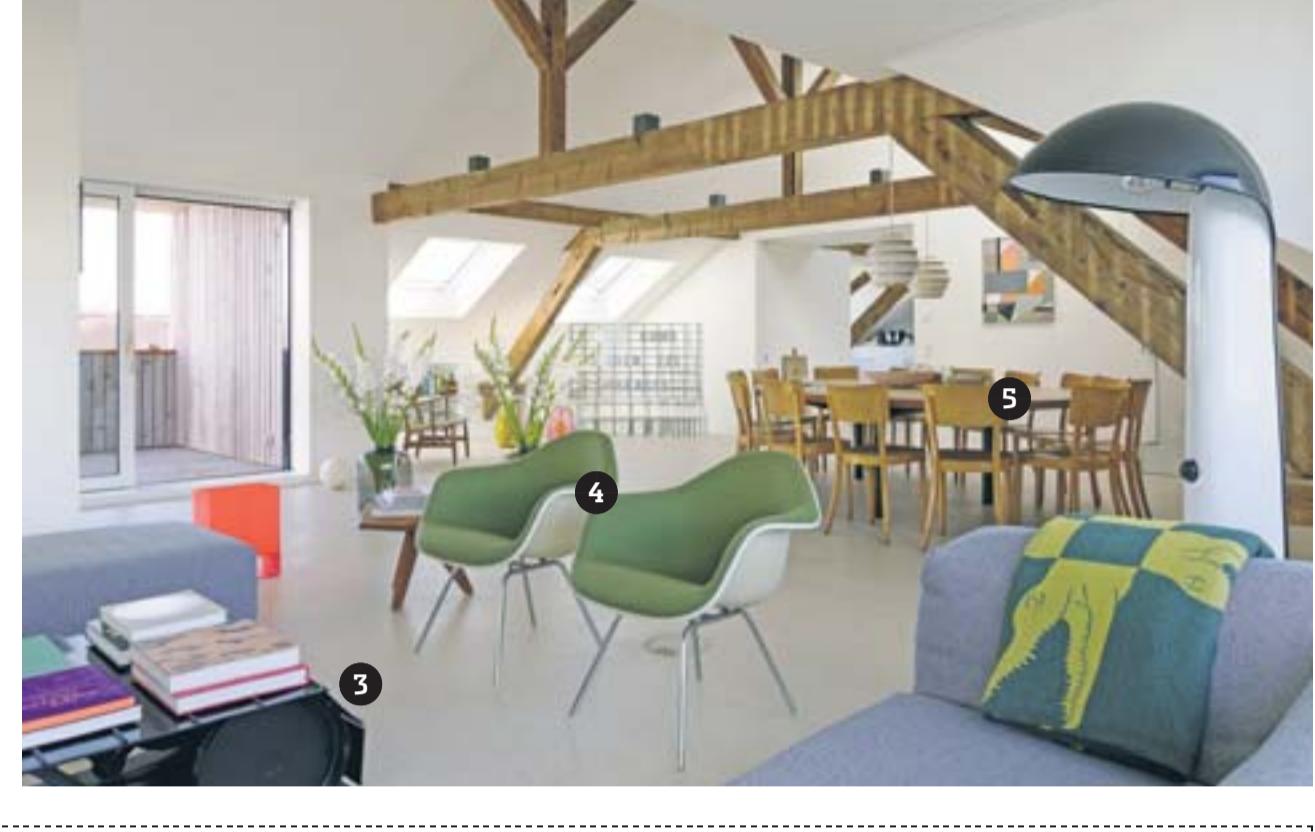
Swiss city.

Mr. von Bartha owns the 14-unit building in which he resides. About four years ago, he decided to combine three attic spaces into one large rooftop apartment. "I was looking to construct something very different from what you could rent on the market," he says. He then commissioned Zurich-based Luvo architects, who also designed his Basel gallery

space, for the job. The renovation took about a year, and in early 2015, he moved into his new home. "There's a classic touch to it though it's also very modern and slick," says Mr. von Bartha, who lives there alone.

Here, a look at the open-plan living/dining space where he hosts clients and friends.

—Katerina Ang



1. The Vitra sofa designed by Jasper Morrison is a recent addition to Mr. von Bartha's home. While he generally prefers vintage furniture, Mr. von Bartha wanted a large couch and realized it would be challenging to find a big antique he liked. The black-and-white cushions are from Italian artist Piero Fornasetti and are a gift from his mother.

Price: \$8,175

2. The Joe Colombo Kd27 table lamp from the 1960s is one of several bargains Mr. von Bartha is proud of. He bought it at a flea market at what he estimates to be a fraction of its retail price. "It's made out of plastic and very light and beautiful," he says, noting that the lamp is designed to be stackable.

Price: \$20

3. Mr. von Bartha purchased the "tankette" table created in the 1980s by Paolo Pallucco and Mireille Rivier at an auction eight years ago. He had seen similar editions of the metal table, which actually rolls like a tank, in the home of a friend and spent a long time trying to find it on sale. "I was very fortunate to be the only one bidding for it," he says.

Price: \$2,335

4. The green vintage 1950s molded fiberglass chairs are by Ray and Charles Eames. Mr. von Bartha, who worked in the furniture business before joining the art world, was originally reluctant to buy the designer seating because the chairs were a relatively common sight, but he liked that the pair he settled on were in a relatively unusual color.

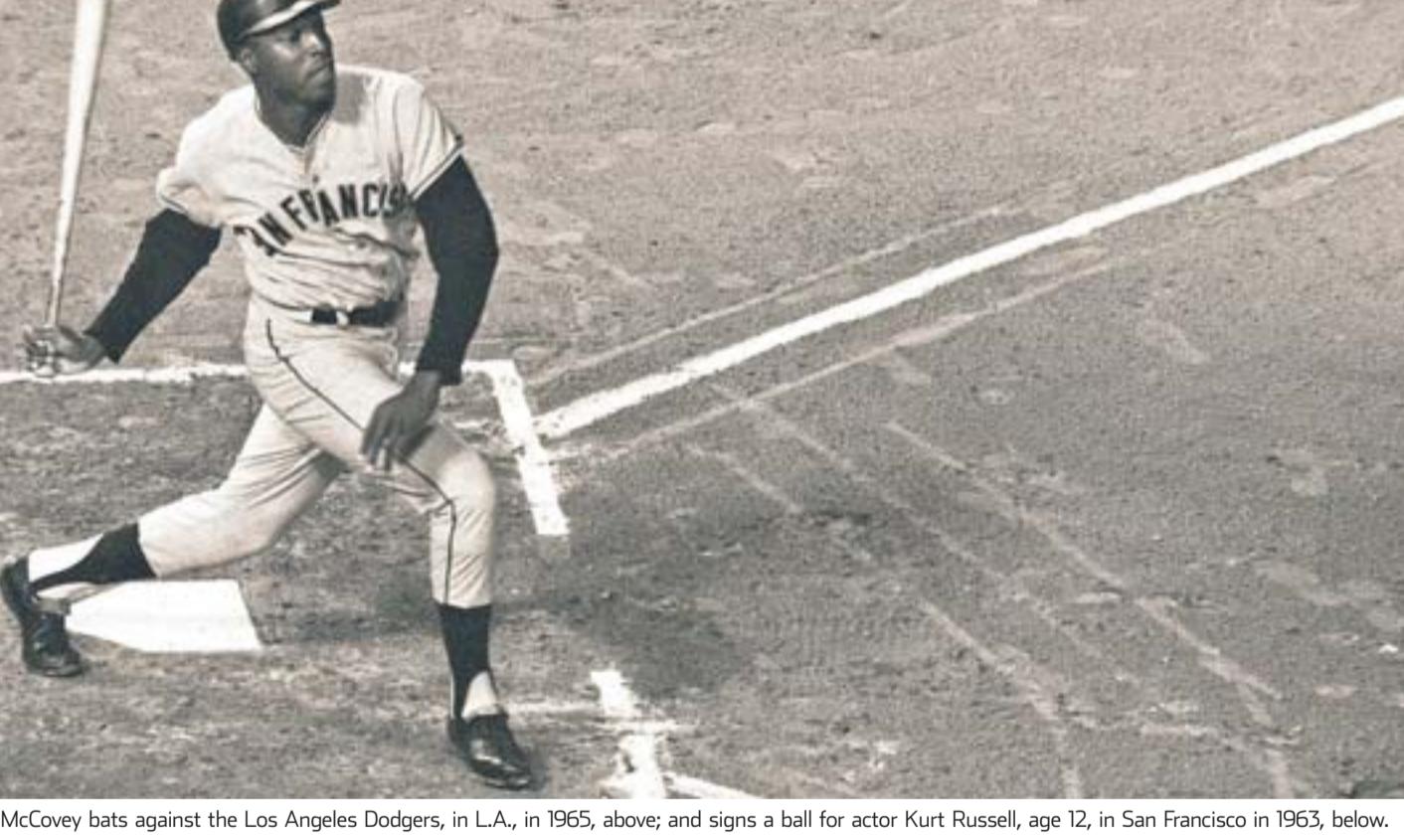
Price: \$2,120

5. The dining table is custom made of heavy wood by local designers Inch furniture. Mr. von Bartha wanted a table he could use to host events for up to 20 people and commissioned this piece, which weighs almost a ton and had to be lifted by a crane into his apartment. "I love to do dinners at my place where people can meet," he says.

Price: \$15,890

SANDRA AMPORT (2)

AT HOME AMONG THE GIANTS



ALL IN Willie McCovey bats against the Los Angeles Dodgers, in L.A., in 1965, above; and signs a ball for actor Kurt Russell, age 12, in San Francisco in 1963, below.

Continued from page M1

weren't living at home at the same time. The older ones moved out as soon as they could, so six of us shared a room. We were crammed onto two convertible beds.

My father, Frank, worked hard fixing tracks for the GM&O Railroad. He wasn't a large man, but he was strong—and very quiet. When he spoke, we listened. At home, he never raised his voice. But if he had to talk to you about right and wrong, he'd sit you down and you wouldn't forget it.

My mother, Esther, was a loving woman and an incredible, understanding cook. I hated okra, so she'd cook a separate dish for me, or she'd pick out the okra pieces. She wasn't an "eat it or else" mom.

All of us had our chores. Mine was feeding the chickens we raised out back. The oldest in the family was responsible for driving my father to work in our Buick Roadmaster. My father didn't drive.

At night, we'd gather around the radio to listen to a guy who re-created the play-by-play of major league baseball games by reading the ticker. With sound effects, he made it seem real.

My friends and I played sports in the streets or empty fields. We played softball in a large local playground. Jesse Thomas was the director. I pitched and was a better pitcher than a first baseman. But I could hit the ball hard.

In early 1954, when I was a junior, I dropped out of high school to help support my family. In addition to my paper route, I tried working as a bus boy in a whites-only restaurant, but I quit after a week. All the things that make you cringe was normal talk then. You took it or you walked away.

I soon found work at a chicken place. I was responsible for washing the chicken parts before they were put out for people to buy.

That December, I took the train

to Los Angeles to visit my older brother, Wyatt. It was the first time I was away from Mobile.

I started looking for a job. One day I went to an employment agency, but the line inside was long. It was so hot that I fainted. I was probably dehydrated.

Failing to find a job that day was a blessing. Back at my brother's apartment, the phone rang. It was Jesse. He was a "bird-dog" who spotted baseball talent for a San Francisco Giants scout named Alex Pompez. He said he told Alex about me. Alex wanted me to report to Florida where the Giants were trying out players.

All of the black players slept at one end of an old army barracks. On my first day, I did lousy. Alex came down and asked why I didn't hit. I said that I was nervous.

Alex said, "Well, they see something in you and they're giving you a chance." The next day I hit two home runs. The Giants signed me



to their minor league system.

In July 1959, I had just finished playing a double header in Phoenix for the Pacific Coast League when the general manager told me the Giants were calling me up to the big club. I had to be in San Francisco the next day for a game. I flew up on the first flight out.

Horace Stoneham, who owned the Giants, sent his driver to pick me up. I got to the ballpark just in time to get dressed.

Bill Rigney the manager, told me I was batting third, between Willie Mays and Orlando Cepeda. My first time at bat I hit a triple. Then I hit a single, another triple and a single. That day I made the team. They called me "Stretch" because I was 6-foot-4.

Today, I live in a split-level house in the Bay Area. I built it from scratch on an acre in the late 1970s. I have a good view of Mount Diablo and Redwood City across San Francisco Bay.

Because of an old baseball knee injury, I spend most of my time in the bedroom watching the Baseball Channel on TV when I'm not at Giants home games.

My father never saw me play with the Giants. My mother did, though, in the 1960s. She didn't know much about the game. But after, she said, "People clapped for you, so you must be doing something good."

MANSION

BALANCE SHEET

A Country Musician's Kin Steps In

When a singer-songwriter's bungalow and guesthouse needed an overhaul, he turned to his big sister



MAIN HOUSE

Cabinetry, countertops

\$6,000

Kitchen, dining flooring

\$3,000

Dining banquette and cushions

\$3,000

Bathroom

\$9,500

Tankless water heater

\$2,000

Framing, drywall, carpentry, trim

\$10,000

Misc.

\$21,500

TOTAL

\$55,000

AMY MIKLER FOR THE WALL STREET JOURNAL (7)

FOR THE RECORD Elizabeth and Rob Baird, above right, at the 'record bar' in Mr. Baird's newly renovated home in Austin. Above left, the living room and the kitchen of the main house. At right, the exterior of the 1,000-square-foot bungalow in the Bryker Woods neighborhood.

BY NANCY KEATES

WHEN RENOVATING a house, it helps to have a sister who is an award-winning architect.

Rising country musician Rob Baird bought a three-bedroom, 1,000-square-foot bungalow in Austin's tree-lined Bryker Woods neighborhood, near the University of Texas, for \$292,000 in 2010. He then rented it out to a friend and moved to Nashville to make his name in the country-music scene, staying in the house's 300-square-foot guesthouse when he was in town for shows.

After four years of writing songs for other people, Mr. Baird felt trapped by what he describes as Nashville's pressure to conform, and decided to move back to Austin full time and start his own record label. "Austin has a better creative vibe. I've written my best songs here," says Mr. Baird, who is 30 years old and working on his fourth album.

Now the wide-open floor plan has sight lines from the front door, through the living room, kitchen and dining areas and out to the back deck. Ms. Baird replaced the tile in the kitchen and utility room with oak floors that matched the rest of the house. She painted the walls white, aiming for a clean, simple aesthetic.

A focal point is what Mr. Baird calls his "record bar zone." Here, a Pioneer turntable sits on a wood cabinet with open shelves holding roughly 20 record albums next to two guitars hanging on the wall. Most nights the writers move from there to a piano in what was a bedroom but is now an office. Here, one wall was replaced with glass doors to make it more open to the

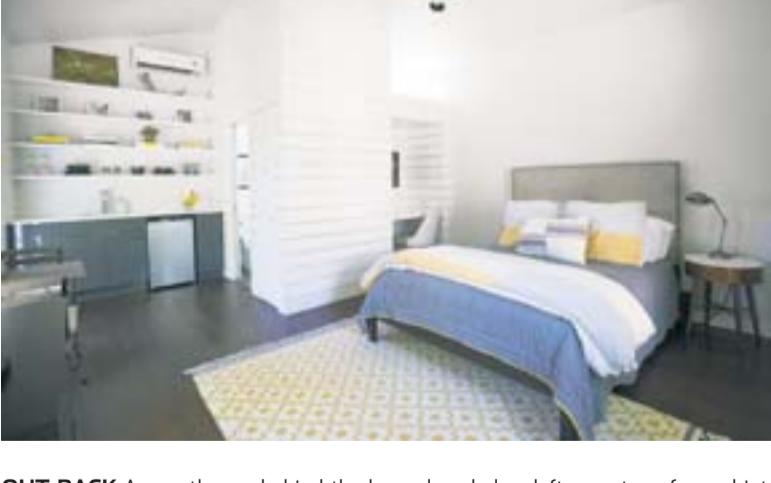
main living area.

The siblings grew up in Memphis and made their first Christmas record together when they were in elementary school. Ms. Baird graduated from the University of Virginia in 2004 and got her master's in architecture from the University of Texas in Austin, going to work afterward for Mell Lawrence Architects, where she designed an award-winning pavilion in Dallas. Her brother's home was one of her first projects when she opened her own firm, Elizabeth Baird Architecture & Design, and she has since worked on residential and commercial projects, including an Austin wine bar and coffee shop.

Mr. Baird went to Texas Christian University to study ranch management but found he liked playing the guitar better. His most recent album "Wrong Side of the River" was released last year by his label, Hard Luck Recording Co. Now he's working on a new album that he's writing in Austin and recording in Memphis.

Mr. Baird says working with songwriters he has known for decades makes the creative process much smoother because "you don't have to explain yourself," he says. It's about trust. "I need people who will tell me something is a bad idea."

That is also true when it came to renovating his house. "There's built-in trust and built-in frankness with a sibling," says Ms. Baird.



OUT BACK A guesthouse behind the bungalow, below left, was transformed into a modern writing studio. Above, the bedroom and kitchenette. Below right, the bathroom, which has a skylight to make the space airy and bright.



GUEST HOUSE

Bathroom

\$12,000

Kitchenette

\$4,500

Wall, skylight and built-ins

\$8,000

Electrical, lighting

\$3,000

Paint

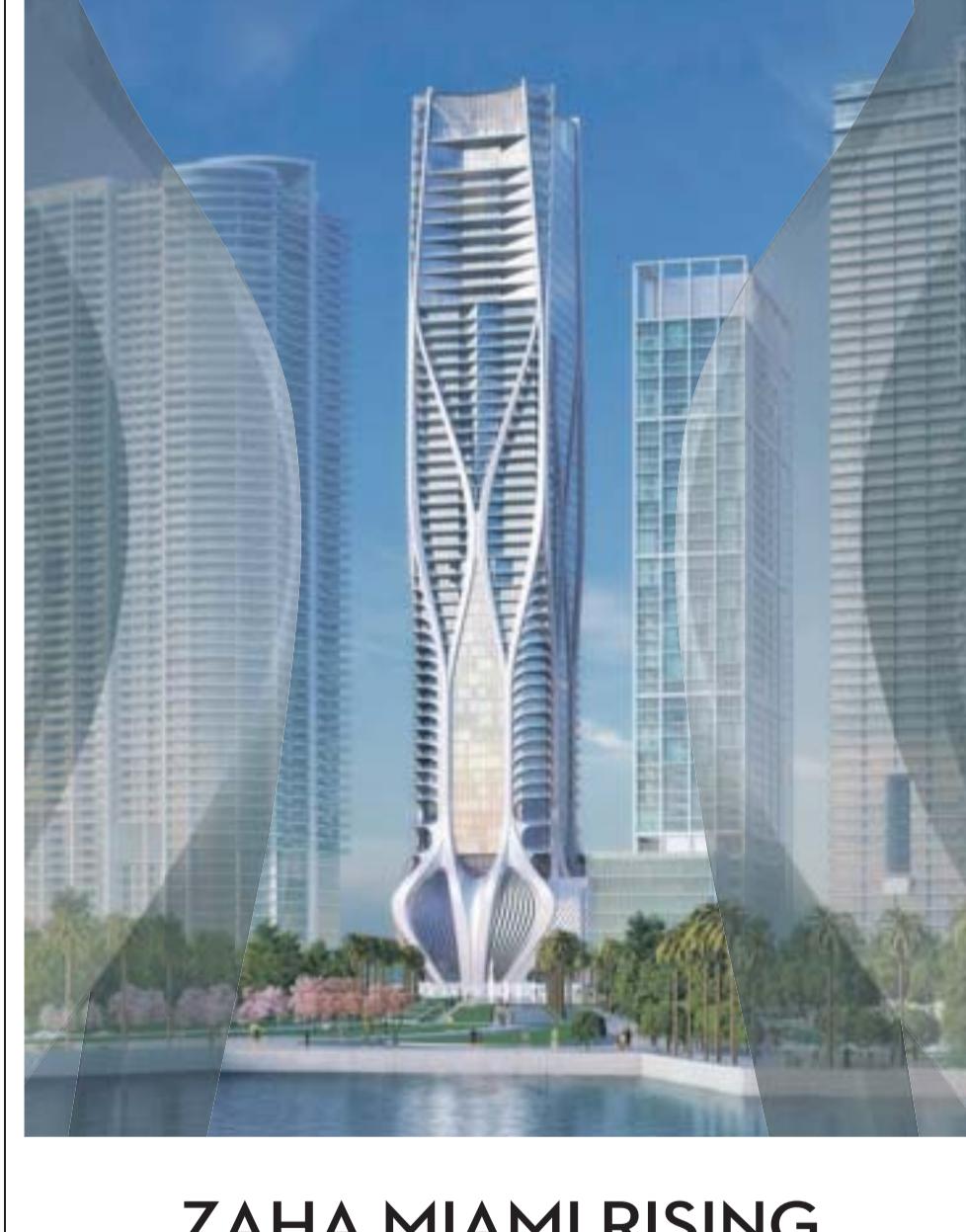
\$4,000

Misc.

\$13,500

TOTAL

\$45,000



ZAHAA MIAMI RISING.

ONE THOUSAND MUSEUM

BY ZAHA HADID ARCHITECTS

From \$5.8 million.

Currently under construction with completion anticipated 4th Qtr 2018.

1000museum.com | 305.521.1099 | info@1000museum.com

ONE | Sotheby's
INTERNATIONAL REALTY

Oral representations cannot be relied upon as correctly stating representations of the Developer. For correct representations, make reference to this brochure and to the documents required by section 718.503, Florida statutes, to be furnished by a developer to a buyer or lessee. We are pledged to the letter and spirit of the U.S. Policy for achievement of Equal Housing Opportunity throughout the nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin. This is not intended to be an offer to sell, or solicitation to buy, condominium units to residents of any jurisdiction where prohibited by law, and your eligibility for purchase will depend upon your state of residence.

RESIDENTIAL USE ONLY. IN A COMMERCIAL AREA. SEE THE FLYING LEAFLET FOR DETAILS. © 2017 ONE THOUSAND MUSEUM LLC. ALL RIGHTS RESERVED. HED-16-0131

The building is currently under construction but not yet completed. Any plans or a completed building are artist renderings incorporating the proposed building into the existing skyline. As depicted in the developer's brochures or on the developer's website, sketches, renderings, graphics, plans, specifications, services, amenities, terms, conditions and statements contained in this brochure are proposed only, and the Developer reserves the right to modify, revise or withdraw any or all of same in sole discretion and without prior notice. Use and operation of the Helpad are conditioned upon obtaining FAA and other governmental approvals. No assurance can be given about whether the approvals can be obtained, and/or if so, the timing of same. Artist rendering provided by Caparol13 | Creative Director Alfred Lamoureux

ADVERTISEMENT



MIDDLETOWN, RHODE ISLAND

Oceanfront Classic - Resting on the southern tip of Easton's Point, this architectural 7,400 sf seaside masterpiece is designed to maximize panoramic ocean views. Stunning exterior features a façade of glass doors, infinity pool, and bluestone terrace. Handsomely appointed kitchen opens to a breakfast area and Great Room with fireplace and expansive ocean views, plus large master with sitting room, fireplace, and private mahogany deck.

\$6,450,000

GustaveWhite.com

Gustave White Sotheby's International Realty

phone: 401.849.3000



WHITETAIL CLUB - MCCALL, IDAHO

645 Migratory Ridge. Build your dream home on an over-two-acre foundation of prime real estate to indulge in some of the best views of Payette Lake, the championship golf course and the mountains to the east. Lush trees throughout this spectacular ridge-top home site afford you all the privacy you desire, allowing you to escape into your personal oasis.

\$1,035,000

WhitetailClub.com

Whitetail Club Realty, LLC

Joe Carter

phone: 877.634.1725 Email: jcarter@whitetailclub.com



ORLANDO, FLORIDA

Twin Lakes is now selling homes from the \$200s in the Orlando Area. Here residents will enjoy a magnificent 20,000 sq. ft. clubhouse with amenities that are usually reserved for fine resorts. The outstanding views and location are only surpassed by our cutting edge home styles and luxurious included features that are an upgrade to other builders. Twin Lakes is a 55+ Active Lifestyle Community.

From the \$200s TwinLakesFL.com

Twin Lakes

phone: 407.499.8865



ASHEVILLE/WAYNESVILLE, NORTH CAROLINA

Gorgeous 210-acre, countryside, pristine property near Blue Ridge Parkway, waterfalls and 500 acres of hiking trails. Ideal for development or as luxury retreat. Expansive mountaintop views and lush valley floor. Includes active trout stream. Two vacation homes currently on site with excellent rental history. 4 miles of roads in place. Historic Asheville, NC just 25 minutes away. Sale by owner. Realtors protected. Owner prefers to sell as whole, but will divide.

Reduced to \$5.5 million or make offer on divided pieces.

Robert L. Graves

phone: 843.422.2990



DOWNTOWN ST. PETERSBURG FLORIDA

Live a fabulous Urban Lifestyle in vibrant downtown St. Petersburg. 3 blocks from the water, artfully designed townhomes now under construction on a private, gated lane. Totaling 2,335 sq. ft., 3 bedrooms, 3 ½ baths, 2 car garage, private elevator, and amazing rooftop terrace. Low HOA fees. Walking distance to world-class restaurants, museums, shopping, parks, marina, and Tampa Bay.

From the \$800's to \$900's www.RegentLane.com



AUSTIN, TEXAS

Your Ultimate Farmhouse Awaits. This spacious one-story is situated on a 1+ acre lot in a private, gated community on the Lake Travis shoreline. Boasting 3 bedrooms plus casita, 4.5 bathrooms, exquisite pool/spa, outdoor kitchen & high-tech conveniences, this home blends the comfort of the Texas Hill Country with the sophistication of a custom home.

\$1,690,000

PeninsulaLakeTravis.com

The Peninsula at Rough Hollow

Loren Dickey

phone: 512.456.3756 Loren@RoughHollowLakeway.com



KIAWAH ISLAND, SOUTH CAROLINA

With 4,518 square feet, 4 bedrooms, 3 bathrooms and 2 half baths, 31 Salt Cedar Lane features 14-foot coffered ceilings in the living room, octagonal dining and breakfast rooms with high ceilings, 16-foot cathedral ceilings in the master suite, a glass-enclosed elevator to all floors, and a gallery of French doors opening out to spectacular views of a tidal marsh.

\$2,895,000

kiawahisland.com/real-estate

Kiawah Island Real Estate

phone: 866.312.1780 info@kiawahisland.com



BERKSHIRE HILLS ON NY/MA BORDER

Farm For Sale FANTASTIC BARGAIN! 26+/- acre renovated farm. Gorgeous setting. 5 BR/3BA country home, 3,500'+ ten stall barn, riding ring, 60'X120' steel building with office, 26'X36' garage, fishing pond, trout stream, great paddock views, more! Convenient to Berkshire attractions, Under 3 hours to NYC.

Won't last: **\$795,000**

www.RobinsonHollowFarm.com

Robinson Hollow Farm

phone: 413.896.5844



GUILFORD, CONNECTICUT

Luxury Residences, CT "Project of the Year" by HBRA. On 16 acres, 1884 Mill has loft units with garages. Added new construction of (3) 4-story buildings with ranch units, underground parking, views of Long Island Sound, West River, marsh. Walk to the Historic Town Green, shops, restaurants, train station, marina and beach. Proposed pool/clubhouse.

Priced from **\$719,000**

www.66highst.com

William Pitt Sotheby's

Nikki Travaglino

phone: 203.415.3053



SOCIETY HILL, PHILADELPHIA, PENNSYLVANIA

For the first time in almost half a century, this handsome Federal Townhouse is available on the open market. Facing St. Peter's Church and it's lovely Church Yard, it's like living on a London Square. The house is filled with sunlight and the main portion consists of nine rooms. An adjacent ground floor suite of four rooms is perfect for guest quarters, an in-law apartment, an office, or for rental income. The lovely garden is an oasis of quiet and calm.

\$1,395,000

321PineStreet.com

BERKSHIRE HATHAWAY HOME SERVICES

Mme. Ellen Steiner

phone: 215.546.0550 office; 267.735.9008 cell



BOYNTON BEACH, FLORIDA

Simply the Best 55+ Lifestyle in Florida - Valencia Bay goes above and beyond with luxury conveniences that rival the finest resorts. In the heart of the community is an opulent clubhouse featuring a fully-equipped fitness center, onsite restaurant, grand ballroom, resort-style pools, Har-Tru tennis courts, an on-site Lifestyle Director and more – right in your own neighborhood.

From the \$500's to \$800's

glhomes.com/Valencia-Bay



NAPLES, FLORIDA

Minto Single-Family Estate Homes located in an area famous for extraordinary golf communities. TwinEagles boasts not just one championship course awarded "Best New Private Course in America" by Golf Magazine, but two 18-hole, tour-quality courses and a spectacular 47,000 sq. ft. country club lavished with every imaginable amenity. Best of all, golf membership initiation fee is included with every Minto new home purchase.

From the mid \$500s to over \$1 million

MintoUSA.com

Minto Communities

phone: 888.379.9868

To Advertise Call: 800-366-3975



GLOBAL LUXURY™

WHERE EXCELLENCE LIVES



FRANKLIN LAKES, NEW JERSEY
This opulent Mediterranean offers a pastoral setting, with Russian Empire-inspired interiors throughout approximately 20,000 square feet. Extraordinary grounds resemble a fabulous European resort. \$10,999,888

William "Bill" Boswell, Sales Assoc. & Ronald "Ron" Alosa, Broker Sales Assoc.
C. 973.224.4605 | O. 201.891.6700



DUXBURY, MASSACHUSETTS
Private Waterfront estate set directly on sandy beach with recent updates, custom kitchen, herringbone floors, 6.5 baths, 7 bedrooms, new wrap-around deck & panoramic views. \$5,999,950

Kristin Colletti, Sales Associate
C. 781.264.4749



NEWTON, MASSACHUSETTS
Magnificent 1890 Victorian home offering timeless design 15 rooms, beamed ceiling, 5 fireplaces, gorgeous kitchen, 7 bedrooms, roof deck, wine room, and carriage house. \$5,500,000

Maxine Burtman & Mitchel Bernstein, Sales Associates
MB. 617.818.2447 | MB. 617.645.1360



RYE, NEW YORK
Classic Colonial restored for today's living. 16 elegantly scaled rooms, 8 fireplaces, kitchen opening to grand family room & 2 story carriage house. www.2UpperDogwoodLane.com \$4,995,000

Michele C. Flood, Associate Real Estate Broker
C. 914.420.6468 | O. 914.967.0059



WESTON, MASSACHUSETTS
Exquisite new 8,500 sq. ft. home set on 1.59 acres offering 15 rooms, 2 fireplaces, library, gourmet kitchen, vaulted family room, 6 en suite bedrooms, and 3-car garage. \$4,995,000

Joni Shore, Sales Associate
C. 781.888.2389



WELLESLEY, MASSACHUSETTS
Newly built, state-of-the-art waterfront home with superb craftsmanship, 14 rooms, 5 bedrooms, white chef's kitchen, vaulted family room, roof decks, & entertainment lounge. \$4,995,000

Rosemary McCready, Broker Sales Assoc. & Ali Melignano, Sales Assoc.
R. 781.223.0253 | A. 339.222.2590



GREENWICH, CONNECTICUT
Four acres at Andrews Farms. European-inspired Chateau has wrought iron stairs, marble floors, turrets, six fireplaces, new gym, two masters. Gunite pool, spa, terraces. \$4,975,000

Tamar Lurie, Sales Associate
C. 203.536.6953



WESTON, MASSACHUSETTS
Gorgeous Brick Front Colonial estate in desirable Weston Country Club, with pond views, 17 rooms, 5 bedrooms, open floor plan, custom kitchen, patio, plus finished 3rd floor and lower level playroom. \$4,850,000

Kathryn Alphas-Richlen, Sales Associate
C. 781.507.1650



BEDMINSTER, NEW JERSEY
Sprawling Bedminster estate features 7 bedrooms, 7 full and 3 half-baths, gourmet kitchen, in-ground pool and gorgeous master suite with view of the pristine countryside. \$4,599,000

Kelly Ann Peterpaul, Sales Associate
C. 908.410.6777 | O. 908.766.0808



NEWTON, MASSACHUSETTS
Renovated, historic home offering 7 bedrooms, rich architectural details, sleek chef's kitchen, solarium, patio, 3rd floor, wine room, putting green, and 2-car garage. \$4,495,000

Alison Blank & Deborah M. Gordon, Sales Associates
A. 617.851.2734 | D. 617.974.0404



NEWTON, MASSACHUSETTS
New 7,300 sq. ft. home with 13 rooms, 6 bedrooms, 8 baths, custom kitchen/family room, library/office, deck, gym, and 2-car garage. \$3,850,000

Carol Vaghari & Nancy McAuliffe, Sales Associates
C. 617.669.4132 | N. 617.875.5295



NEWTON, MASSACHUSETTS
Magnificent 8,000+ sq. ft. estate with superb renovations, 8 bedrooms, 9 fireplaces, chef's kitchen, open family room, 18,000 sq.ft. level lot, and finished lower level. \$2,999,900

Joan Barrett, Sales Assoc. & Mike Russo, Broker Sales Assoc.
J. 617.851.1793 | M. 970.274.9801



LARCHMONT, NEW YORK
Eight-bedroom home w/marble entry, picture windows, vaulted ceiling, 1st floor master, staff suite, finished walk-out lower level. 2.5 acres, pool, cabana, tennis court. \$3,750,000

Sula Pearlman, Real Estate Salesperson
C. 914.393.4104 | O. 914.967.0059



BRANFORD, CONNECTICUT
Stony Creek Waterfront. Dramatic 7500 sq. ft. Contemporary Smart House. Thimble Isle views, elevator, art studio, exercise room, media room, sandy beach, 3 car garage. 75 mi to NYC. \$3,490,000

Joe Piscitelli, Sales Associate
C. 203.982.3511



SOUTH END BOSTON, MASSACHUSETTS
New Penthouse duplex in Union Park with 3 bedrooms, 3.5 baths, chef's kitchen, rear deck, full service roof deck, gas fireplace, 3 exposures & 2 rental garage spaces. \$3,425,000

Rob Kilgore & Alexandra Conigliaro, Sales Associates
R. 617.504.7814 | A. 508.380.2231



PURCHASE, NEW YORK
European inspired, architecturally detailed custom stone and brick masterpiece set on a private signature Jack Nicklaus golf course, located in exclusive Purchase Estates. \$3,150,000

Debra Strati-Padawer, Real Estate Salesperson
C. 914.419.0101 | O. 914.967.0059



NEWTON, MASSACHUSETTS
Pristine new construction in W. Newton Hill with gracious open layout, 6 bedrooms, 6½ baths, chef's kitchen open to family room, 18,000 sq.ft. level lot, and finished lower level. \$2,980,000

Deborah M. Gordon & Kami D. Gray, Sales Associates
D. 617.974.0404 | K. 617.838.9996



BEDFORD, NEW YORK
Dream home! Incomparable elegance and comfort! This exquisite spacious 5BR/7+BA home nestled in over 11 acres w/salt water pool, offers superb amenities. A must see! \$2,975,000

Elaine Voss, Real Estate Salesperson
C. 914.774.5459 | O. 914.234.3647



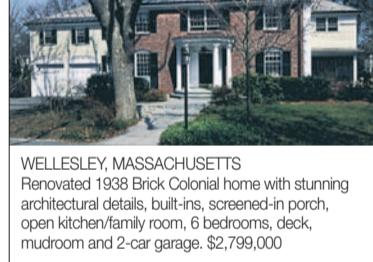
MELVILLE, NEW YORK
Set back & nestled on 2.8 acres in a lush wooded setting, this grand Colonial offers a unique serenity with beautiful window walls, solarium, waterfall, patio with swim spa & hot tub. \$2,950,000

Savita Sen, Real Estate Salesperson
C. 516.987.8614 | O. 516.864.8100



CROTON ON HUDSON, NEW YORK
Architectural gem poised on the Hudson River. Generously scaled, nearly 5,000 s.f., 14' ceilings/windows. Magical gardens. Spellbinding sunset/moonrises over the water. \$2,900,000

Andrea Onesta-Lieberman, Real Estate Salesperson
C. 914.744.2502 | O. 914.271.8500



WELLESLEY, MASSACHUSETTS
Renovated 1938 Brick Colonial home with stunning architectural details, built-ins, screened-in porch, open kitchen/family room, 6 bedrooms, deck, mudroom and 2-car garage. \$2,799,000

Melissa Dailey, Sales Associate
C. 617.699.3922



MARBLEHEAD, MASSACHUSETTS
Custom deck house with stunning ocean views, private beach access, exposed beams, vaulted cedar ceilings, stone fireplace, chef's kitchen, pool, patio, and 2-car garage. \$2,795,000

Bill Willis, Sales Associate
C. 617.549.8956



BERNARDS TOWNSHIP, NEW JERSEY
This quality Bocina-built Colonial on three acres offers beautifully designed interiors featuring custom millwork, high ceilings, wide oak flooring and open floor plan. \$2,699,000

Jane Devine, Sales Associate
C. 908.581.4694 | O. 908.766.2900



MADISON, CONNECTICUT
Fabulous, completely renovated in 2006 home located by West Wharf Beach. Water views, indoor/outdoor chef's kitchens, pool/waterfall/spa. 7 bedrooms with guest apartment. \$2,600,000

Catharina Lynch, Sales Associate
C. 203.627.2331



IRVINGTON, NEW YORK
Beautiful & renovated Ardsley Park Colonial w/7,000 s.f., great room, family rm/young kitchen, 6 Brs & 6.5 renovated baths. Walk to train/36 min to NYC. 15BerthaPl.com \$2,575,000

Therese Militana Valvano, Assoc. Real Estate Broker
C. 914.715.2715 | O. 914.693.5476



NEEDHAM, MASSACHUSETTS
Resort-like estate with pool, spa, custom millwork, floor-to-ceiling windows, chef's kitchen, stone fireplace, screened porch, master suite with balcony, and generator. \$2,495,000

Roger Komins, Sales Associate
C. 617.510.1100



SUMMIT, NEW JERSEY
Classic 6 Bedroom Northside Center Hall Colonial! Period Details, Updates & Charm Throughout. Grand Scale Kitchen & Great Room. Exquisitely set on .77 Acre. Close to Town. \$2,400,000

Erika Sirabian, Sales Associate
C. 908.723.2101 | O. 908.522.1800



MARBLEHEAD, MASSACHUSETTS
Renovated mid-century modern residence offering 10 rooms, 4 bedrooms, fireplace, open layout, chef's kitchen, cathedral ceilings, redesigned grounds, and 2-car garage. \$2,395,000

Jude Toner & John Toner, Sales Associates
J. 781.704.6592 | JT. 781.704.6593



WESTON, MASSACHUSETTS
Renovated Queen Anne Victorian with 12 rooms, 5 bedrooms, high ceilings, hardwood floors, chef's kitchen, sunroom, library, 3-car garage, plus detached studio. 2.8 acres. \$2,349,000

Denise Mosher, Sales Associate
C. 781.267.5750



SOUTH END BOSTON, MASSACHUSETTS
New Philly-style duplex in Union Park with 2 bedrooms, 2.5 baths, chef's kitchen, 17' x 16' deck, gas fireplace, and whole floor master suite. Garage parking options. \$2,275,000

Rob Kilgore, Sales Associate
C. 617.504.7814



WESTON, CONNECTICUT
Beautiful, refined, elegant 7-bedroom home with high ceilings, chef's kitchen, spa luxuries, 4 acres on 2 lots with extensive water frontage, pool, tennis, stone gazebo. \$1,995,000

Marylou Jamieson, Sales Associate
C. 203.515.9543



ESSEX, MASSACHUSETTS
Exquisite shingle-style home set on 8.2 acres with cathedral living room, granite fireplace, 4 bedrooms, updated baths, 2 garages, chef's kitchen, and rooftop tower. \$1,950,000

Scott Smith, Sales Associate
C. 617.750.2793



WOODSTOCK, CONNECTICUT
Beautiful renovated 1995 Arts & Crafts main house on 94 acres w/pond, pastures, guest house, commercial office building, fishing cabin. Engineered as 10-lot subdivision. \$1,900,000

Carol Ryniewicz, Associate Broker
C. 860.942.9293



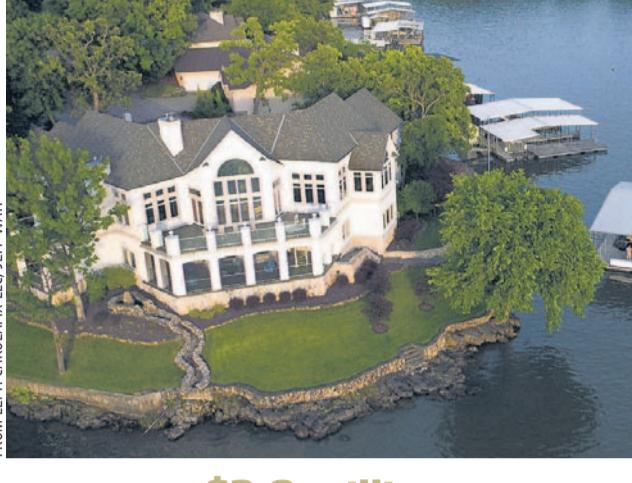
DUXB

MANSION

RELATIVE VALUES

LAKESIDE LIVING IN THE OZARKS

Three luxury homes for sale in the mountains of Missouri

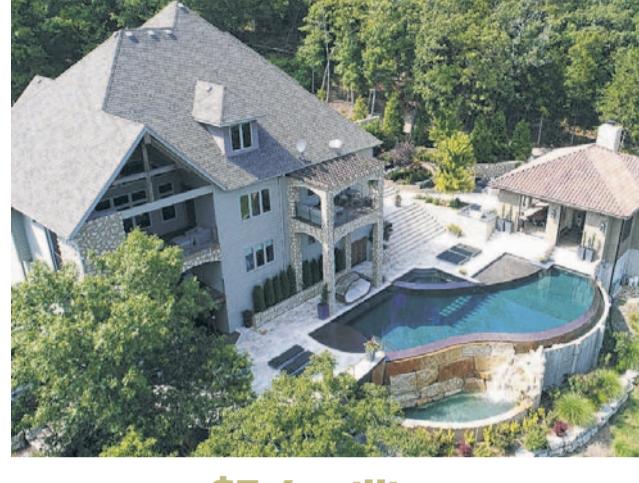
**\$2.9 million**

Osage Beach

Six bedrooms, six bathrooms, two half-baths

Sitting on 1.16 acres on the end of Robyn Point, this home has 390 feet of shoreline on Lake of the Ozarks. The house has a large dock, as well as a three-car garage, a man cave, a wine cellar and a screened-in porch.

Agent: Jeff Krantz, Re/Max Lake of the Ozarks

**\$3.4 million**

Branson

Six bedrooms, five bathrooms, three half-baths

This 9,185-square-foot Tuscan-inspired home sits on 2.6 acres overlooking Lake Taneycomo. It features extensive stonework and exposed ceiling trusses. Amenities include a walk-in wine cellar, a home theater and an infinity-edge pool.

Agent: Booker Cox III, Foggy River Realty

**\$3.999 million**

Four Seasons

Four bedrooms, four bathrooms, two half-baths

This newly built 5,209-square-foot home sits on 1.6 acres on Six Mile Cove. Expansive decks and patios are designed for outdoor entertaining. Inside are hand-hewn timber beams, custom flooring and stonework throughout. Boat dock has four slips.

Agent: Jim Trowbridge, Four Seasons Realty

ADVERTISEMENT

Distinctive Properties & Estates

To advertise: 800-366-3975 or WSJ.com/classifieds

WASHINGTON



110 Bellehahn Court

Severna Park, Maryland | \$6,950,000

Unrivaled architecture and design, sited on a private 3.3 acre hillside overlooking the Severn River with incredible vistas from every angle. 12,000+ SF



2501 Pennsylvania Avenue NW PH2B

West End, Washington, DC | \$5,995,000

Impressive 4,500 SF 3 bedroom, 3.5 bath Penthouse on 2 levels with interior design elements by Barry Dixon.



3124 38th Street NW

Cleveland Park, Washington, DC | \$3,995,000

Designed by award-winning owner/architect, unparalleled workmanship & design throughout. 6,450 SF, 5 bedrooms, 5.5 baths.



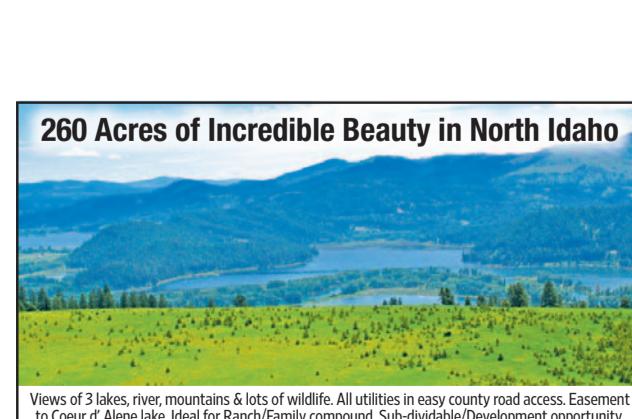
2946 Chain Bridge Road NW

Kent, Washington, DC | \$3,995,000

Intriguing architecture and comfortable living are brilliantly blended in this expansive 6,800 SF residence with 5 bedrooms, 4.5 baths.

TTR | Sotheby's
INTERNATIONAL REALTYJonathan Taylor
+1 202.276.3344
jtaylor@ttsir.com

IDAHO



260 Acres of Incredible Beauty in North Idaho

Views of 3 lakes, river, mountains & lots of wildlife. All utilities in easy county road access. Easement to Coeur d'Alene lake. Ideal for Ranch/Family compound. Sub-dividable/Development opportunity. Call Ed Flanagan at 208-699-0309 • ed@flanagan.net • Coldwell Banker Scheidmiller Realty

CONNECTICUT

LEGAL NOTICE
FORECLOSURE AUCTION SALE
Docket No: FBT CV 14-6040458-S
Case Name: TD BANK, N.A. v.
LEON C. HIRSCH, ET AL
Address: 144 Huckleberry Hill Rd, Wilton, CT;
152.83 acres; 8,621 sq ft residence
with guest house, caretaker house and stable
Date of Sale: Sat. Aug. 12, 2017 Noon
Inspection: 10-12 A.M. date of sale
Deposit: \$1.5 Million Dollars
Committee Phone: 203 881 3078
rfrankellaw@gmail.com

CALIFORNIA



2215 Blake Street

BERKELEY, CALIFORNIA

Open Sunday 2-4:30. Large Victorian duplex with separate cottage in prime location near campus! Main floor of the duplex and the cottage are vacant. Each unit has 2BR, original details and great space. A rare opportunity for investment!

Offered at \$1,250,000

Bebe McRae
510.652.2133/415
bmrae@grubbc.com

FLORIDA



Palm Beach

Rarely available, spacious apartment featuring high ceilings, 3BR/3.1BA, and eat-in kitchen with breakfast nook and bar. Boat dock included. Great outdoor living with multiple balconies.

Exclusive - \$5,950,000

Christian Angle Real Estate
www.anglerealestate.com
OTHER PALM BEACH REAL ESTATE
OPPORTUNITIES AVAILABLE
Christian J Angle at 561-629-3015
cjangle@anglerealestate.com

Why New Hampshire?

Besides the beauty of the lakes and mountains...
No Sales Tax - No Inheritance Tax
No Income Tax - No Capital Gains Tax

Winnipesaukee

Squam & NH's Lakes Region

Featuring Waterfront Homes and Condos

www.SueBradley.com

SusanBradley@metrocast.net

WOLFEBRO ESTATE

7 Acres, 600 feet Waterfront
6 Bedrooms + a 5 Room, 2 Bedroom Suite
3 Bay Boat House, Detached Barn
Privacy and Security
\$1,900,000

GILFORD NEW CONSTRUCTION

Dock, 150 Feet Waterfront

5 Bedrooms, Governor's Island Club
Grandfathered Carriage House
\$3,195,000

www.WellsweepfarmNH.com

Nearly 140 acres
Timeless style
Modern luxury

Over 7,000 sq ft Estate

Adam Dow, #1 Realtor in NH
Dow Bradley, GRI, CRS, ABR
Coldwell Banker Scheidmiller Realty
603.524.1511 • 603.524.2255

ADVERTISEMENT

Distinctive Properties & Estates

To advertise: 800-366-3975 or WSJ.com/classifieds

FLORIDA



FOUR SEASONS

PRIVATE RESIDENCES

ORLANDO AT WALT DISNEY WORLD® RESORT

A PROJECT BY GOLDEN OAK DEVELOPMENT, LLC



DISCOVER YOUR NEXT DREAM HOME.

At 9,254 square feet, *Bonavento* features 6 bedrooms, 7 bathrooms, 3 powder rooms, pool, spa and rooftop terrace with fireplace.

\$7,588,000*

*Partial furniture package is an additional \$385,000.

GOLDEN OAK REALTY 10501 Dream Tree Boulevard, Golden Oak, Florida 32836 | **407.939.5727** | OrlandoPrivateResidences.com/Dream



Obtain the Property Report required by Federal law and read it before signing anything. No Federal agency has judged the merits or value, if any, of this property. This does not constitute an offer to sell, or a solicitation to buy, real estate to residents of any state or jurisdiction where prohibited by law, or where prior registration is required but has not yet been fulfilled. For NY Residents: THE COMPLETE OFFERING TERMS FOR THE SALE OF LOTS ARE IN THE CPS-12 APPLICATIONS AVAILABLE FROM OFFEROR, GOLDEN OAK DEVELOPMENT, LLC, FILE NOS. CP16-0107 (Phases 2 and 4) and CP16-0069 (Phase 3). For California Residents: WARNING: THE CALIFORNIA BUREAU OF REAL ESTATE HAS NOT INSPECTED, EXAMINED OR QUALIFIED THIS OFFERING. PA REGISTRATION NO. OL001147. KY REGISTRATION NO. R-176. OKLAHOMA OFFEREES SHOULD OBTAIN AN OKLAHOMA PUBLIC OFFERING STATEMENT FROM THE DEVELOPER AND READ IT BEFORE SIGNING ANY DOCUMENTS. THE OKLAHOMA SECURITIES COMMISSION NEITHER RECOMMENDS THE PURCHASE OF THE PROPERTY NOR APPROVES THE MERITS OF THE OFFERING. Four Seasons Private Residences Orlando at Walt Disney World® Resort are not owned, developed or sold by Four Seasons Hotels Limited or its affiliates (Four Seasons). The developer, Golden Oak Development, LLC, uses Four Seasons trademarks and tradenames under a license from Four Seasons Hotels Limited. The marks "FOUR SEASONS," "FOUR SEASONS HOTELS AND RESORTS," any combination thereof and the Tree Design are registered trademarks of Four Seasons Hotels Limited in Canada and U.S.A. and of Four Seasons Hotels (Barbados) Ltd. elsewhere. The agreements related to the use of the "Four Seasons Private Residences" name and any related Four Seasons marks have specified terms of durations, and are subject to early termination. If the agreements expire or are otherwise terminated, the use of the "Four Seasons Private Residences" name and any related Four Seasons marks shall cease. Owners in the Four Seasons Private Residences will acquire no license or right to use the "Four Seasons Private Residences" name or Four Seasons marks. Golden Oak Development, LLC does not guarantee the obligations of builders who will build homes within the Golden Oak community. Golden Oak Development, LLC's approval of a builder shall not be construed as an endorsement, warranty or certification of any builder or the builder's performance. Void where prohibited by law. Equal Housing Opportunity. Broker participation welcome.

©Disney

INSPIRE

67%
OF OUR AUDIENCE PLANS TO
BUY A HOME WITHIN 12 MONTHS



YOUR PROPERTY HAS A HOME IN MANSION.

For more information on advertising opportunities,
please contact: sales.realestate@wsj.com | 800.366.3975

MANSION | THE WALL STREET JOURNAL.

Source: WSJ. Insights Mindset of the Luxury Real Estate Buyer, Base: Plan to purchase home in next five years (2,709).

© 2017 Dow Jones & Company, Inc. All Rights Reserved. 3A01513.

CALIFORNIA



Luxury Spa Property in the Mtns of Northern California. 5 Bedrooms, 4-1/2 Bathrooms 6800 sq.ft. (plus 1200 sq.ft.) on 20 Private Acres. Helicopter Pad/Hangar, Views of Mt Shasta, Swimming Pool, Meadow, Ponds, Fountains & Creeks, Outdoor Entertainment area with Tiki Bar, Bathroom, Putting Green, Sweatlodge & 3 Spas . All this in a peaceful, private setting in the mountains. This is your fly-in vacation home or executive retreat. Offered at \$2.2M by:

Aaron Cena, Coldwell Banker-Mtn Gate Properties BRE#0176841 530-859-1168
acena@sbcglobal.net

Full presentation at: www.resort-spa-estate.com

GEORGIA

AUCTION TUES. AUGUST 29TH
AT 11:00 AM

160 Gaines Road, Cartersville, GA

Last Asking Price \$8,500,000 | Selling at or above \$4,600,000

NY Times #1 Best Selling Author - Iris Johansen Sundance Estate

- Luxury Mansion (Furnished)
- Guest Villa with Pool and Cabana
- Caretaker's Residence
- Stables and Equestrian Facilities
- Situated on 126± Acres
- Excellent Family or Corporate Retreat
- Great for Entertaining
- Panoramic Mountain View

Conveniently Located Between Atlanta and Chattanooga

Shown by Appointment August 19th, 20th, 26th, 27th and 28th. Broker Incentive

800-476-3939
www.TargetAuction.com

D. Jacobs, GAL #359070

MANSION

WHAT BUILDERS BUILD FOR THEMSELVES



KELLY MARSHALL FOR THE WALL STREET JOURNAL (3)

SAVING ENERGY Arnold Karp's contemporary home in Greenwich, Conn., is loaded with energy-efficient features, such as a \$175,000 geothermal heating and cooling system. Top, a living room opens up onto a waterfront patio. Above, from left to right, a bedroom; the exterior of the home, and Mr. Karp with Robin Friedman Carroll, a project manager at his company, in the kitchen.

Continued from page M1
ements, Mr. Daniels says clients get most excited about his screened-in porch. "People see it and say, 'I want one,'" says Mr. Daniels, who is 38.

Luxury builders who build their own homes can splurge on the best materials, the latest technology and top-notch craftsmanship. The result is a showhouse-worthy property that is part innovations lab and part marketing kit to show potential clients what a construction company can accomplish.

While real-estate agents urge people who build their own homes not to include too many oddball amenities, builders are proud of the extreme features they include in their own abodes. In Lubbock, Texas, for example, custom builder Robert Wood completed a 5,200-square-foot house for himself and his wife in 2015 that includes seven ovens.

The house, which cost roughly \$1.3 million to build, is constructed around a courtyard that has a pool and an outdoor dining area. A stainless-steel indoor/outdoor kitchen with four ovens is separated from the courtyard by a retractable glass wall. The ovens come in handy when Mr. Wood and his wife, Candace, entertain their friends and host charity events. (The home's main kitchen has three additional ovens.)

"The courtyard feel is the No. 1 thing I wanted to try," says Mr. Wood, who says he got the idea from homes in Palm Springs, Calif. An enclosed courtyard ensures privacy, he adds, and orients the view away from the arid West Texas landscape. Though the home has three outdoor spaces, the intimate courtyard "is by far the one we use the most," says Mr. Wood, 54.

What builders consider worthy of including—or excluding—from their personal homes can be revealing.

The features deemed "essential" by buyers who earn over \$150,000 a year are relatively common comforts, such as laundry rooms and ceiling fans, plus basic "green" features such as Energy Star appliances and energy-efficient windows, according to the results of a 2017 National Association of Home Builders survey of buyers' home preferences.

But luxury builders tend to have much higher standards for what



BUILDER: DREW DANIELS

Lake Bluff, Ill.

Amount spent: About \$1.5 million



BOB STEFKO FOR THE WALL STREET JOURNAL (3)

SHOWCASE Drew and Brynn Daniels with their children, from left to right, Caroline, William and Annabelle in front of their Lake Bluff, Ill., home Mr. Daniels built last year. The screened-in porch, top, gets high praise from clients. Builders' homes are often a 'marketing kit' to show potential clients what a construction company can accomplish.

constitutes an environmentally friendly home. Some invest small fortunes in the latest energy-efficient heating systems, weather-resistant materials and building techniques that minimize energy loss.

Luxury-home builder Arnold Karp spent \$175,000 on a geothermal heating and cooling system in his new \$2.7 million contemporary home in Greenwich, Conn. Mr. Karp, 57, knows that even if his system slashes his utility bills

dramatically, it may not pay for itself. But nonetheless, it's still a great marketing tool for potential clients.

"It helps sell the house to 'green' and 'non-green' buyers who care about operating costs and the environment," says Mr. Karp.

Contractors are often able to rationalize high upfront spending because they use their own homes as both testing grounds for new technologies and as showcases they can take potential clients

through to help close a deal. But it's a two-way street: They are also able to use clients' experiences to inform their choices. Mr. Karp knew to stay away from a complicated, multi-device, iPad-controlled "smart home" technology system because he has fielded so many complaints about them from customers.

"Everybody calls me two hours before the Super Bowl to tell me their fancy technology is not working," says Mr. Karp, who is presi-

dent of Karp Associates in New Canaan, Conn. Both Mr. Karp and Mr. Daniels, having heard such gripes, made sure their systems had buttons on walls that even young children could use without help.

And some builders' clever features don't win over all clients. Mr. Daniels' "dog room" has stone floors and baseboards, and the doors are lined with Plexiglas so the dogs can't damage them with scratches. It leads to the backyard and has a shower, so muddy paws can be quickly cleaned.

"If clients have a dog, they think it's amazing," says Mr. Daniels. "If they don't, they think I'm an idiot," he cracked.

These builders say they don't take advantage of cheap labor in building their homes. "I'd rather pay than owe people favors," says Mr. Karp. They say they pay their subcontractors—electricians, plumbers and other tradesmen—full freight, in the interest of maintaining good relationships with people who are key to their success in business.

"I would sell my house if someone offered me a big price. Then I would have to face them," which would be uncomfortable if he had demanded cheap or free work, says Mr. Wood.

But builders do admit to some foibles familiar to anyone who has built their own home. Mr. Daniels' perfectionism comes with a high price tag: The ceiling in the screened-in porch is made from reclaimed wood from a barn in Wisconsin, he says. Each board needed to be sized, squared, cut and installed, adding to labor costs.

Builders aren't immune to a version of the classic upsell: Mr. Wood said that while appliance and other hardware suppliers will often provide discounts to people in the business, in some cases he paid full fare in exchange for upgrades to the next level of luxury.

More proof that when it comes to their own homes, builders are only human: Mr. Karp's budget numbers got fuzzy as he got excited about glamorous upgrades, like a Jacuzzi with a fire feature, and backlit stairs that "make it look like you're walking up a magic carpet," he said.

"My original budget was \$2.3 million, but we ended up at \$2.7 million," says Mr. Karp.