

# THE WALL STREET JOURNAL.

DOW JONES | News Corp \*\*\*\*\*

FRIDAY, JULY 27, 2018 ~ VOL. CCLXXII NO. 22

WSJ.com

★★★★ \$4.00

DJIA 25527.07 ▲ 112.97 0.4% NASDAQ 7852.18 ▼ 1.0% STOXX 600 390.53 ▲ 0.9% 10-YR. TREAS. ▼ 11/32, yield 2.975% OIL \$69.61 ▲ \$0.31 GOLD \$1,225.30 ▼ \$6.10 EURO \$1.1644 YEN 111.23

## Facebook's Historic Dive

Facebook shares fell 19% Thursday, resulting in the social-media giant losing \$119.1 billion in market value, the biggest-ever one-day drop for a U.S.-listed company. The decline followed the company's warning late Wednesday about slowing growth. **B1**

**A**mazon's profit topped \$2 billion for the first time, powered by the online retail giant's newer services businesses. **A1**

◆ **Facebook suffered** the biggest one-day loss in market value for a U.S.-listed company after warning about slowing growth. **B1**

◆ **The tech stock's plunge** pulled the S&P 500 and the Nasdaq lower, but the Dow added 112.97 points. **B11**

◆ **Marchionne had** a "serious illness" lasting more than a year before his death, a condition Fiat Chrysler said it didn't know about. **B1**

◆ **The Justice Department** is investigating whether TV station owners violated antitrust law in ways that inflated local advertising prices. **B1**

◆ **Several forecasters** tempered their high expectations for U.S. economic growth in the second quarter. **A2**

◆ **Saudi Arabia is pushing** Aramco to raise tens of billions of dollars in debt, with the company's IPO stalled. **B1**

◆ **BP will buy** the bulk of BHP's U.S. onshore oil-and-gas unit for \$10.5 billion. **B3**

◆ **Shell and Total opened** Big Oil's earnings period with sharp gains in profit. **B3**

◆ **Many big U.S. airlines** are cutting flights and raising fares as fuel prices climb. **B5**

◆ **Walmart chose** Capital One as the new issuer of its store credit card, ending a partnership with Synchrony. **B1**

◆ **Intel's profit surged** 78%, but investors homed in on delays in rolling out new chips in substantial numbers. **B2**

## What's News

### Business & Finance

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### World-Wide

◆ **The Trump administration** touted its truce with Europe to nervous lawmakers as evidence its trade policies are starting to show results, but Republicans pushed for accelerated efforts on other trade fronts. **A1, A4**

◆ **Pakistan's Imran Khan** was swept to power in a sharply disputed election. He called for a new relationship with the U.S. **A1**

◆ **China is moving** faster than expected to inject money into its economy, a sign of worry about slowing growth. **A7**

◆ **Purchases of U.S. homes** by international buyers dropped sharply in the fiscal year ended in March. **A3**

◆ **North Korea handed over** the remains of some U.S. soldiers who died during the 1950-53 Korean War. **A7**

◆ **The administration** scrambled to meet a court-ordered deadline to reunite more than 2,500 migrant children with their parents. **A3**

◆ **The chief financial officer** of the Trump Organization has been subpoenaed in the criminal probe of Trump's former personal lawyer. **A6**

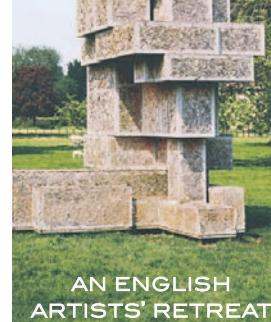
◆ **Rockefeller heir** George O'Neill Jr. was among the contacts of an alleged Russian agent, interviews and public documents indicate. **A6**

◆ **A bid by House conservatives** to oust Rosenstein lost momentum as top Republicans rejected the move. **A5**

◆ **Rep. Jim Jordan**, a conservative Republican from Ohio, said he would run to succeed House Speaker Ryan. **A5**

### TOMORROW

## WSJ. MAGAZINE



AN ENGLISH ARTISTS' RETREAT

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### The largest one-day declines in market value

Facebook Thursday	\$119.1B
Intel Sept. 2000	\$90.7
Microsoft April 3, 2000	\$80.0
Microsoft April 24, 2000	\$64.1
Apple Jan. 2013	\$59.6
ExxonMobil Oct. 2008	\$52.5

Sources: SIX (share price); WSJ Market Data Group via FactSet (market values)

## Management Turmoil Worsens Univision's Crisis

'I quit, I quit!' Feuds over the company's future have engulfed the largest Spanish-language broadcasting outlet in the U.S.

By SHALINI RAMACHANDRAN AND BENJAMIN MULLIN

After a Univision Communications Inc. board meeting in December, tensions erupted between the media company's billionaire chairman and its then-chief executive.

Univision disclosed a big earnings shortfall not long after Chief Executive Randy Falco renewed his contract, angering Chairman Haim Saban and other directors. For his part, the CEO complained of Mr. Saban and his top deputy micromanaging the company, emailing and calling his direct reports—even asking what they thought of Mr. Falco, people familiar with the meeting say.

In Mr. Falco's office, the two men

screamed at each other. Staffers could hear them one floor below.

"I can't deal with this shit," Mr. Falco later told board members. "I quit, I quit!"

Discord and drama have engulfed Univision, the nation's largest Spanish-language broadcasting outlet. Like most media companies, it is facing fundamental challenges brought on by entertainment's shift to the internet, including a steep decline in cable TV subscribers. Univision in particular has been hurt by the loss of core viewers who have moved on from its signature fairy-tale telenovelas.

That is not the only problem. Top executives and board members have feuded over

Please turn to page A9

## Pakistan's New Leader Vows to Reset U.S. Ties

By SAEED SHAH  
AND BILL SPINDLE

Former cricket star Imran Khan swept to power in a disputed Pakistani election, upending the political landscape in a fragile democracy that now stands to be led by a sharp critic of the U.S.

The scale of victory far exceeded expert predictions, based on near-final vote counts in much-delayed results from Wednesday's election, which will likely allow his party to form a government on its own and to appoint him

prime minister.

But his win, which many of his rivals denounced as being marred by irregularities and help from the powerful military, also involved political compromises that critics say could undercut his ambitious agenda.

"I will prove that we can fix our governance system," Mr. Khan said in his victory speech on Thursday. "All our policies will be aimed to help the weakest members of our society."

Mr. Khan called for a new, "mutually beneficial" relationship with the U.S. that breaks with the antiterrorism partnership seen since 2001.

"Unfortunately up to now, our relationship has been one-way. America pays Pakistan for fighting its war, which has really damaged Pakistan," he said.

Mr. Khan has said U.S. soldiers must leave Afghanistan as there is no military solution there. Washington may also be moving toward direct peace talks with the Taliban, and it will find Mr. Khan's government helpful for exiting Afghanistan, the party says.

However, if the Trump administration continues with the policy, announced last year, of an enhanced military presence in Afghanistan, it could find Mr. Khan to be a stubborn thorn.

Washington considers Islamabad's help vital in stabilizing Afghanistan, and U.S. military supply lines also pass through Pakistan. In addition, he is an implacable opponent of U.S. drone strikes inside Pakistan.

A U.S. official said it welcomes an opportunity to work

## Solemn Handover 65 Years After Korean Armistice



HEADING HOME: A U.S. serviceman at Osan Air Base in South Korea on Friday carried a box containing the remains of an American soldier killed in the 1950-53 Korean War. The return of remains by Pyongyang follows through on one aspect of the summit statement signed last month. **A7**

## Parents Bust a Move and Children Say: Please Stop

Everyone loves the floss dance, except when Mom does it

By JOANNA SUGDEN

The night started out so well. Gabriel Paul and his family were out for pizza at a London restaurant, sitting at an outdoor table enjoying the unusually warm evening.

Then he saw it. His 54-year-old mother was standing up.

She was thrusting her hips and her arms. Was she...was she doing the floss?

"She just got up and started

doing it in front of everyone," said Mr. Paul, a 20-year-old art student. "On the street, in the open air. I mean, anyone could have seen her."

Others around the table were laughing, Mr. Paul said. "I was cringing."

The floss, a dance that involves swinging your hips one direction and your arms the other with increasing speed, has reached craze status.

The move is featured in the

popular videogame "Fortnite" and by singer Katy Perry. World Cup soccer stars, police officers and kids are all hooked.

Now, the dance is entering a new phase—as a surefire way for parents, intentionally or not, to embarrass their children. A video on YouTube called "How to Do THE FLOSS DANCE—A Parent's Guide," has over three million views.

Some parents skip instruc-

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## U.S. NEWS

## Fresh Data Temper GDP Forecast

BY BEN LEUBSDORF

Several forecasters tempered their high expectations for U.S. economic growth in the second quarter based on last-minute data about factory orders, international trade and business inventories.

The Commerce Department on Friday morning will release its first official estimate of second-quarter gross domestic product, a broad measure of the goods and services produced across the U.S. Many economists have predicted Friday's report will show robust growth, perhaps the best quarter in years.

Several reports out Thursday caused some to lower their forecasts.

The Commerce Department reported new orders for durable goods—products de-

## Business Outlays

New U.S. orders for nondefense capital goods, excluding aircraft



Note: Seasonally adjusted

Source: Commerce Department via St. Louis Fed

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economists surveyed by The Wall Street Journal had expected, though it represented a rebound after two consecutive monthly declines.

The agency separately reported the U.S. trade deficit in goods expanded 5.5% in June as imports rose and exports fell from May, and that wholesale and retail inventories were flat in June from the prior month. Inventory investment and net exports are two volatile components of GDP growth.

On balance, most forecasters saw Thursday's data pointing to somewhat weaker, but still-strong growth, in the second quarter, though they disagreed about specific components.

Forecasting firm Macroeconomic Advisers on Thursday projected a 4.5% seasonally adjusted annual growth

rate, down from its Wednesday prediction of 4.9% growth. Economists at JP Morgan Chase cut their GDP growth forecast to 3.9% from 4.4%. Barclays kept its GDP tracking estimate unchanged at 5.2%. The Federal Reserve Bank of Atlanta's GDPNow model reduced its forecast to 3.8% from an earlier estimate of 4.5% growth.

"While we are trimming down our [second-quarter] growth estimate, [Thursday's] reports had favorable implications for [third-quarter] growth, adding upside risk to our 2.5%" forecast for GDP growth in the current period, JPMorgan Chase economist Daniel Silver said in a note to clients.

Last month's headline durable-goods number would have looked stronger if not for a pullback in military purchases. Excluding the defense sector, orders were up 1.5% in June from the prior month.

The manufacturing sector has benefited from healthy demand this year, supported by higher oil prices that spurred energy-sector investment as well as solid growth in overseas markets and tax-law changes intended to boost capital expenditures. In the first half of 2018, total durable-goods orders rose 8.4% compared with the year-earlier period.

A closely watched proxy for business spending on new equipment, new orders for nondefense capital goods excluding aircraft, rose 0.6% in June from the prior month. In the first six months of the year, orders in the category rose 6.8% from the period in 2017.

## U.S. WATCH

## UNEMPLOYMENT

## Jobless Claims Rise But Remain Low

The number of Americans claiming new unemployment benefits rose last week from the lowest level since 1969 but remained near multidecade lows, offering evidence of the labor market's strength.

Initial jobless claims, a proxy for layoffs across the U.S., increased by 9,000 to a seasonally adjusted 217,000 in the week ended July 21, the Labor Department said. Economists surveyed by The Wall Street Journal expected 215,000 new claims.

Unemployment-benefit applications have remained low for years, a sign that relatively few Americans are being laid off and seeking assistance in a buoyant U.S. job market.

—Sarah Chaney

## CALIFORNIA FIRES

## Brown Declares States of Emergency

Gov. Jerry Brown declared states of emergency in Riverside and Shasta counties as fires burn on both ends of the state.

The declarations issued Thursday say that hot temperatures, erratic wind and low humidity have increased the spread of both fires.

A wildfire in rural Shasta

County in Northern California tripled in size overnight, and more evacuations have been ordered.

In Southern California, thousands remained evacuated as a suspected arson wildfire burned in the San Jacinto Mountains east of Los Angeles.

—Associated Press

## HBCU FINANCING

## GAO Says Nearly 30% Of Payments Are Late

Nearly 30% of payments toward a loan program for historically black colleges and universities were delinquent last year, and three of the 46 schools have outright defaulted, according to a government watchdog report.

Still, the Government Accountability Office says the U.S. Department of Education should more aggressively encourage HBCUs to participate in the program.

The HBCU Capital Financing Program, created in 1992 to provide low-cost loans to the cash-strapped schools, had made more than \$2 billion in loans as of November, with \$1.8 billion outstanding.

Years of underinvestment by states and the federal government, as well as small endowments and low alumni giving rates, have made capital investments difficult for HBCUs.

—Melissa Korn

## A Downpour Down East



WADING: Heavy rain flooded streets, businesses and houses in the Lewiston, Maine, area Thursday.

PHOTO BY RUSSELL DILLINGHAM/SUN JOURNAL/ASSOCIATED PRESS

## Amazon Profits Hit Record

*Continued from Page One* growth was slowing, sending its stock plunging 19% on Thursday. It was a reminder for investors that growth from tech's titans isn't always guaranteed.

Amazon faces its own challenges. President Trump earlier this week again tweeted a threat to the company, expressing his belief that Amazon takes advantage of the U.S. Postal Service, which he called its "delivery boy." And some members of Congress have expressed concern about Amazon's growing size and power. Many of the president's tweets have sent stocks down on fears of tougher regulation or even antitrust action.

None of that is slowing Amazon, though its quarterly revenue of \$52.89 billion did underwhelm Wall Street, coming in a bit below estimates even if up 39%. And its forecast third-quarter revenue of be-

tween \$54 billion and \$57.5 billion is also below analysts' consensus estimates.

But the star for the period was Amazon's profitability. Its operating margin was 5.6%, a big jump from last year's second quarter and the highest rate in more than a decade.

On a media call, finance chief Brian Olsavsky credited the profitability to a combination of fiscal discipline and growth in the services businesses. "But it's been more than that," he said. "We've seen a greater-than-expected efficiency in a lot of our spend, in warehouses, in data centers and also in things like marketing." The company has lowered head-count growth and spending, too. "It's turning into a lot of operational efficiency," Mr. Olsavsky said.

The results sent shares 3.2% higher in after-hours trading to \$1,866. Before the late-afternoon report, the stock was up 55% this year, and its market value hovered around \$860 billion. The only company worth more is Apple Inc., which is valued at about \$946 billion and is scheduled to report its quarterly results on Tuesday.

Amazon dominates e-com-

merce, and is now estimated to draw roughly half of every dollar spent online in the U.S. But its retail operation's online-store growth is slowing—revenue rose 12% to \$27.17 billion, a smaller lift than in the past several quarters. The company has been looking elsewhere for expansion, pushing down the share of overall revenue from that segment stores to about half.

While Amazon sells many

## Powerful Flow

Amazon's quarterly profit/loss



Source: the company

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of the products consumers find on its website, millions of small businesses, retailers and manufacturers provide the rest. About 53% of products sold in the quarter were from independent merchants on the site, helping drive profitability.

The company collects roughly 15% on those sales. It also offers the chance for products to become eligible for Prime shipping via its network of warehouses for additional fees. That is typically cheaper than Amazon having to hold its own inventory.

Amazon's acquisition of Whole Foods Market, completed in August, has added a new stream of revenue from physical outlets. Amazon reported \$4.31 billion in revenue from brick-and-mortar stores. In May, Amazon added Prime benefits to Whole Foods stores including 10% off discounted items and other special deals to juice sales.

Adding benefits like these also have allowed Amazon to raise the price of its Prime membership, recently boosting it 20% to \$119 annually. More than 100 million Amazon users are now Prime members, which offers unlimited two-day shipping, video content

and other perks, and helps foster loyalty for customers who typically spend twice the amount of a nonmember.

One of Amazon's biggest profit drivers, Amazon Web Services, kept up its pace of growth, reporting revenue grew 49% to \$6.1 billion. The division's revenue growth has accelerated three straight quarters after shrinking, despite stronger competition from rivals including Microsoft and Alphabet's Google in recent months. AWS offerings including machine learning, artificial intelligence and analytics have proven popular for customers, Mr. Olsavsky said.

Amazon also is taking some digital-advertising business, albeit small, away from Google and Facebook as brands advertise more on the online retailer's site. Amazon's advantage is that it can tell advertisers when a consumer bought a product, showing an ad's effectiveness. Amazon also is attracting spending that would have traditionally taken place in brick-and-mortar stores to ensure good shelf placement.

"Stepping back, it's now a multibillion-dollar business for us," Mr. Olsavsky said.

## Lawsuits Are 'Last Resort' For CFPB

By YUKA HAYASHI

WASHINGTON—The Consumer Financial Protection Bureau, after pausing the policing of financial firms under Trump-appointed leadership, has restarted enforcement using a more collaborative approach than in the Obama era.

Mick Mulvaney, the CFPB's acting director who has introduced pro-business changes at the bureau, said in an interview the bureau's enforcement strategy now emphasizes negotiating with target companies to settle disputes, rather than moving as quickly as Obama administration officials did to file civil lawsuits.

"If I can protect consumers without filing lawsuits, why would I file lawsuits?" Mr. Mulvaney said. "Lawsuits are sort of the last resort."

Mr. Mulvaney added the CFPB would reward companies for self-reporting problems, taking that into consideration when negotiating settlements.

The CFPB received civil and administrative enforcement powers when it was created in 2010 after the financial crisis, giving it the ability to investigate companies from big banks to payday lenders.

Since Mr. Mulvaney's arrival in November, the bureau hasn't sued a single company. But the acting director said the CFPB would still resort to tough tactics when needed, saying he would "absolutely" authorize new lawsuits.

Mr. Mulvaney said the bureau has roughly 100 active investigations, and new cases are being added regularly. Critics say some of the bureau's recent settlements show companies are getting away with less stringent penalties than during the Obama administration, particularly in terms of how much consumers are compensated.

"There are some positive signs of meaningful enforcement going on at the bureau. But there remain significant challenges in terms of the number of cases and restitution provided to harmed consumers," said Christopher Peterson, a University of Utah law professor who served as enforcement counsel at the CFPB under then-Director Richard Cordray, named by President Barack Obama.

The CFPB's resumption of enforcement work comes as Mr. Mulvaney, a former GOP congressman and a longtime CFPB critic, prepares to hand over the bureau's leadership to Kathy Kraninger, a nominee for permanent director and a Mulvaney associate.

After Mr. Mulvaney's arrival, the bureau paused its enforcement activities to give him and top aides time to study individual cases.

The hiatus on enforcement ended in mid-June. The bureau has since unveiled five settlements of cases started under Mr. Cordray. Among them were a \$335 million settlement over Citigroup Inc.'s credit-card business and a \$30 million agreement with TCF National Bank concerning its overdraft program on July 20.

A single exception during the pause was a \$1 billion fine imposed in April on Wells Fargo & Co. over claims of misconduct in its auto- and mortgage-lending businesses.

During the previous five years, the CFPB had filed close to 40 enforcement cases on average annually, including lawsuits and settlements.

## CORRECTIONS &amp; AMPLIFICATIONS

Jean-Claude Juncker is president of the European Commission. In some editions Thursday, a U.S. News analysis about President Donald Trump's trade policy incorrectly gave Mr. Juncker's title as president of the European Union.

The leader of the Aum Shinrikyo cult and six of his followers were executed by Japan on July 6. In some editions Thursday, a World Watch article about the execu-

tions of other cult members on Thursday incorrectly said July 5.

The number of shares that changed hands Tuesday on exchanges operated by the New York Stock Exchange and Nasdaq was above the July average. A Business & Finance article Wednesday about stock-market trading incorrectly characterized the session as the lowest full day for stock trading volume this year.

Wind speeds of 74 miles an hour or more are considered hurricane strength. A U.S. News article Monday about the investigation into the sinking of an amphibious vehicle in Missouri that killed 17 people incorrectly implied that hurricane force winds start at 75 mph.

A chart showing the percentage of Supreme Court 5-4 cases decided in conservatives' favor accompanying a June 28 U.S. News article about Justice

Anthony M. Kennedy's career labeled the beginning and ending years correctly and contained the correct number of spaces for intervening years, but it mislabeled 2010-2011 and 2015-2016. A corrected version of the chart is available at WSJ.com/Corrections.

Letters to the Editor

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## U.S. NEWS

# Home Sales To Foreigners Fall Sharply

Wealthy Chinese and Canadians think twice in the current climate; a break for local buyers

BY LAURA KUSISTO

Foreign purchases of U.S. homes had their biggest drop ever, bringing relief to waves of American house hunters who have struggled to compete in affluent neighborhoods with wealthy buyers from abroad.

Purchases by international buyers totaled \$121 billion in the fiscal year ended in March, down from \$153 billion the previous year, according to a survey by the National Association of Realtors released Thursday. That 21% decline was the largest on record, the NAR said.

The drop in foreign interest helps well-heeled buyers in places like Manhattan, Seattle, San Francisco, Miami, and Orange County, Calif. While foreigners make up a small share of the overall U.S. housing market, they are concentrated near the high end of the market and are more likely to pay in cash and bid above the asking price, according to agents in these markets. That has challenged local buyers to come up with larger down payments and pay more.

The sharp decline in purchases reflected higher home prices, a strengthening dollar and intensifying political tensions between the U.S. and other parts of the world, economists say.

"The [discussion of a] trade war or just the rhetoric against foreigners may have dampened some of the enthusiasm to buy property in the U.S.," said Lawrence Yun, chief economist at NAR.

The pullback creates an additional challenge for many sellers, who have welcomed

foreign interest and the ease of all-cash deals. The housing market is already slowing, especially for developers of higher-end condos, some of whom heavily marketed their units to foreign investors.

"This might be the first time in my career that I'm seeing more Chinese sellers than buyers," said John Chang, a broker-owner at Engel & Völkers in New York City.

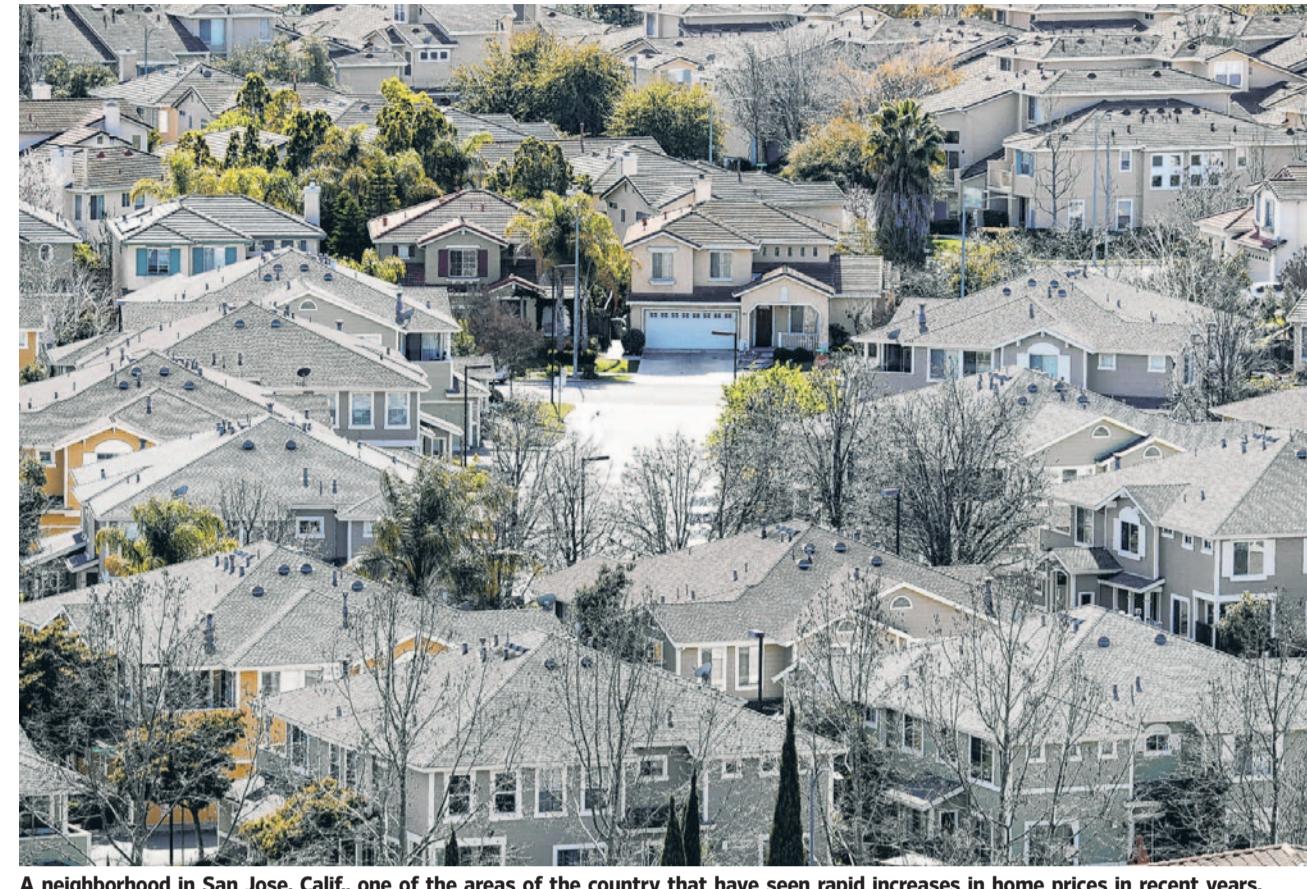
On a trip to China last week, Mr. Chang said he realized that Chinese news coverage of the U.S. is spooking would-be buyers. "It's staggering," he said of the negative coverage, including editorials saying now isn't a safe time to invest in the U.S. and articles chronicling real-estate developments funded by Chinese investors that have gone bankrupt.

Chinese buyers remained the largest purchasers of U.S. homes but their purchases fell 4% from the previous year to \$30.4 billion. Purchases by Canadians, the second-most-prolific purchasers, dropped 45% to \$10.5 billion.

Existing-home sales have fallen on an annual basis in five of the past six months, buffeted by rising prices, a long stretch of low inventory and rising mortgage rates. The decline in purchases by overseas buyers is adding to the market's woes.

Nearly 40% of Chinese buyers bought in California, which has a large Asian community, good air quality and strong universities. But Chinese buyers recently have been unable to get money out of their country and also are concerned about growing tensions with the U.S., according to agents.

Kerry Lynn, an agent at Douglas Elliman in New York, said she used to conduct more than half of her business with Chinese purchasers but hasn't traveled to China in six months. She has shifted to finding local



A neighborhood in San Jose, Calif., one of the areas of the country that have seen rapid increases in home prices in recent years.

clients and helping Chinese clients sell what they already own.

Ms. Lynn said the main hurdle is that the Chinese government has tightened restrictions, allowing residents to take only \$50,000 out of the country and requiring banks to report what the money is being used for. Tuition is an acceptable use but buying real estate generally isn't.

Canadian buyers, who primarily buy vacation and retirement properties in Florida and Arizona, ramped up purchases in recent years only to pull back in the past year. A strong American dollar and tensions between the U.S. and Canada over trade negotiations have driven the pullback, according to agents.

Brent Leathwood, a broker in Florida, said Canadian professional investors are taking a wait-and-see approach and retiring baby boomers are simply scaling back what they purchase.

The political uncertainty "destroys investors' ability to make long-term investments decisions with confidence and we are seeing this uncertainty rear its ugly head," Mr. Leathwood said.

## Homeownership Rate Inches Up

The U.S. homeownership rate continues to climb, with more Americans benefiting from the sharp rise in home values in recent years.

The downside: Homeownership remains historically low. It has risen tepidly this year despite strong economic growth.

The share of homes in which at least one occupant is the owner rose to 64.3% in the second quarter, up a tenth of a percentage point from the first quarter, the Commerce Department said Thursday in a report. The rate has climbed 0.6 percentage point over the past year.

But the rate remains far below the peak of 69.2% in late 2004, and a full percentage point below the 50-year average.

There are also new clouds hovering over the housing market, meaning that further gains in homeownership may be tough to achieve. Sales of pre-

viously owned homes fell 2.2% in June, National Association of Realtors data show.

And sales of newly built homes, while up over the past year, fell in June from the prior month, Commerce Department data show.

More and more renters say they aren't interested in buying a home because of financial reasons, according to a semiannual survey released by mortgage company Freddie Mac earlier this year.

The average rate on a 30-year mortgage has risen more than half a percentage point since early January to 4.54%, according to Freddie Mac. Existing-home prices climbed 5.2% over the past year to a record in June, NAR figures show.

"Homeownership has bottomed out, but is likely to go more or less sideways for the foreseeable future," economist Mark Zandi of Moody's Analytics said in an email. "Easing credit standards and a strong job market will support homeownership, but higher mortgage rates and the change in tax law weigh on it."

For now, homeownership among younger Americans is driving the rise in overall homeownership rates. The rate among those under the age of 35 rose to 36.5% in the second quarter, up 1.2 percentage points from a year earlier, Thursday's report showed. That was faster than the 0.6-point gain in overall homeownership.

—Josh Mitchell

Source: Commerce Department

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# U.S. Rushes to Meet Reunification Deadline

BY ALICIA A. CALDWELL  
AND ARIAN CAMPO-FLORES

The Trump administration scrambled to meet a court-ordered deadline to reunite more than 2,500 migrant children with their parents after they were separated at the border, creating an 11th-hour rush to move people around the country in a stop-start fashion.

The deadline of midnight Pacific time Thursday was set by a federal judge in June.

Administration officials said Thursday they were on track to reunite all eligible parents with their children by the deadline. The government said 1,820 children ages 5 to 17 years old were eligible for reunification, or 72% of the total of 2,531 children.

But more than 700 children weren't approved for reunification for reasons that included worries about a parent's criminal history and other safety concerns. The government also said 431 parents have been deported and officials said they would work with the court to figure out a process to facilitate reunification.

"The overall first guiding principle is the safety of these children," said Matt Albence, the Immigration and Customs Enforcement official in charge of jailing and removing immigrants in the country illegally.

Several immigrant advocacy groups, including the American Civil Liberties Union and Kids in Need of Defense, said they remained concerned the government's reunification efforts weren't going far enough.

Lee Gelernt, the ACLU lawyer handling the group's lawsuit that prompted the reunifications, said his organization was still waiting for information about which parents and children had been brought back together and where they were. He said the ACLU would push the judge in San Diego hearing the case to permanently block the government from deporting reunified families for at least



A Salvadoran man named Luis was reunited with his 6-year-old daughter, Selena, on Thursday, two months after their separation.

seven days after aid agencies have been notified of reunifications. The judge earlier this month issued a temporary order with those conditions.

"The Trump administration is trying to sweep them under the rug by unilaterally picking and choosing who is eligible for reunification," Mr. Gelernt said. "We will continue to hold the government accountable and get these families back together."

New York Gov. Andrew Cuomo, a Democrat, on Thursday described a disorganized effort to reunite 14 children held in New York City with their parents. On Wednesday, the federal government directed a foster-care agency in

East Harlem to bring the children to LaGuardia Airport for a 2 a.m. flight, he said. Once there, only seven children boarded flights, and federal authorities directed the agency to take the others to an airport in nearby Westchester County for a 5 a.m. flight.

Upon arriving in Westchester, the agency was told only two children would be leaving at that time. The remaining five are still in New York.

"Nothing about this is typical," Mr. Cuomo said.

Kids in Need of Defense and other aid and legal groups said Thursday they had lost track of child and

adult clients as federal authorities moved people around the country in the rush to meet the deadline.

Diana Rashid, a lawyer at the National Immigrant Justice Center in Chicago, has been trying to help reunite two Honduran mothers with their children. One has four children in New York City, each of whom was in a sepa-

rate foster home until last week. The other has a son under an agency's care in Los Angeles.

Both mothers were transferred last Friday to Port Isabel Detention Center in Los Fresnos, Texas, and were expected to be reunited with their children soon.

On Thursday, Ms. Rashid said she heard the mother of the boy who was in Los Angeles was reunited with him in Port Isabel the previous day, and they were released. The mother of four is expected to be flown to New York City soon to be reunified with her children.

—Lara Korte contributed to this article.

# Suits Over Census Question Allowed

BY CORINNE RAMEY

Lawsuits seeking to block the Trump administration from asking about citizenship on the 2020 census can move forward, a Manhattan federal judge ruled Thursday. The question hasn't been asked on the 10-year survey in decades.

U.S. District Judge Jesse Furman said the census fell within the purview of the courts, rejecting the Trump administration's argument that courts lacked jurisdiction on the issue. "Courts have a critical role to play in reviewing the conduct of the political branches to ensure that the census is conducted in a manner consistent with the Constitution and applicable law," the judge wrote.

Judge Furman added that deference was owed to Commerce Secretary Wilbur Ross Jr., who has said reinstating the question would help enforce the Voting Rights Act.

In March, the Trump administration said it would ask census respondents whether they are U.S. citizens. The move was criticized by some states and advocacy groups, which say asking about citizenship would decrease responses and make the census less accurate.

Thursday's ruling addressed two similar lawsuits. One suit was filed in April by dozens of U.S. states and cities, including New York, Connecticut, Delaware and Illinois, against the U.S. Commerce Department. In June, a group of nonprofits filed a related suit.

The New York attorney general's office called the ruling a "big win for New Yorkers."

A spokesman for the Commerce Department said it is confident that Mr. Ross has "the authority to reinstate a citizenship question."

## U.S. NEWS

# How Juncker Sold Trump on Trade Deal

By VALENTINA POP  
AND VIVIAN SALAMA

WASHINGTON—When Jean-Claude Juncker arrived at the White House on Wednesday, he had no idea how the meeting with President Donald Trump would end.

When asked on his flight from Brussels whether he was ready, after having pored through piles of documents, the European Commission president smiled and said: "No. We'll have to see how it goes."

Once Mr. Juncker entered the Oval Office, it was clear Mr. Trump was in a mood to negotiate, said a senior European Union official who was present. Mr. Trump, who typically entertains a question or two

from reporters during Oval Office visits, took none, looking instead to dive into discussions with the delegation from the EU's executive arm.

What followed between the two leaders ushered in a potentially significant de-escalation of trade tensions between the U.S. and EU, after months in which the Trump administration had applied tariffs on European steel, and threatened more. The resulting agreement was vague, but the two sides agreed to pursue a range of possibilities—including increased U.S. exports of natural gas and soybeans—that might address the trans-Atlantic trade imbalance.

In recent international meetings, such as the Group of

Seven summit in Canada, or the North Atlantic Treaty Organization summit in Brussels, Mr. Trump grabbed headlines with an argumentative approach. But on Wednesday, the American president was "charming, well-briefed" and "made an effort" to reach a deal, the senior EU official said.

Mr. Juncker grabbed the opportunity to argue that both sides need to refrain from further punitive tariffs or they would foolishly harm themselves. "If you want to be stupid," he told Mr. Trump, "I can be stupid, as well."

Backing up his points, Mr. Juncker flipped through more than a dozen colorful cue cards with simplified explainers, the senior EU official said.

Each card had at most three figures about a specific topic, such as trade in cars or standards for medical devices.

"We knew this wasn't an academic seminar," the official said. "It had to be very simple."

The Europeans had an ally on Mr. Trump's team, chief economic adviser Larry Kudlow. Mr. Kudlow had met with a member of Mr. Juncker's team the previous evening and hinted at a possible deal.

Still, when EU Trade Commissioner Cecilia Malmström met with U.S. Trade Representative Robert Lighthizer on Wednesday morning, odds of an agreement looked remote. Mr. Lighthizer seemed unaware of the overture made by Mr. Kudlow the night before

and insisted on issues that were a no-go for the Europeans, the EU official said.

Mr. Juncker stuck closely to the negotiating mandate handed to him by leaders of big EU countries. Germany, which is heavily dependent on exports, was from the onset open to a trade arrangement, including abolishing EU tariffs on U.S. car imports. France, meanwhile, was vehemently opposed to opening EU agricultural markets.

At one point, talk shifted to Europe buying more U.S. natural gas, a move EU leaders had agreed to take back in May, even though U.S. gas, shipped liquefied, is as much as 20% more expensive than gas Europe buys via pipeline from

Russia. The Europeans said U.S. companies need licenses to sell overseas, which inflates prices. Mr. Trump proposed scrapping licenses, the EU official said. Administration officials jumped in to nix the idea, saying licenses are vital for national security. Instead, the two sides agreed to negotiate license exemptions.

The main elements of the agreement that emerged had been floated by the Europeans two months earlier in the hope that Mr. Trump would refrain from imposing tariffs on European steel and aluminum. Mr. Juncker said after the meeting that the agreement was significant because "we were never in a position to agree on these main elements before."

## Tough Sell: U.S. Gas Exports To Europe

President Trump wants Europe to buy more U.S. gas, but President Vladimir Putin's Russia stands in the way.

By Sarah McFarlane,  
Bojan Pancevski  
and Georgi Kantchev

On Wednesday, Mr. Trump and European Commission President Jean-Claude Juncker dialed down trade tensions with measures that include a preliminary agreement for Europe to buy more liquefied natural gas from the U.S.

Surging U.S. LNG exports and Europe's desire to reduce its dependence on Russian fuel were widely expected to help break Moscow's dominance on the Continent. However, Russia in recent years has increased its exports to Europe, and U.S. LNG has failed to take any meaningful market share. Russia is the European Union's top supplier, with about a 35% market share.

Russian gas is cheaper, and U.S. exporters may not actually want to rush to Europe, given their gas fetches a higher price in Asia, driven by surging Chinese demand.

"Where that gas goes is just dictated by the dynamics of the global gas market, and it's not clear to me what any [European Union] policy maker could actually do to change that," said Trevor Sikorski, an analyst at London-based consultancy Energy Aspects.

Peter Altmaier, Germany's minister of economic affairs, said Europe has expressed willingness to build the infrastructure needed to take U.S. LNG.

However, "it will, of course, have to be competitive [in terms of price]," he said.

At current prices, U.S. gas delivered to Europe costs, on average, over \$7 per million British thermal units. Russian pipeline gas costs between \$4.5 and \$5.5 per million BTUs, according to Energy Aspects.

Last year, about 3 billion cubic meters of U.S. gas was delivered to the EU and Turkey, up from 0.5 billion cubic meters in 2016, according to S&P Global Platts Analytics. By comparison, Russian gas giant PAO Gazprom's exports to Europe in 2017 rose nearly 8% to 192.2 billion cubic meters.



A dust bowl farmer raising a fence to keep it from being buried under drifting sand in a 1936 photo. U.S. farm-support programs began during the Great Depression.

## Farm-Aid Programs Date Back Decades

By JACOB BUNGE

The U.S. government has been spending directly on agricultural-support programs since the Great Depression.

This week the Trump administration said it would extend up to \$12 billion in emergency aid to farmers hurt by trade tariffs. That comes on top of about \$21.5 billion the government is already expected to spend this year on existing farm-support programs, according to the Congressional Budget Office. Those existing programs are meant to shield farmers from crop-price downdrafts, help young farmers get started and encourage conservation.

"Most of these [programs] were put in place in the 1930s originally as temporary programs," said Joseph Glauber, a visiting fellow at the American Enterprise Institute and a former chief economist for the U.S. Department of Agriculture. "Here we are, however many years later, and they're ingrained."

Over the century following the country's founding, the U.S. government supported agricultural production through steps such as public land sales and establishing the land-grant university system, which pursues regional crop research. Government spending also funded early irrigation and drainage projects that



Farmers and their supporters rallied for minimum prices and an end to foreclosures in Iowa in 1983.

boosted agricultural output.

It worked—in some cases, too well. American farmers' expanding harvests helped pushed down crop prices in the years leading up to the Great Depression, prompting the government to look at national-level farm support programs. The 1933 Agricultural Adjustment Act, part of the Depression-era New Deal, in-

troduced government price supports, paying farmers to leave grain and cotton fields idle and shrink hog herds. The government also purchased farm goods and subsidized export sales. Farm incomes improved, but the U.S. agricultural sector didn't fully recover until World War II jump-started demand.

To help stave off a postwar

recession, Congress extended farm-support programs, in the process making government support the norm in farm country. Subsequent wars and growing exports whittled down food surpluses, but also gave farmers in other countries an incentive to grow bigger crops. In the early 1980s, rising interest rates, President Jimmy Carter's grain embargo

against the Soviet Union, and bad weather combined to push a wave of farms into foreclosure, leading Congress in 1985 to set out a new loan-based price-support system.

The Farm Belt recovered, and by the mid-1990s Congress sought a way to wean the sector off government support. The 1996 Farm Act eliminated most controls on supply and devised a new system of fixed payments related to past production levels, meant to last five years. But soon, a string of bumper harvests and the 1998 Asian credit crisis pressured crop prices and posed a new threat to U.S. farmers' livelihoods, spurring the government to make periodic payments to mitigate losses. The 2002 Farm Act converted those payments into a program that paid farmers when commodity prices dipped below specified targets.

By 2014, growing criticism of direct payments to farmers—by then averaging \$6.6 billion annually, regardless of crop prices or farm incomes—led Congress to replace these with a new insurance-based system. That system, currently in effect, includes broadened crop-insurance coverage, a supplemental program that compensates out-of-pocket losses not covered by insurance, and assistance when farmers' revenue or crop prices fall below certain levels.

Lawrence Kudlow, head of the National Economic Council, and Peter Navarro, a White House trade adviser. Mr. Barr is one of 24 GOP representatives whose re-election this November is rated a toss-up by the Cook Political Report, and he complained that bourbon makers in his district were being hurt by European retaliation for U.S. steel tariffs. "We want to know when we're going to get a solution."

With Republicans growing increasingly worried about losing control of the House this fall, fears aggravated by polls showing the unpopularity of Trump trade policies, Rep. Bill Huizinga (R., Mich.) read aloud to the White House advisers a text from a tool-and-die maker in his district who was facing higher raw-material costs because of the aluminum and steel tariffs. "I was making sure that they heard the message that this is not just uncomfortable—it's painful and it's damaging," Mr.

Huizinga later told reporters. Many of the lawmakers said the GOP-led Congress should keep alive the prospect of legislation to curb Mr. Trump's ability to impose tariffs on the table, even after the apparent thaw in relations between the U.S. and EU. Senate Finance Committee Chairman Orrin Hatch (R., Utah) indicated that he wasn't ready to drop his threat to advance such a measure, which Republicans on his panel have been discussing for weeks, saying, "We're still going with that."

In the Europe statement, Mr. Trump and Mr. Juncker agreed to launch trade talks that would seek to eliminate tariffs, non-tariff barriers and subsidies on industrial goods, and would suspend Mr. Trump's threat of auto tariffs as long as those negotiators were continuing. The two sides also agreed to try to reach an agreement to lift U.S. tariffs on European steel and aluminum and European tar-

iffs imposed in retaliation, though they didn't give a timetable for doing so.

As part of their campaign to reassure anxious lawmakers, Trump officials said they were moving to follow the European announcement with more trade deals. U.S. Trade Representative Robert Lighthizer

told a Senate hearing Thursday that "we are close to beginning negotiations" with a number of countries, citing the Philippines and sub-Saharan Africa as specific prospects. While the Trump team now seems in a rush to show progress in improving relations

with a roster of trading partners, officials indicated they didn't anticipate any quick fixes in their expanding battle with China. In fact, they suggested their motivation for striking deals with Europe and others was an attempt to line up allies in their standoff with Beijing.

"China is going to be a longer-term problem," Mr. Lighthizer told lawmakers. The Trump administration has already imposed tariffs on \$34 billion in Chinese imports, prompting equivalent retaliation from China, and the U.S. has proposed duties on more than \$200 billion in additional imports.

In his visit to the Midwest, Mr. Trump appeared to exaggerate the extent that the Europe deal would help farmers, as sharply different explanations from Washington and Brussels emerged over just the breadth of agricultural talks.

"We just opened up Europe for you farmers," Mr. Trump said in Iowa. And Mr. Lighthi-

zer told Congress that "our view is that we are negotiating about agriculture, period. That's part of the process."

But the joint statement between the sides makes no mention of covering agriculture beyond soybeans—a major source of trade tensions with the U.S. European officials said they had successfully rebuffed such a demand, making clear that no broader agricultural talks would be held.

The U.S. "heavily insisted to insert the whole field of agricultural products—we refused that because I don't have a mandate and that's a very sensitive issue in Europe," Mr. Juncker told reporters after his joint announcement with Mr. Trump.

—Rebecca Ballhaus,  
William Mauldin  
and Natalie Andrews  
contributed to this article.

## U.S. NEWS

# Rosenstein Impeachment Move Fizzles

BY SADIE GURMAN  
AND NATALIE ANDREWS

House conservatives' bid to oust Deputy Attorney General Rod Rosenstein amid a fight over the Russia investigation lost steam Thursday when top Republicans rejected the move, with Attorney General Jeff Sessions urging Congress to focus on other priorities.

House Speaker Paul Ryan (R., Wis.) said he doesn't support the articles of impeachment that 11 lawmakers filed Wednesday after a months-long tug of war with the Justice Department over information related to investigations involving Hillary Clinton and President Donald Trump.

"I don't think we should be cavalier with this process or with this term," Mr. Ryan said of impeachment. He said House Republicans have received a "great deal" of cooperation from the department on their records requests.

Given the pushback, lawmakers backing impeachment are also considering the lesser move of holding Mr. Rosenstein in contempt of Congress for what they see as attempts to withhold certain facts, said Rep. Mark Meadows (R., N.C.), who filed the impeachment resolution.

House members are heading home this week for their August recess, so any effort is on hold for several weeks.

Also Thursday, Mr. Sessions told reporters that Congress should focus on toughening immigration laws instead of impeaching his deputy.

"My deputy Rod Rosenstein is highly capable. I have the highest confidence in him," Mr. Sessions said at a news conference in Boston.

The effort to force Mr. Rosenstein from office is an escalation in a long-brewing fight between Mr. Trump's Republican allies in Congress and the Justice Department over confidential information from special counsel Robert Mueller's investigation into Russian interference in the 2016 presidential election.

The special counsel probe is looking into possible collusion between the Trump campaign and Russian electoral interference, as well as any potential obstruction of justice. Mr. Trump has denied wrongdoing and repeatedly called the probe a "witch hunt," and Russia has denied any interference in the election.

Mr. Ryan's comments dim prospects that the impeachment resolution will proceed, and Mr. Sessions' remarks were a rare public show of support for Mr. Rosenstein. The deputy attorney general is overseeing the special counsel's investigation because Mr. Sessions recused himself from the probe.

Impeaching Mr. Rosenstein would have been an uphill effort. An impeachment resolution needs the support of a majority of the House lawmakers, plus a two-thirds majority in the Senate after a trial in that chamber.

A contempt vote—taken against a person who fails to respond to an inquiry by a congressional committee—would be easier. A House measure requires a simple majority and doesn't require Senate approval. Once passed, the chamber turns the issue to the U.S. attorney for the District of Columbia.

—Byron Tau contributed to this article.



Mr. Jordan's announcement ratcheted up a contest that House Republican leaders had hoped to largely defer until the fall.

## Rep. Jordan Launches Speaker Bid

BY KRISTINA PETERSON

WASHINGTON—Rep. Jim Jordan said that he would run to succeed retiring House Speaker Paul Ryan, ratcheting up a contest that House Republican leaders had hoped to largely defer until the fall.

Mr. Jordan, of Ohio, announced his plans in a letter sent to House Republicans on Thursday and is the first Republican to formally challenge House Majority Leader Kevin McCarthy (R., Calif.), whom Mr. Ryan has endorsed to succeed him.

"Should the American people entrust us with the majority again in the 116th Congress, I plan to run for Speaker of the House to bring real change to the House of Representatives," Mr. Jordan said in a statement. "President Trump has taken bold action on behalf of the American people. Congress has not held up its end of the deal, but we can change that. It's time to do what we said."

Mr. Jordan's official en-

trance into the leadership race Thursday marked a defiant assertion of political normalcy for the Ohio Republican, who has been enmeshed in the most tumultuous stretch of his nearly 12-year congressional career.

Former wrestlers at Ohio State University this month said Mr. Jordan was aware of, but didn't respond to, allega-

tions and inappropriately touched athletes, and the investigators hired by the school spoke to Mr. Jordan last week.

Mr. Jordan has said the questions surrounding the OSU investigation wouldn't deter him from playing a role in the leadership elections this fall.

Most House Republicans don't expect Mr. Jordan will sew up enough support to become speaker if the GOP retains control of the House in the midterm elections.

But as the former chairman of the House Freedom Caucus, a group of roughly three dozen of the House's most conservative Republicans, Mr. Jordan could have the leverage to block anyone else from becoming speaker, unless they cut a deal with him. And the House GOP has proven unpredictable in past races.

Mr. McCarthy is the current front-runner to succeed Mr. Ryan, but he abruptly withdrew from the GOP leadership race in October 2015, after former Speaker John Boehner re-

signed. The California Republican is considered a stronger candidate three years later, buoyed by his close ties to President Donald Trump, but whether he will be able to pin down the votes to become speaker remains unclear.

"I'm spending my time keeping the majority," Mr. McCarthy told reporters Thursday.

Mr. Ryan said that Mr. Jordan entering the speaker's race didn't change his position. "I'm not going to be here. I support Kevin McCarthy, everybody knows that," Mr. Ryan said.

GOP leaders have sought to minimize any outright jousting while House Republicans brace for the midterm elections. Many lawmakers have made clear they wouldn't welcome the distractions of a leadership election as they prepare for tough challenges from Democrats and try to retain their control of the House majority.

—Natalie Andrews and Ben Kesling contributed to this article.

*The Ohio lawmaker is the first Republican to formally challenge Kevin McCarthy.*

tions of sexual misconduct by a team doctor when Mr. Jordan was the wrestling team's assistant coach in the 1990s. Mr. Jordan has said he wasn't aware of any abuse at the time.

OSU is reviewing the conduct of Dr. Richard Strauss, who allegedly conducted unnecessary, full-body physical exami-

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## U.S. NEWS



Allen Weisselberg has served for decades as executive vice president and chief financial officer of the Trump Organization.

## Rockefeller Heir Among Russian Agent's Contacts

BY ARUNA VISWANATHA  
AND JULIE BYKOWICZ

Charges against Maria Butina, the Russian accused of being a secret foreign agent, name as one of her contacts "U.S. Person 2." That person is George O'Neill Jr., a Rockefeller heir and conservative writer, interviews and public documents indicate.

Court papers describe Ms. Butina discussing with Americans the idea of holding "friendship dinners" to bring together Russians with politically active Americans. One of those Americans, prosecutors say, hosted such a dinner in February 2017 before that year's National Prayer Breakfast.

Mr. O'Neill, an outspoken advocate of closer ties with Russia, hosted that event, as he confirmed in an earlier magazine column. The charging documents say Ms. Butina told him that a representative of Russian President Vladimir Putin's administration had approved "building this communications channel."

Mr. O'Neill, who hasn't been accused of wrongdoing, didn't respond to emails and phone messages. In the charging papers, he isn't described by name but is called "U.S. Person 2."

Mr. O'Neill's involvement helps broaden the picture of Ms. Butina's efforts in the U.S. She also collaborated with Paul Erickson, a South Dakota-based conservative with a history of debt and fraud cases who is referenced as "U.S. Person 1" in the charges filed against Ms. Butina, The Wall Street Journal reported previously.

Messrs. O'Neill and Erickson were on some of the same emails with Ms. Butina, court papers show. Mr. Erickson didn't respond to emails and phone messages.

In a column in advance of President Donald Trump's meeting with Mr. Putin this month, Mr. O'Neill argued that Russia could be a "constructive partner" in working with the U.S. to "stop its wasteful wars." He founded a group to lobby for a "realistic and restrained foreign policy," and organized the dinner last year for several Russian officials and Republican lawmakers and others.

That dinner, chronicled by Time magazine last year, was a factor in the case against Ms. Butina, who is in jail awaiting trial on charges of being an unregistered foreign agent after her arrest on July 15.

In a column last year for the American Conservative, where he is a board member, Mr. O'Neill laid out his involvement.



George O'Neill organized a dinner in 2017 for Russian officials and American conservatives.

# Trump's CFO Subpoenaed

Allen Weisselberg, a long-time financial gatekeeper for President Donald Trump, has been subpoenaed to testify before a federal grand jury in the criminal probe of Mr. Trump's former personal lawyer, Michael Cohen, according to people familiar with the investigation.

By Rebecca Davis  
O'Brien,  
Rebecca Ballhaus,  
Michael Rothfeld  
and Alexandra Berzon

Mr. Weisselberg is considered a witness in the investigation, the people said. It isn't known whether he has already appeared before the grand jury or what questions prosecutors of New York's Southern District have had for him. The date of the subpoena couldn't be determined.

For decades, Mr. Weisselberg has served as executive vice president and chief financial officer at the Trump Organization, and was once described by a person close to the company as "the most senior person in the organization that's not a Trump." After his election, Mr. Trump handed control of his financial assets and business interests to his two adult sons and Mr. Weisselberg.

A spokeswoman for the Manhattan U.S. attorney's office declined to comment. Mr. Weisselberg and a spokeswoman for the Trump Organization didn't respond to requests to comment.

The subpoena illustrates that investigators are seeking input from Mr. Trump's closest colleagues in the Trump Organization, particularly those with knowledge of the company's financial dealings.

Mr. Weisselberg, a reserved accountant who associates say is prized by Mr. Trump for his loyalty, has handled personal financial matters for Mr. Trump and has also been linked to payments made to two women who alleged they had sexual encounters with Mr. Trump.

Last year, Mr. Weisselberg arranged for the Trump Organization to pay Mr. Cohen, who had in October 2016 made a \$130,000 payment to Stephanie Clifford, a former adult-film actress who claimed she had sex with Mr. Trump a decade earlier and agreed to remain quiet about it. Mr. Weisselberg didn't know about the payment to Ms. Clifford, who goes professionally by Stormy Daniels, when he agreed to a \$35,000 monthly retainer for Mr. Cohen, according to a person familiar with Mr. Weisselberg's thinking.

During his effort to secure the retainer, Mr. Cohen

showed Mr. Weisselberg records that he said related to expenditures he had made on behalf of Mr. Trump from his personal home-equity line of credit, this person said.

The other instance emerged this week, in a released audio recording of a September 2016

**Mr. Weisselberg is considered a witness in the probe of ex-Trump lawyer Michael Cohen.**

conversation between Messrs. Trump and Cohen in which the two men discussed buying the rights to a former Playboy model's story of another affair with Mr. Trump.

In the recording, which Mr. Cohen secretly made and which is under review by federal investigators, Mr. Cohen said he would set up a company to make the payment, adding, "I've spoken with Allen Weisselberg about how to set the whole thing up," before Mr. Trump interrupts him.

Later in the conversation, Mr. Cohen reiterates that he "spoke with Allen" about the plan to finance the payment.

Mr. Cohen's repeated refer-

ences to Mr. Weisselberg in his conversation with Mr. Trump about buying the story were interpreted by others in the company as an effort to bolster Mr. Cohen's credibility, according to a former associate of Mr. Weisselberg.

It isn't clear if Mr. Cohen actually spoke with Mr. Weisselberg about the plans to buy the rights to the former Playboy model's story. Ultimately, American Media Inc., which had purchased those rights a month earlier, declined to pursue the sale.

Mr. Trump has denied having sex with either Ms. Clifford or Karen McDougal, the former Playboy model.

Federal investigators are looking at whether Mr. Cohen committed bank fraud or campaign-finance violations and are investigating his efforts to eliminate negative publicity for Mr. Trump during the 2016 campaign, according to people familiar with the matter. Mr. Cohen has denied wrongdoing and hasn't been charged with any crimes.

Mr. Weisselberg's ties to the Trump family date back to the 1980s. He later came to the Trump Organization, where he reported directly to Donald Trump.

"Some months back I organized a dinner on Capitol Hill that brought together some former and current Russian officials with a number of prominent U.S. Republicans and conservatives, including two congressmen, a conservative magazine publisher, some journalists, and others," Mr. O'Neill wrote in his April 24, 2017, column.

The American Conservative "did not fund or sponsor the dinner referenced in the George O'Neill column," the organization's executive editor, Kelley Beaucar Vlahos, said.

Ms. Butina has pleaded not guilty to the charges, which her lawyer has characterized as "overblown."

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**Ad Council**

**I didn't talk for a very long time**

**Jacob Sanchez**  
Diagnosed with autism

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**AUTISM SPEAKS**

## WORLD NEWS

## China Speeds Up Economy Boosts

Moves are aimed at spurring growth that gradually slowed for eight years

By CHAO DENG

BELJING—China is moving faster than expected to inject money into the economy, a sign that the government is becoming more worried about slowing growth as trade tensions are on the rise.

The cabinet, the State Council, this week encouraged local governments to tap the bond market. The central bank, meanwhile, lent more than 500 billion yuan (\$74 billion) to banks, a push to get them to lend and the largest one-time amount since such injections started in 2014.

The recent measures are directed at an economy that has seen growth gradually slow for eight years, and they come after Beijing has worked for two years to rein in debt in the financial system, making it more difficult for companies to borrow and grow. China watchers say the worry is its efforts have overshot.

Western economists have urged Beijing to stay the course, and even expand efforts to control debt in the broader economy. But Lian Ping, chief economist at state-owned Bank of Communications Co., said that Beijing needs to tweak its policies given that some types of non-bank lending have contracted. "A contraction in the financial system will inevitably put pressure on the economy," he said.

Analysts say Beijing is also worried about the escalating trade conflict with the U.S., including imminent tariffs on \$16 billion of Chinese goods, in addition to the \$34 billion in effect. Chinese central bank economist Ma Jun estimates that punishing \$50 billion worth of Chinese goods would cut Chinese economic growth by 0.2 percentage point.

President Xi Jinping on Thursday called for countries to "reject protectionism outright," during a meeting with leaders in South Africa at a summit of the five major emerging economies known as the Brics—Brazil, Russia, India, China and South Africa, according to the Associated Press.

The recent measures are less far-reaching than stimulus programs that China has pursued in the past, including the one it began after the global financial crisis a decade ago.



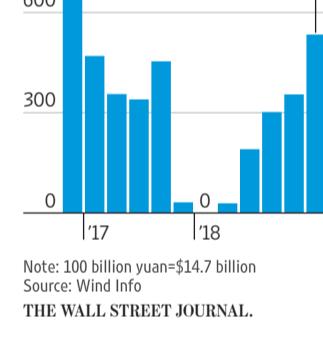
China President Xi Jinping addresses a Brics summit of the world's leading emerging economies meeting in Johannesburg on Thursday.

### Easy Cash

Local governments have rushed to tap the bond market in China.

#### Newly issued municipal bonds

900 billion yuan



THE WALL STREET JOURNAL.

### Small Blast Set Off Outside U.S. Mission

BEIJING—A man detonated an explosive device outside the U.S. Embassy in Beijing on Thursday, injuring himself but no one else, police said.

The explosion happened about 1 p.m. local time just outside the embassy's southeast corner, an embassy spokesman said. The embassy confirmed the man who detonated the device was the only person injured.

Police said the man, identified as a 26-year-old surnamed Jiang from Inner Mongolia, hurt his own hand after setting off

ample, stabilizing employment, Mr. Liu added.

Economists say Beijing is leaning on fiscal measures to avoid the floods of money that might get out of control from too much monetary easing. A key part of the State Council's announcement was encouraging local governments to quickly ramp up spending on roads and other infrastructure.

a "firecracker-like" device, with remnants of firecrackers found at the scene. The man had suffered from auditory and other hallucinations since 2016 and had been diagnosed with paranoid personality disorder, the police said, citing the man's family and hospital records. The investigation into the case is continuing, they said.

The embassy is in an area of other diplomatic compounds, offices and hotels in northeastern Beijing, and the explosion occurred near the area where people line up to enter the consular section for visa services.

Videos posted on social media showed white smoke wafting over a street corner by a

gate that closes off the road that runs in front of the embassy, a walled compound.

Ma Pingyi was in line for a visa application when he said he heard a loud explosion that made him and the others in line run away. The 17-year-old said one person was injured and taken away alive. Shortly afterward, he and many others returned to their places in line.

On Chinese social media, videos of the scene with references to the incident were quickly deleted. For part of the afternoon, searches for "U.S. Embassy" were also blocked on China's Twitter-like Weibo.

—Te-Ping Chen and Eva Dou

NIOR OFFICIAL THERE.

"Innovation in fiscal policy isn't necessarily easy, because some fiscal matters aren't under the fiscal authorities," Liu Shangxi, head of the Chinese Academy of Fiscal Sciences, a think tank under the finance ministry, responded in local media.

—Grace Zhu

contributed to this article.

### Pyongyang Returns Americans' Remains

By JONATHAN CHENG AND ANDREW JEONG

North Korea on Friday handed over the remains of some U.S. soldiers who died during the 1950-53 Korean War, giving new momentum to a diplomatic detente that had shown signs of stalling in recent weeks.

Exactly 65 years after the signing of an armistice that ended hostilities in the conflict, a U.S. military plane flew the remains to Osan Air Base in South Korea after collecting them from North Korean officials in the port city of Wonsan.

"We are encouraged by North Korea's actions and the momentum for positive change," White House said in a statement. "Today's actions represent a significant first step to recommence the repatriation of remains from North Korea and to resume field operations in North Korea to search for the estimated 5,300 Americans who have not yet returned home."

A formal repatriation ceremony would be held at Osan Air Base on Wednesday, the statement said.

The return of the remains follows through on one aspect of the joint statement signed by President Trump and North Korean leader Kim Jong Un in Singapore last month, in which North Korea agreed to the "immediate repatriation" of the remains of U.S. soldiers already identified.

It also comes as Pyongyang pushes for a formal declaration to end the Korean War.

On Friday, 55 wooden boxes containing the soldiers' remains, draped in sky-blue United Nations flags, were unloaded from the C-17 aircraft after it touched down in South Korea.

About 60 South Korean, U.S., Thai and Filipino personnel from the U.N. Command formed an honor guard at Osan Air Base to mark the repatriation of the remains. Hundreds of U.S. military personnel and their families also lined up to pay their respects.

"It's time to bring them home," said retired Air Force veteran Ernest Lee of Cherry Hill, N.J., who was at Osan for the occasion.

The next step will be for the U.S. to conduct DNA tests to match the remains with the identities of U.S. soldiers killed in the conflict.

### Khan Vows To Reset U.S. Ties

Continued from Page One  
with Pakistan's new government "to advance our goals of security, stability, and prosperity in South Asia."

Mr. Khan also said Pakistan is "ready for talks" with India, long Pakistan's main adversary in a nuclear-armed standoff.

"If they take one step toward us, we will take two steps toward them," he said.

In addition to the central government, the party also appeared to be headed for control of two of Pakistan's four provinces, up from one and including the powerful home province of Mr. Khan's main rival in the election, former Prime Minister Nawaz Sharif.

The two established political parties—Mr. Sharif's Pakistan Muslim League-N and the Pakistan Peoples Party—and a number of smaller parties alleged vote counts were taking place in secret, with their representatives locked out—in some cases by soldiers posted at the polling stations.

The official election commission said the ballot was "100% fair and transparent" and problems with its computer system delayed results. Mr. Khan said he would cooperate with any investigations, but called it Pakistan's cleanest-ever election.

Mr. Khan appeals particularly to younger and more educated voters, in a country where 64% of the population is under the age of 29.

He has pledged to rebuild



Supporters of Imran Khan, who is seen below addressing Pakistan on Thursday, celebrated in Karachi.

Pakistan's crumbling health, education and other public services, to end corruption and to get people to pay their taxes. Those are deep-seated problems that have held back the country from achieving the economic development seen elsewhere in Asia in recent decades.

Mr. Khan also faces a grave economic situation. Pakistan's foreign-currency reserves are at anemic levels and debt is ballooning. Many experts believe brakes will have to be put on the economy to stop sucking in so many imports, which could undermine his pledge to create 10 million jobs.

Now aged 65, Mr. Khan entered politics 22 years ago, after a glamorous cricket career that took Pakistan to a World

Cup victory in 1992. For most of that time, his hero status didn't translate into votes for his party.

After making a strong showing in 2013 but falling far short

of victory, Mr. Khan's party decided that its core white-collar support just wasn't big enough to get it to power. In this election, it turned to traditional politicians, known as electables,

who wield patronage to cultivate support. That allowed the party to reach new voters, even as it brought into the fold politicians who were hardly known for their zeal for change.

Critics say the electables could be hurdles to policy overhauls—for instance, Mr. Khan's wish to take control of the police and funds for development projects out of the hands of lawmakers.

"The electables are albatrosses around Imran Khan's neck," said Samson Sharaf, a retired brigadier who was formerly the party's defense spokesman. "They are too sharp for him. He's a simple, straight guy, and they have already led him in the wrong direction."

He also will have to contend with widespread allegations that the powerful military supported him in the weeks leading up to the vote, in an effort to derail the re-election of the party of Mr. Sharif, who clashed with the army during his time in office and was jailed for corruption this month.

Mr. Khan's party has repeatedly denied it received help from the military, and the military, which has ruled the country for nearly half its history, has repeatedly denied it provided any.

Mr. Khan's aides say his program won't be stalled.

"Imran Khan is very clear about what he wants to do, and if your framework is clear you can make decisions," said Shafqat Mahmood, a senior member of Mr. Khan's Tehreek-e-Insaf party, who was re-elected from the eastern city of Lahore. "Imran will not be blackmailed. The core agenda of the party will not be dictated by electables."

After a playboy lifestyle as

a cricketer and then retirement from sport in the early 1990s, Mr. Khan went on a spiritual journey, becoming more religious and believing he must do something good for his country. He raised charitable funds to build a cancer hospital. Then he formed his own political party.

Friends say he remains a moderate Muslim, though more conservative traits seemed evident in his choice for his third marriage, this year, to his spiritual adviser, who covers herself in an all-enveloping burqa—the public has never seen her face.

### Pakistan's new leader is facing threats to his ambitious agenda

That professed religiosity—which plays well with voters in a conservative country—was thrown into question by a book released just before this election by his second wife, Reham Khan, from whom he was divorced in 2015. It contained lurid tales of Mr. Khan's promiscuity and drug use. However, the book, which his party says contains fabrications and false allegations, didn't make a big impact on the election campaign.

"It's an incredible lesson in tenacity, belief & refusal to accept defeat," his first wife, British heiress Jemima Goldsmith, who witnessed Mr. Khan's early political failures, said in a tweet on Thursday. "The challenge now is to remember why he entered politics in the first place."



Cup victory in 1992. For most of that time, his hero status didn't translate into votes for his party.

After making a strong showing in 2013 but falling far short

## WORLD NEWS

# Trump Warns Turkey of Sanctions

By JESSICA DONATI  
AND IAN TALLEY

**WASHINGTON**—President Trump threatened Turkey with sanctions unless it releases detained U.S. pastor Andrew Brunson, who has been held for nearly two years in a case that has strained relations between the two countries.

Mr. Trump's threat, issued in a Twitter message Thursday, came a day after Turkish authorities transferred the evangelical pastor from prison to house arrest. The message provoked a strenuous reaction from Ankara, which called the U.S. threat "unacceptable."

Turkey said in a statement that it had done "more than enough" to improve relations with the U.S. Mr. Brunson's case was a matter for Turkish law to decide, the statement said, noting that Turkey had shared information with the U.S. during the proceedings.

Turkish prosecutors accuse Mr. Brunson of aiding a failed military coup against President Recep Tayyip Erdogan, a charge the pastor denies. U.S. officials say the case is politi-

cally motivated. If convicted, Mr. Brunson faces up to 35 years in prison.

"The United States will impose large sanctions on Turkey for their long time detainment of Pastor Andrew Brunson, a great Christian, family man and wonderful human being," Mr. Trump said on Twitter.

Earlier Thursday, Vice President Mike Pence said the U.S. was considering sanctions to punish Turkey for detaining Mr. Brunson. In his comments, in a speech at a ministerial meeting on religious freedom at the State Department, he said the move from jail to house arrest Wednesday was a welcome first step, but "not good enough."

Messrs. Trump and Pence didn't spell out how they would apply the threatened sanctions. Depending on the action they take—if any—it could represent an unprecedented move against a treaty ally of the U.S.

The Trump administration and its predecessors have threatened to impose sanctions against European compa-



Andrew Brunson was moved from prison to house arrest.

ties for violating prohibitions on business in Iran. And the administration has warned it will impose sanctions against companies working on a pipeline project to deliver Russian natural gas to Germany.

Still, Mr. Trump has options for imposing sanctions against Turkish entities should he choose to do so, including by intensifying enforcement of existing sanctions elsewhere, such as those against Iran.

Washington could indirectly punish Ankara, for instance,

by levying harsh financial penalties on Turkish banks determined to be active in helping Iran avoid sanctions under the Obama administration. Some experts think such fines, if large enough, could shock Turkey's economy.

The U.S. also could step up scrutiny of Turkey for any sign that it is facilitating the evasion of sanctions by Iran or other countries.

Turkey has its own pipeline deal with Russia, providing another avenue for potential U.S. sanctions.

Besides enforcement, Mr. Trump could adopt an executive order pertaining specifically to Turkey's imprisonment of Mr. Brunson. Presidential orders have been used to impose sanctions against countries that have included Zimbabwe, South Sudan and the Democratic Republic of the Congo.

Turkish officials have said Mr. Brunson was transferred for health reasons, but U.S. officials are hopeful the move could indicate authorities are advancing toward a speedy resolution of the case.

## Bolton Holds Conclave On Iran

**WASHINGTON**—National security adviser John Bolton convened a meeting of Pentagon and other top officials as the Trump administration considers how to flesh out its strategy on Iran.

By Michael R. Gordon,  
Nancy A. Youssef  
and Peter Nicholas

Thursday's meeting, which follows President Trump's decision to withdraw from the Iran nuclear accord and to reimpose tough economic sanctions on Tehran, comes as key elements of the administration's Iran policy have been unclear.

Among them: what the U.S. might offer in return for a new agreement with Tehran, and whether Washington is prepared to use military force along with economic pressure to roll back Iran's assertive posture in the Middle East.

The discussions took place among members of the administration's Principals Committee, a cabinet-level panel on national security issues that Mr. Bolton chairs. Its members include Defense Secretary Jim Mattis and Secretary of State Mike Pompeo, who attended the session.

The White House didn't announce the meeting or detail any outcome, but administration officials said it was just the third time that Mr. Bolton has convened the group since assuming his post in April.

Before the session, Gen. Qassem Soleimani, the commander of Iran's paramilitary Quds Force, taunted Mr. Trump, who warned in a Twitter message Sunday that if Iran threatened the U.S. it would suffer severe consequences.

"We, the Iranian nation, have gone through tough events," Gen. Soleimani said. "You may begin a war, but it is us who will end it. Go ask your predecessors. So stop threatening us. We are ready to stand up against you."

One purpose of Mr. Bolton's meeting Thursday, officials said, was to discuss a "holistic" strategy to curb Iranian influence in the Middle East.

It is unclear what military options might have been discussed. In the past, the Defense Department has worked on limited military options, such as stopping Iranian weapons and equipment from reaching the Houthis, who are battling the U.S.-backed government in Yemen.

The Pentagon isn't eager to get into a war with Iran at a time when its strategy emphasizes building up capabilities to deter Russia and China, and the outcome of talks with North Korea is uncertain.

From the start of his presidential campaign, Mr. Trump has been an unwavering critic of the 2015 agreement that constrained Iran's nuclear program.

After Mr. Trump decided in May to leave the accord, Mr. Pompeo outlined 12 requirements for reaching a new agreement with Iran, including the end of Iran's support for militant groups in the region and the prohibition on uranium enrichment.

To isolate Tehran economically and politically, the administration also threatened sanctions on nations that don't end imports of oil from Iran by Nov. 4.

## Hundreds of Migrants Storm Spanish Enclave



INTO EUROPE: Migrants celebrate after storming border fences separating Spain's North African enclave of Ceuta from Morocco to get into Europe and seek asylum. Police said 602 of around 800 migrants made it onto Spanish soil in the assault on high, barbed-wire fences, adding to pressure on Spanish authorities from a recent wave of migration.

## ECB Signals a Slow Path to Higher Rates

By TOM FAIRLESS

**FRANKFURT**—The European Central Bank confirmed plans to gradually phase out easy money, but said it would probably keep rates steady through next summer, underscoring a growing policy divergence with the U.S. Federal Reserve and a widening gap in U.S.-EU growth rates.

In a policy statement Thursday, the ECB said it expects to phase out its €30 billion (\$35 billion) a month bond-buying program by December and switch its focus to interest rates. Its deposit rate was held Thursday at minus 0.4%, where it has been since March 2016.

Three other major central banks—the Fed, the Bank of

Japan and the Bank of England—will all hold policy meetings next week. All could signal or confirm moves toward higher interest rates after years of easy money, in a nod to strengthening economic growth.

Furthest along the path is the Fed, which has increased interest rates seven times since the end of 2015 including twice this year, pushing its key rate to a range of 1.75% to 2%. It is expected to raise rates twice more this year.

The gap between the eurozone in part thanks to a burst of budgetary stimulus provided by tax cuts that were enacted late last year. The U.S. is also more insulated from external threats such as rising oil prices and trade conflict because of

Economic data published in the coming days are expected to underscore a widening gap between the U.S. and eurozone economies, which grew at a similar pace last year. U.S. data on Friday are expected to show the world's largest economy expanded more than 4% at an annualized pace during the second quarter. That is probably more than double the pace of the eurozone economy, whose second-quarter growth figures will be published on Tuesday.

The U.S. is outpacing the eurozone in part thanks to a burst of budgetary stimulus provided by tax cuts that were enacted late last year. The U.S. is also more insulated from external threats such as rising oil prices and trade conflict because of

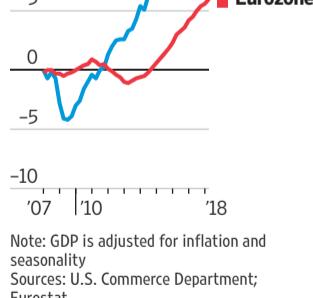
its large domestic oil industry and lower reliance on exports.

In Europe, economies like Italy and France have struggled to shift into a higher gear since the region's debt crisis, while the bloc's largest economy, Germany, is running into capacity constraints as unemployment has fallen below 4%.

With Europe's economy slowing, many analysts consider September 2019 to be the earliest possible date for a first ECB rate increase. Mr. Draghi was pressed on that timing at Thursday's press conference but remained vague, probably in order to leave the ECB some flexibility. Annual inflation was 2% in June, slightly above the ECB's medium target of just below 2%.

### Left Behind

Change since pre-financial crisis peak in U.S. and eurozone GDP



Note: GDP is adjusted for inflation and seasonality  
Sources: U.S. Commerce Department; Eurostat

THE WALL STREET JOURNAL.

## WORLD WATCH

## MALAYSIA

### Directors of Sovereign Fund Plan to Resign

Top officials at a sovereign wealth fund said they would resign en masse, signaling Prime Minister Mahathir Mohamad's resolve to shake up civil-service ranks following his election in May.

Kazanah Nasional Bhd. manages \$38.8 billion in assets and is the majority owner of some of the biggest companies, including No. 2 bank CIMB Group Holdings Bhd. and top cellphone operator Axiata Group Bhd. It was established to maintain state—and majority ethnic-Malay—influence over the biggest industries.

The managing director and entire board offered their resig-

nations to "facilitate a smooth and orderly transition," the fund said in a statement.

Mr. Mahathir this month complained that Kazanah had extended beyond its original purpose and "was doing all kinds of funny things."

Mr. Mahathir has complained about what he calls corruption and incompetence in government. In a recent interview with The Wall Street Journal he singled out senior civil servants for failing to prevent a financial scandal at another state investment fund, 1Malaysia Development Bhd. U.S. prosecutors say at least \$4.5 billion was siphoned out of 1MDB, some of it going to former Prime Minister Najib Razak's private accounts.

—Yantoultra Ngui

## ETHIOPIA

### Manager of Dam On Nile Is Shot Dead

The construction manager of a controversial dam being built on the Nile River in Ethiopia has been shot dead, police said, while the prime minister said he was "utterly shocked."

Semegnew Bekele was found inside his car at Meskel Square in the capital, Addis Ababa, state broadcaster ETV said.

"Engineer Semegnew died due to gunshot wounds at the back of the neck," the chief of the federal police, Zeynu Jemal, said. "A pistol has also been discovered inside the car."

Semegnew had played down Egypt's fear that the massive

Grand Ethiopian Renaissance Dam will reduce that country's share of Nile River water. Ethiopia maintains the dam is needed for development, pointing out that 60 million citizens don't have access to electricity.

The dam is more than 63% complete. Once finished, it will generate about 6,400 megawatts, more than doubling production of 4,000 megawatts.

Ethiopia's new Prime Minister Abiy Ahmed was "saddened & utterly shocked" to hear of Semegnew's death, chief of staff Fitsum Arega said on Twitter.

Demonstrators rallied at Meskel Square, calling for the arrest of the perpetrators, while many Ethiopians described Semegnew as a martyr.

—Associated Press

## PHILIPPINES

### Duterte Clears Bill On Muslim Region

President Rodrigo Duterte signed legislation creating a new Muslim autonomous region aimed at settling nearly half a century of Muslim unrest in the south, where troops crushed an attempt last year by Islamic State-linked militants to turn a city into a stronghold.

President spokesman Harry Roque and another aide, Bong Go, said Mr. Duterte signed the bill creating the region, to be called Bangsamoro. The autonomy deal was ratified this week by both chambers of Congress.

—Associated Press

## UNITED KINGDOM

### Mary Ellis, Spitfire Pilot, Dies at 101

The Royal Air Force is leading tributes to Mary Ellis, an aviation pioneer and World War II-era pilot who has died at 101. As a member of the Air Transport Auxiliary, Mrs. Ellis flew Spitfires and bombers, bringing the aircraft from factories to airfields.

She flew more than 1,000 aircraft in the war and afterward managed Sandown airport on the Isle of Wight.

She married fellow pilot Don Ellis in 1961 and they lived near the runway until his death in 2009.

—Associated Press

## IN DEPTH

# Top-Level Turmoil at Univision

*Continued from Page One*  
almost every aspect of Univision's future. That includes Mr. Falco's performance, the rise of a star executive who threatened the CEO's power, the company's digital strategy and the involvement of a powerful Mexican media giant that supplies much of its programming and owns a large stake.

Mr. Falco, 64 years old, didn't immediately make good on his threat, but he did step down in June, ahead of his contract's January 2020 expiration date, succeeded by TV-industry veteran Vincent Sadusky. The company's announcement praised Mr. Falco for improving earnings and reducing Univision's debt load.

With directors contemplating a future sale, Mr. Sadusky now has to fix the mess he has inherited, including both cutting costs and restoring morale.

On Wednesday, Univision began laying off about 6% of its workforce, or around 270 people, people familiar with the matter said. In a memo to employees, Mr. Sadusky acknowledged "considerable anxiety" among staffers, and said he plans to invest in Univision's local stations and Spanish-language digital sales.

"Like all great companies, we sometimes lose our focus and our swagger. That changes today," he said.

The magnitude of the closely held company's financial woes became clear to the board late last year when executives cut 2018 earnings forecasts by \$275 million, or 20%, potentially shaving billions of dollars off Univision's valuation, people familiar with the matter said.

In the past seven years, Univision's average U.S. viewership during prime time has dropped by more than half, to 1.56 million viewers as of June 24 this year, from 3.39 million viewers in 2011, according to TV-ratings specialist Nielsen. Univision said taking into account its other broadcast and cable networks, it has a 62% share of Spanish-language prime-time viewing.

The management disarray stems largely from an ownership setup put in place more than a decade ago, after a \$13.7 billion leveraged buyout took the company private. Several owners, including Mr. Saban, Mexican media giant Grupo Televisa SAB, and private-equity firms Providence Equity Partners, Thomas H. Lee Partners, Madison Dearborn Partners and TPG, took seats on the board.

"That set the stage from the beginning for a very challenging and complicated governance," said Kevin Conroy, a former Univision executive who has served on public and private boards.

Mr. Falco joined Univision as chief operating officer in January 2011, becoming CEO that June. Mr. Falco, who had been president of NBCUniversal Television Group and CEO of AOL a decade ago, determined his biggest challenge was dealing with powerful egos on the board, people close to him said.

The following year, Mr. Falco replaced an hour of Univision's original programming with telenovelas from Televisa, aiming to cut costs. By contrast, Univision's rival, Telemundo, counter-programmed with a series of edgier, more violent "narconovelas," soap operas about drug wars that pulled in viewers.

At testy board meetings, Messrs. Falco and Saban argued that Televisa's top content chief, José "Pepe" Bastón Patiño,



TOMMASO BODDI/WIREIMAGE/GETTY IMAGES



ALEXANDER TAMARGO/GETTY IMAGES

**'The past is water under the bridge.'**

**Univision Chairman Haim Saban, on conflict with Mr. Falco.**

should modernize the programming. Mr. Bastón, himself a Univision director and a childhood friend of Univision's chairman, blamed them for poor scheduling and marketing.

In 2015, Mr. Falco aimed to take the company public and grew frustrated when his efforts failed, people close to him said. A downturn in media stocks driven by the acceleration of cable-TV cord-cutting squelched the plan.

### Question on energy

Univision executives and some board members thought Mr. Falco was losing passion and energy, said people close to them. Some in the top ranks were shocked by a February note from his executive assistant to other executives saying Mr. Falco would only take meetings starting at 11 a.m., with his last at 4 p.m.

Mr. Falco often sat in a recliner in his office. "He lost energy, he lost leadership and management was in disarray," a person close to the board said. "Everybody wanted Randy's job."

People close to Mr. Falco say he used the chair because he had a bad back and dispute the notion he stopped working hard.

Some employees remained supportive of Mr. Falco, crediting him for creating women's and LGBT groups for employees and supporting political causes important to Hispanics.

One source of Mr. Falco's disenchantment was the rise of Isaac Lee, an executive who joined as president of news in 2010 and shot through the ranks, forging ties with Televisa and Mr. Saban.

Mr. Lee vacationed with Televisa board members. At times, Mr. Falco would join a videoconference from New York and discover Mr. Lee sitting with Mr. Saban in his Los Angeles office, people familiar with those interactions say.

Early in his tenure, Mr. Lee propelled the creation of an English-language cable-news channel called Fusion. After the channel failed to gain traction, in 2015 he began a push to buy English-language digital media assets including African-American news site the Root, Gawker Media's sites and a stake in Onion Inc., arguing they would appeal to a digital-savvy, multicultural audience.

Mr. Saban and Televisa backed him. Other directors, including Mr. Falco, were at times skeptical but voted in favor, people close to the board said.

Under Mr. Lee, the entity now called Fusion Media Group created its own layer of management, with CEO titles and some 800 employees. Mr. Falco and some board members expressed concern about ballooning costs. In 2017, Fusion Media Group lost about \$17.1 million, according to a financial document reviewed by The Wall Street Journal. Fusion backers say the group was an investment in Univision's digital future, and was projected to break even in 2018.

Last year, Mr. Lee won a bigger role in the Spanish-language TV programming operation, becoming Univision's chief content officer. Televisa also named him as its top programming executive, succeeding Mr. Bastón.

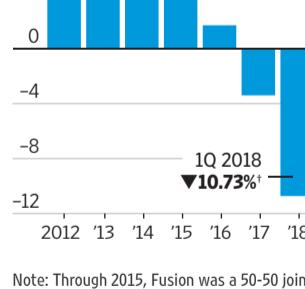
Under Mr. Lee, some shows produced by Univision have won critical acclaim and improved ratings, his supporters note.

Days before its December board meeting, executives told directors the company would miss its profit target of more than \$1.4 billion by some \$140 million, people familiar with the disclosure said. Even more troubling to some on the board: Univision cut its 2018 target of \$1.35 billion by \$275 million.

### Troubled TV Titan

Univision's adjusted operating income has fallen in the past year amid ratings declines and cable TV cord-cutting as the company is trying to sell Fusion, the English language TV unit.

#### Annual change in operating income\*

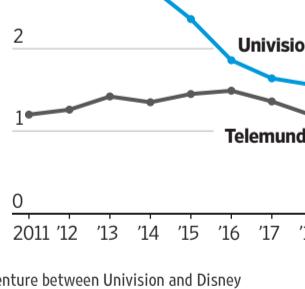


Note: Through 2015, Fusion was a 50-50 joint venture between Univision and Disney

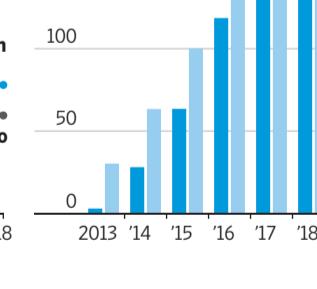
\*Before depreciation and amortization †Change from previous year for the first quarter ‡Includes viewers who watched programs live plus everyone who watched within seven days of the broadcast; 2018 data are as of June 24. \*\*2016 data are pro forma results as if Univision had bought Gawker Media on Jan. 1, 2016; 2013-16 are operating expenses and 2017-18 are total expense figures

Sources: the company (operating income); Nielsen (viewers); the company (revenue and expenses): 2013-16; internal document viewed by The Wall Street Journal, 2017-18

#### Estimated average viewing audience‡



#### Fusion's\*\* revenue and expenses



Note: Through 2015, Fusion was a 50-50 joint venture between Univision and Disney

\*Before depreciation and amortization †Change from previous year for the first quarter ‡Includes viewers who watched programs live plus everyone who watched within seven days of the broadcast; 2018 data are as of June 24. \*\*2016 data are pro forma results as if Univision had bought Gawker Media on Jan. 1, 2016; 2013-16 are operating expenses and 2017-18 are total expense figures

Sources: the company (operating income); Nielsen (viewers); the company (revenue and expenses): 2013-16; internal document viewed by The Wall Street Journal, 2017-18

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# Parents Won't Quit Flossing

*Continued from Page One*  
tions and just wing it. When Mr. Paul's mother, Deborah, saw kids at the restaurant doing the dance, she thought it would be easy. After all, she'd mastered the moonwalk as a young woman in Los Angeles.

"My first reaction was: that would be an amazing way to lose the belly fat," said Mrs. Paul, a film producer and photographer.

Mr. Paul had a different reaction. "Mom, sit down," he told her. "You're not an 11-year-old kid."

Mrs. Paul ultimately conceded that her floss needed work: "I was completely back to front."

Cherith Hancock, a 59-year-old teaching assistant, spent hours practicing her floss before an end-of-year event at her school in Liverpool, England.

"I went home and Googled 'How can I learn to floss?' and this very patronizing 6-year-old in America taught me," she said.

She and her colleagues practiced the move in school storage rooms, after the final bell, and beside the office photocopier.

School staff surprised students with a mass-floss. "The children went wild," Mrs. Hancock said.

When she broke out the floss at a wedding earlier this month, however, it did not go over well.

"I told her to sit down," said her son, Andy Hancock. "But she carried on, of course."

The origins of the floss are murky. Some credit Justin Stuart and Andrew Scites, who posted a video on YouTube of themselves doing the dance in 2014.

"We were known for a long time for that dance until backpack kid came out and everyone thinks he created it," said Mr. Stuart, who is 25.

Russell Horning, 16, was dubbed the #thebackpackkid on social media last year after performing the dance wearing a backpack on "Saturday Night Live" while Katy Perry sang "Swish Swish."

Mr. Horning said he created the dance in 2014, before videos

of others doing it were posted.

Choreographers say the floss is a derivation of "body popping," but is easier to learn. For some.

Diane Hobbs, a Salvation Army officer from Melbourne, Australia, first saw the floss when her two kids—Ella, 10, and James, 8—did it one day after school.

"Stop that, it looks kind of disturbing," she told them, but she soon began practicing her own floss in the shower.

The next morning, still in her pajamas and fluffy pink slippers, she saw her children doing the dance in the backyard and broke into her own version of it.

"It's embarrassing watching her because she doesn't really do it properly," said Ella, who tried in vain to teach her to incorporate both of her hips into the dance. "She kept doing it on one side only."

Mrs. Hobbs's husband filmed the episode, spliced it together with footage of Mrs. Hobbs and her sister Robyn Burton attempting the dance a week later, and put a video on YouTube that he titled, "Floss Dance Fails Compilation." The video has over 5,000 views.

"My mom-friends have tried it but obviously it's not put on YouTube by their husbands," Mrs. Hobbs said.

Judith Suggett, a grandmother from Amersham north of London, learned the dance from her 9-year-old grandson Henry McLauchlan.

That was at her 69th birth-

day party in February. Now, "every time we get together we have a little floss," Mrs. Suggett said.

Melissa Estrella, a physical therapist from Middletown, Conn., has tried to master the floss about 50 times since her first attempt in May.

She said her sons Kai and Luke Mercer, ages 9 and 6, enjoy watching her trying to do what they can—"and failing."

After first trying to floss at the London restaurant, Mrs. Paul also began practicing at home. After a few weeks, she showed off her floss again, this time in the family kitchen with her husband and older son, Christian Paul, watching.

Her second attempt went no better than the first.

"I can't even describe what I was witnessing," said 21-year-old Mr. Paul.

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CHEVROLET



# GREATER NEW YORK

## Professor Sabotaged Colleague, Jury Finds

Woman says Columbia academic retaliated after she complained about sexual advances

By MELISSA KORN

A Columbia Business School professor retaliated against a former colleague who complained of his sexual advances, including by calling her nasty names in emails to other academics, a jury found Thursday.

Enrichetta Ravina, a former assistant professor at the school, had alleged that Geert Bekaert, a tenured economics and finance professor, dis-

cussed his sexual experiences, prostitution and pornography, and tried to take her on dates. She accused him of retaliating by blocking her from publishing papers and sabotaging her career when she complained to Columbia.

Dr. Bekaert sent messages to multiple colleagues in the academic community calling her "insane," "an incredibly evil person" and an "evil bitch," according to emails shared in court testimony.

The Manhattan federal jury decided in the civil case that neither Dr. Bekaert nor Columbia University itself had discriminated against the woman by subjecting her to a hostile

work environment. It also didn't find against the university on the retaliation charge, though under New York City law the university can be considered liable because it employed the person who did retaliate.

Lawyers for Dr. Bekaert and Columbia argued in the case that Dr. Ravina failed to attain tenure because of her own professional shortcomings, lack of published research and negative faculty reviews, not because of a grudge by Dr. Bekaert or the school. She was denied tenure in 2016.

"Today's verdict affirms that Professor Ravina's career was irreparably damaged by the actions of Columbia Busi-

ness School Professor Geert Bekaert and the University," said David Sanford, a lawyer for Dr. Ravina.

*Dr. Bekaert called Dr. Ravina 'evil' and 'insane' in emails, according to testimony.*

Dr. Ravina had sued for \$30 million, alleging that Dr. Bekaert and Columbia subjected her to a hostile work environment and that the university didn't take her complaints se-

riously. The jury will now hear arguments as to what money Dr. Ravina, now a visiting assistant professor at Northwestern University's Kellogg School of Management, is due.

Only Dr. Bekaert would be responsible for punitive damages, but Columbia could be on the hook for compensatory damages and other costs because under city law it is liable for its employees' actions.

Dr. Bekaert and Dr. Ravina worked together on a series of research projects beginning in 2009. She filed a formal complaint with Columbia in 2014.

A 2014 internal investigation concluded that Dr. Bekaert had not violated university

policy. Dr. Ravina called it "a very partial, very limited investigation," according to her court testimony.

Numerous professors and university administrators, including Columbia Business School Dean Glenn Hubbard, testified at the trial.

"The jury found that Columbia neither discriminated against Ms. Ravina nor retaliated against her through its actions," a university spokesman said. "The University's decision to decline Ms. Ravina's tenure appointment was not called into question."

Dr. Bekaert and his attorney didn't immediately respond to requests for comment.



Mailman Il Soo Choi, who is 62 years old, is retiring after nearly 20 years on the Upper East Side. His farewell note captured the attention of many people who live along his route. One, Ida Pedras, below, said she 'almost cried' when she learned he was leaving.

## A Retiring Postman's Final Salute

By JOSH BARBANEL

Mailman Il Soo Choi's love affair with America reached full bloom delivering the mail to 643 addresses on East 88th Street on Manhattan's Upper East Side.

"It is in this country that I've gained countless blessings over the years," Mr. Choi wrote in an unusual note he inserted into dozens of mailboxes along his carrier route in his final days before his retirement from the U.S. Postal Service at the end of this month.

He signed the note Mailman Choi.

Mr. Choi is leaving the post office after a career of nearly 20 years, all at the same branch on East 85th Street, including 11 years wheeling his mail cart along the same two-block route on East 88th Street, where he said he came to appreciate and celebrate the diversity of New York City and the U.S.

"I've gained a love, respect and appreciation for human-

ity," the 62-year-old said of his work as a mailman, in his farewell note.

The letter caught the attention of many people who live along his route and it has been shared widely and warmly.

"I almost cried when I found out he was leaving," said Ida Pedras, standing in the doorway of a five-story tenement walk-up near First Avenue on Wednesday. "The man is a wonderful person, always smiling, courteous, and the mail was always in the right box."

In his note, Mr. Choi described how he got to know a billionaire, a TV news anchor, a foreign diplomat, as well as a homeless woman who used to sit in front of a neighborhood Vietnamese restaurant. He said she was a "friend and mentor." He also recalled the countless doctors, professors and fellow postal workers he encountered, he said.

"I believe that we can learn a great deal about ourselves and about life when we open

up to the world around us," he wrote.

Mr. Choi emigrated from South Korea in 1982. His wife, Linda Kim, worked for many decades in nail salons in and around New York City. For years they lived "paycheck by paycheck," he said, until they

felt comfortable enough to retire. "I am not rich man," he said.

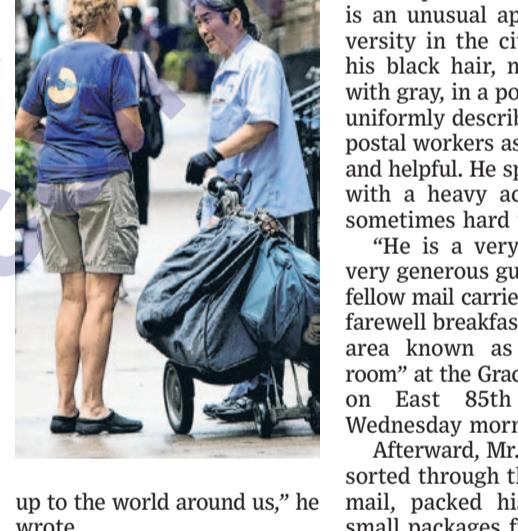
As a postal worker Mr. Choi is an unusual apostle for diversity in the city. He wears his black hair, now streaked with gray, in a ponytail, and is uniformly described by fellow postal workers as modest, shy and helpful. He speaks English with a heavy accent that is sometimes hard to decipher.

"He is a very gentle, and very generous guy," Eric Lu, a fellow mail carrier, said after a farewell breakfast in a sorting area known as "the workroom" at the Gracie post office on East 85th Street on Wednesday morning.

Afterward, Mr. Choi quickly sorted through the last of his mail, packed his bags with small packages from Amazon and letters and catalogs bound in rubber bands, and headed out into the not-so-mean city streets.

His customers and managers say he is a model mail car-

Please turn to page A11B



CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL

## Brownsville to Get Affordable Units

By KATIE HONAN

New York City has selected three developers to build nearly 900 apartments on three city-owned lots in the Brooklyn neighborhood of Brownsville as part of a \$1 billion revitalization plan for area.

The proposals outlined in the Brownsville Plan's one-year progress report, which was released Thursday, focus on affordable housing, job creation, new community facilities and public spaces.

Each complex—Brownsville Arts Center and Apartments, Livonia 4 and Glenmore Manor—will center on themes selected during community meetings including health, culture and economic development, according to the city's Department of Housing and Preservation Development.

The buildings will be constructed on about 173,000 square feet of city-owned lots that have been vacant for decades, officials said. Construction should begin within the next three years, said HPD Commissioner Maria Torres-Springer.

Livonia 4, the largest development, will have more than 420 apartments. Focused on healthy living, the complex will include a supermarket, cafe, rooftop greenhouse and social centers. Radson Development, Community Solutions and Catholic Charities are developing the complex.

Glenmore Manor, a 230-unit apartment building on Christopher and Glenmore avenues,

has an economic development focus. The residence will have a credit union, a restaurant and a salon. It is being developed by African American Planning Commission Inc., Brisa Builders, and Lemle & Wolff.

At the Brownsville Arts Center and Apartments, the focus is culture. There will be 230 affordable housing apartments for extremely low-income and formerly homeless residents. The building will house a dance and performing arts school, a music school, media lab and other cultural facilities.

"The cornerstone is about building and preserving affordable housing," Ms. Torres-Springer told The Wall Street Journal. "We know that we have to do more than that. We have to invest in the people and in the neighborhood."

About 37% of residents in Brownsville live below the federal poverty line, which means individual people earn about \$12,000 a year. It ranks it as the lowest-income neighborhood in Brooklyn, census data shows. The city's plan aims to address the pressing health and economic challenges throughout the neighborhood, Ms. Torres-Springer said.

Lakai Worrell and Kevin Joseph founded PurElements, a dance company, and said they plan to move their business into the Brownsville Arts Center. "It's been a long time in the making, and to finally see it coming into reality is just mind-blowing," Mr. Joseph said.



Glenmore Manor will feature a credit union, restaurant and salon.

CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL

## Museum Says It Faces Threat From Looming Hotel Project

By LARA KORTE

In 1835, business in Manhattan was booming.

The completion of the Erie Canal a few years earlier had spurred commercialization around the South Street Seaport area, driving wealthy Manhattan residents further uptown.

One of those Manhattanites was Seabury Tredwell, a hardware merchant who settled into an exclusive residential neighborhood in what is today the East Village. For \$18,000, Mr. Tredwell purchased a 10,000-square-foot row house, one of many that lined East Fourth Street at the time.

For more than 180 years, the Tredwell house and its contents remained unchanged as the buildings around it were demolished, rebuilt and remodeled. Now, the curators and supporters of the Merchant's House Museum are engaged in a fight to protect the former

it's extremely fragile," said Margaret "Pi" Halsey Gardiner, executive director of the Merchant's House Museum. "It's not going to be able to survive

construction next door."

On Monday, the museum filed a petition in New York Supreme Court to challenge the construction of the hotel,

which is being proposed by Kalodop II Park Corp., the company that owns the one-story parking garage next to the landmark building.

The museum and its supporters have been opposing the hotel construction project since it was approved by the Landmarks Preservation Commission in 2014. At that time, the commission also developed a protection plan to address concerns about the safety of the Merchant's House Museum. Earlier this year, the LPC issued a permit, contingent on approval of final drawings that will be produced after the city planning process is complete.

At an April meeting of Manhattan Community Board 2, Kalodop II Park, which goes by the business name ParkIt Management, presented its plan, saying the builders would take measures to protect the historic value of the house.

The legal filing, which names

the Department of City Planning and Kalodop II Park as defendants, said the DCP violated state and city environmental-quality laws by concluding that the construction of the hotel wouldn't harm the museum.

The lawsuit also claims that Kalodop II Park submitted false information to the DCP in its environmental analysis about the effects of construction, resulting in the department's determination.

Neither the DCP nor Kalodop II Park returned requests for comment. "We will review the complaint and respond accordingly when served," said Kimberly Joyce, a spokeswoman for the city Law Department.

Inside the home, located at 29 E. Fourth St., are the original possessions of Mr. Tredwell, his wife, Eliza, and their eight children. In 1965, the Merchant's House Museum was the first property in Manhattan to be designated a New York City Landmark.



The Merchant's House Museum wouldn't survive construction next door, its executive director says.

CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL

## GREATER NEW YORK

# Cooking Up 'Dinner' Theater

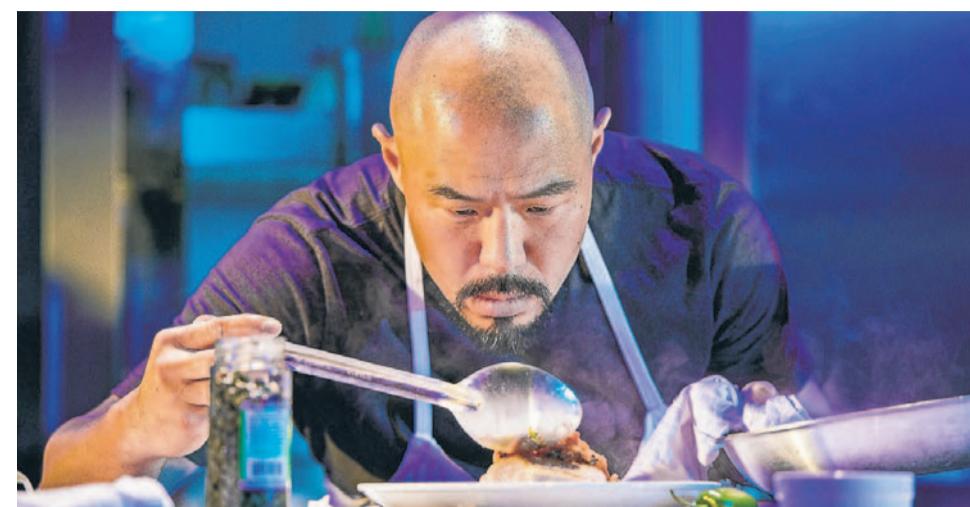
Brooklyn playwright's 'Seared' pokes fun at New York City's restaurant culture with sizzling humor

BY CHARLES PASSY

The scene is a restaurant kitchen in a fashionable Brooklyn neighborhood. And it is true to form in all its detail, from the sleek, stainless-steel appliances to the oversize prep area suitable for a chef with an oversize ego to match.

But no diners will be coming to this restaurant because it exists only on stage—specifically, the production of playwright Theresa Rebeck's comedy "Seared," which opened this week at Massachusetts' Williamstown Theatre Festival. The show, which stars Hoon Lee, a Broadway veteran, runs through Aug. 4.

Ms. Rebeck, a Brooklyn resident whose works have been produced on Broadway and off-Broadway, is hardly the first to skewer the world of New York City's restaurant culture on stage: Playwright Becky Mode's "Fully Committed," which was revived on Broadway in 2016,



Hoon Lee plays hotheaded chef Harry in 'Seared' at Massachusetts' Williamstown Theatre Festival.

her characters do more than just talk about the glories of a well-prepared meal. Harry makes a handful of dishes during the play—most notably, a seared salmon with onion chutney—with the set indeed functioning as a working kitchen.

Doing that level of cooking has been no easy feat of acting or stagecraft. Williamstown brought in a New York-based chef, Ben Liquet, to teach Mr. Lee the finer points of knife work and other kitchen skills. Mr. Lee says the lessons were indispensable, given his limited culinary experience. "My signature dish is water two ways—hot and cold," he joked.

As for the challenges of having a set where there are working burners, director Moritz von Stuelpnagel, another Broadway veteran, put it this way: "I can't tell you how many conversations we've had with the fire marshal."

But like others involved in "Seared," the director says the choice to cook on stage is what makes it feel so real. The audience is "smelling the play," he said.

comes to mind.

But "Seared" is distinctive in its degree of dramatic intensity—the title is clearly not unintentional—even as it doles out plenty of laughs along the way about everything from the folly of spending \$3 on a doughnut to the taste and textural distinctions of wild versus farm-raised salmon.

The real running joke, however, concerns the fact

that Harry, the hotheaded chef played by Mr. Lee, refuses to make the scallop dish that has earned his struggling restaurant its only degree of fame. For him, the entree is something sacred, akin to an artistic masterpiece; for everyone else involved in the restaurant, including Harry's business partner, it is a golden ticket.

The comedy thus becomes a debate of sorts about capi-

talism. "I spend a lot of time thinking about the collision of commerce and art," said Ms. Rebeck of the spark for the play.

Another inspiration: The playwright's dining adventures in Brooklyn, especially the meals she enjoyed at the Red Cafe, a now-closed Park Slope spot. "It was a neighborhood jewel," she said.

To bring the story to life in "Seared," Ms. Rebeck has

she said. "If he sees me, he will say, 'You have a package,' or 'You haven't picked up your mail for a while.'

After serving in the army in South Korea, Mr. Choi became a firefighter in Seoul, where he met his future wife, who was about to move to the U.S. He decided to follow her.

"I immigrated to the U.S. to follow people I love," he said in his letter.

After years of financial struggle, moving from apartment to apartment in Queens, Mr. Choi and Ms. Kim were able to afford a modest attached house in Haverstraw, N.Y., in Rockland County, about an hour drive north of his postal route.

In early 2009, as the financial crisis hit, they bought their 1,600-square-foot townhouse in Haverstraw for \$250,000. After the downturn, home prices tumbled and the house is still worth about 25%



Il Soo Choi is retiring from the Postal Service after nearly 20 years.

because she contributed more to the down payment.

They have one daughter, Gina Choi, who is 33 and is a minister at a church in Stamford, Conn. She looked over her father's shoulder as he wrote his farewell, helping him clean up his grammar, he said.

Mr. Choi's note ends with hope: "In this land, in this city, I've learned and gained so much by encountering each of you and consider my life full and abundant. It is my hope that your lives will also be full of peace and joy."

Now that he is retiring, Mr. Choi's mother, who lives in South Korea, said he should get a college degree. But he said he plans to spend more time "having fun" at home.

## GREATER NEW YORK WATCH

QUEENS

**Mother Charged In Overdose Death**

The mother of a 5-year-old boy who was found dead in his Queens home in 2017 was arrested Thursday and charged with manslaughter and other crimes.

Authorities had been looking for Phyllis Reinoso, 31 years old, since December. She was found Wednesday in Alabama, police said. Her lawyer, Michael Schwed, said his client is innocent and there is no evidence showing she is responsible for her child's death.

Michael Guzman, the boy, was found dead in his Jamaica home in January 2017.

The medical examiner ruled the death a homicide, saying the child died of acute phenobarbital intoxication. New York Police Department Chief of Detectives Dermot Shea said Michael was prescribed the medication for epilepsy but "there was a neglect of care."

—Melanie Grayce West and Zolan Kanno-Youngs

NEW JERSEY

**Radio Hosts Off Air For Slur Against AG**

The hosts of a popular New Jersey radio show were off the air Thursday after calling the nation's first Sikh attorney general "turban man."

Gurbir Grewal, who wears a turban and full beard, took to Twitter on Thursday to call for an end to "small-minded intolerance" after he was attacked by the hosts of the "Dennis & Judi" show. WKXW-FM hosts Dennis Malloy and Judi Franco uttered the slur on their Wednesday show while talking about Mr. Grewal's directive to prosecutors to temporarily suspend marijuana prosecutions statewide.

Officials at the station, New Jersey 101.5, suspended Mr. Malloy and Ms. Franco indefinitely.

Neither host responded to emails seeking comment.

—Associated Press

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## LIFE &amp; ARTS

THEATER REVIEW | By Terry Teachout

## All Identity, All the Time

**New York PROGRESSIVE** identity politics has now made it to Broadway with—literally—a vengeance. The occasion is Second Stage Theater's new production of "Straight White Men," a 2014 satire about straight white men and their discontents written by Young Jean Lee, who now becomes the first Asian-American woman to have a play performed on the Great White Way. Not only has it already had successful runs at the Public Theater and Chicago's Steppenwolf Theatre Company, but the cast includes a movie star in the making, Armie Hammer ("Call Me by Your Name"). Whether "Straight White Men" would have reached Broadway without Mr. Hammer is a moot point, but it's there now, and the box office is doing brisk business. Unfortunately, the play isn't any good, though that won't matter, since it fulfills the first condition of success on Broadway: It tells the members of the audience what they want to hear, and nothing else.

Ms. Lee, not surprisingly, thinks otherwise. When you enter the Hayes Theater, you're bowled over by what the script describes as "loud hip-hop with sexually explicit lyrics by female rappers." Then two "Persons in Charge" who are of ambiguous gender (Kate Bornstein and Ty Defoe) take the stage and archly inform the audience that the purpose of the ear-shredding pre-show music was to make straight white ticketholders feel uncomfortable: "Kate and I are

well aware that it can be upsetting when people create an environment that doesn't take your needs into account."

This is, of course, a joke, one better than any in the play that follows, though the author doesn't know why it's so funny. Ms. Lee may not have heard, but liberal New Yorkers who go to the theater like nothing more than to be flagellated therein for their sins. "Straight White Men" endeavors to sock it to them, presenting us with a baby boomer (Stephen Payne) and his three impeccably progressive sons (Josh Charles, Mr. Hammer and Paul Schneider), all of whom sincerely believe they're doing their best to check their collective privilege ("Matt got the drama teacher fired for only casting white people in 'Oklahoma!'"). Not so: It becomes clear no more than

30 seconds into the play that they are still clinging by their fingernails to the immature manners and mores of their benighted class. It would be quite possible to erect a first-rate comedy on such a premise. Indeed, Second Stage produced a broadly similar four-character play of the highest possible quality, Lydia R. Diamond's "Smart People," just two years ago. But Ms. Diamond, being a true satirist, gave us a tightly written, terrifyingly sharp-edged study of upscale privilege in which none of the characters—black, white and Asian alike—got off the hook. What's more, their collective plight was presented with an awareness



Stephen Payne, Josh Charles, Armie Hammer and Paul Schneider in 'Straight White Men' above; Bonnie Milligan in 'Head Over Heels,' left

of its pathos that brought the play to full emotional life. Ms. Lee, by contrast, affects to sympathize with her pitiful straight white men but in fact gives the impression of regarding them with smug contempt, an impression reinforced by the inch-deep shallowness of her satirical strokes. "Straight White Men" plays like a 10-minute "Saturday Night Live" sketch blown out to an hour and a half: The jokes have no bite, and once Ms. Lee finishes shooting the fish in her tiny barrel, she has nothing left to do but shoot them again. The result is a play that trails off into vagueness without ever landing any decisive hits on its putative target.

\* \* \*

Yet another comic exercise in applied identity politics is playing one block east of "Straight White Men": "Head Over Heels" is a jukebox musical whose score consists of songs recorded by the Go-Go's, an all-female new-wave power-pop group that had a brief vogue in the '80s. Very freely adapted by Jeff Whitty from "The Arcadia," Philip Sidney's 16th-century pastoral romance about mistaken gender identity, it's been extensively re-worked by James Magruder since its original 2015 Oregon Shakespeare Festival run, to no more than modest effect. The book is still a sophomore mess, and the 17 songs, which are mostly

either fast or rather less so, are lively but unvaried.

Michael Mayer ("Spring Awakening") has done what he can to put a directorial shine on "Head Over Heels." Spencer Liff's choreography is excitingly volatile and the sets and costumes are expensively fancy, while the five-piece pit band is as hot as a runaway atomic pile. Bonnie Milligan, a delightful performer with pipes to die for who previously appeared in the 2015 production, nails best-in-show honors as the horrifically vain Princess Pamela, who searches in vain for a suitable swain, then belatedly figures out that she's a lesbian (GASP!). Everyone else in the cast takes care of business, and if you really,

really like the Go-Go's, you might possibly find the results tolerable. I doubt there are still enough Go-Go's fans out there to make "Head Over Heels" a hit, but stranger things have happened on Broadway.

**Straight White Men**  
Second Stage Theater, Hayes Theater, 240 W. 44th St. (\$22-\$249), 212-239-6200/800-432-7250, closes Sept. 9

**Head Over Heels**  
Hudson Theatre, 141 W. 44th St. (\$49-\$290), 855-801-5876

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



TELEVISION REVIEW | By Dorothy Rabinowitz

## HOPE MEETS UNCERTAINTY



Shaun Evans and Roger Allam in 'Endeavour'

**THE LAST CHAPTER** of the enthralling fifth season of "Endeavour" has all the trappings of a world going irretrievably awry. As the episode ends, the tight family of law officers who constitute the Oxford City Police are on the verge of disappearing, via amalgamation, into a larger unit. A member of the team has been killed in the line of duty. Retirement talk is in the air, particularly in the case of Detective Chief Inspector Fred Thursday (Roger Allam), the most commanding of the show's authority figures, which is saying a lot. The atmosphere is heavy with sorrow.

Still, season 5 of this "Masterpiece" drama departs this Sunday on a note of hope for its lead character, Detective Sergeant Endeavour Morse (Shaun Evans), who is about to find romance. Though that isn't the sort of thing that passes as a seriously compelling need in Morse. In this "Inspector Morse" prequel (written and created by Russell Lewis), Mr. Evans's skill in projecting Morse's complex nature is ever evident.

This season, set in 1968, reflects that year's famous political and social tumult—conflicts virtually identical

to the embittering wars raging now over immigration, the rise of populist passions in Europe and elsewhere. And, as the series doesn't fail to remind us, "elsewhere" includes the U.S.

Here is DCI Thursday, in episode two, conferring with his superior Chief Superintendent Reginald Bright (a splendid Anton Lesser) about physical attacks on immigrants. As for the locals responsible for the assault, the furious Bright sneeringly calls them "these make Britain greater types"—a description with a particular resonance in 2018, especially to American ears.

In one of the season's delectably ambitious moments, the script has Bright murmuring a quick if obscure reference to Conservative MP Enoch Powell's explosive 1968 Rivers of Blood speech. In it, Powell mocked integration as a delusion and described the government's willingness to allow the flow of immigrants as being like "a nation busily engaged in heaping up its own funeral pyre."

DCI Thursday, who calls the assaulting mob "two-bob Blackshirts," loathes fascist sympathies in all their contemporary forms. In a later chapter, "Colours," he appears perilously close to violence when in the presence

of one Lady Bayswater (Caroline Goodall), a widowed socialite who accords pictures of Hitler and his Nazi inner circle an honored place in her home: a character clearly inspired by the history of Diana Mitford, devoted second wife of Oswald Mosley, leader of the British Union of Fascists.

Thursday—who has to be nudged away from the encounter with Lady

Bayswater, who is rattling on defiantly about Hitler's talents and wit—has his reasons. He served six years in the war; the devotees of fascism are always there, he says, hiding under rocks for years till the times are right for them to emerge again.

For sheer presence—stern, straightforward, but not without a distinct touch of mystery about him—there is no character quite the equal of Mr. Allam's Thursday, particularly in his capacity to make off with every scene.

The season's evocation of 1968 hasn't failed to include the Soviets. In chapter 5, "Quartet," Endeavour saw through the disguise of long-time spies for the Kremlin. Aiding in the pursuit was a somewhat familiar but nonetheless marvelous character—an aged, menacing and ruthlessly competent British intelligence agent, Millie Bagshot, portrayed by a perfect Ellie Haddington.

Viewers of this smashing series may well take to heart the aforementioned flood of goodbyes and the sense of a good thing over that descends at the end of season 5.

No worry. A season 6 is even now being written.

**Endeavour, season 5**  
Sunday, 9 p.m., PBS

## POST-WAR &amp; CONTEMPORARY ART

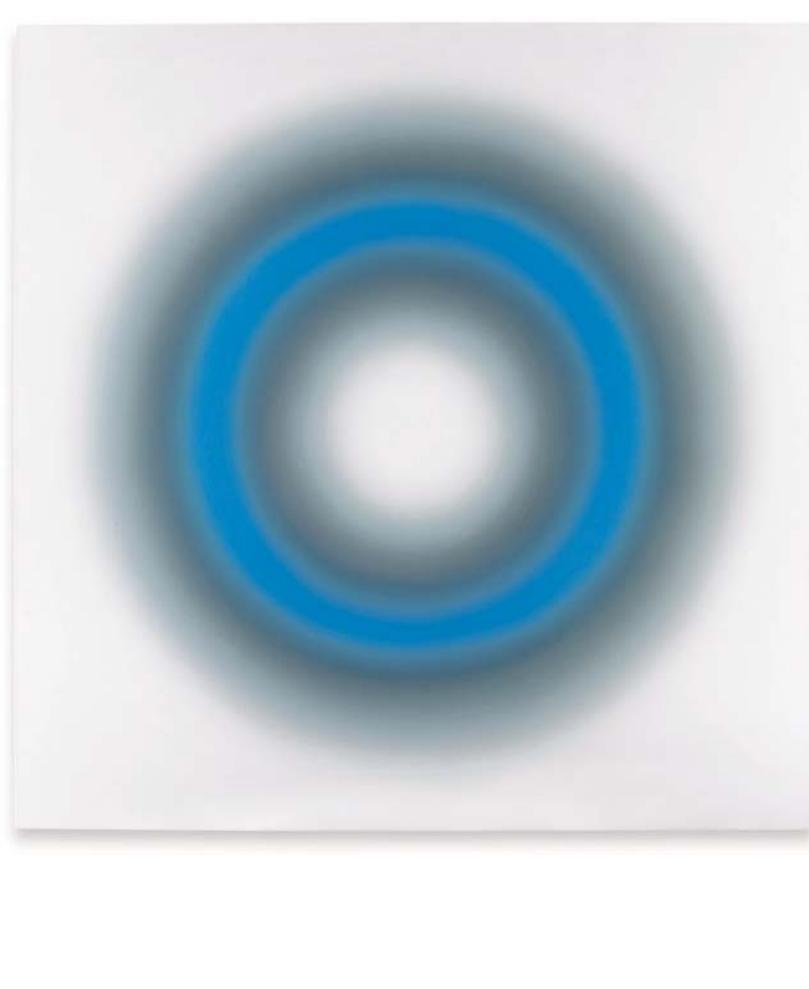
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## SPORTS

MLB

# Non-Pitcher Pitchers

An occurrence once viewed as the ultimate novelty in baseball has suddenly become commonplace as teams seek to save their bullpens

BY JARED DIAMOND

*Philadelphia*

**GABE KAPLER**, the rookie manager of the first-place Philadelphia Phillies, doesn't mind defying baseball's cherished traditions and relishes bucking conventional wisdom. So it felt very much in character during spring training when he let his team in on one of his more unusual concepts: He expected to put position players on the mound this season—even with actual pitchers still available in the bullpen.

"He said, 'We're probably going to set a record,'" veteran reliever Pat Neshek said.

As promised, Kapler has already used a position player as a pitcher three times, something unheard of by historical standards. In 2008, all 30 major-league managers used a position player as a pitcher three times total.

Yet compared to some of his peers, Kapler hasn't even been particularly aggressive in running a position player out to the mound.

Milwaukee's Craig Counsell has done it four times, allowing utility player Hernan Perez and catcher Erik Kratz to throw three innings in a game earlier this week. Trailing 14-1 in the fourth inning of a game this month, Arizona's Torey Lovullo had infielder Daniel Descalso and catcher Alex Avila record the final 14 outs, something unseen in more than six decades.

Chicago Cubs manager Joe Maddon, another baseball iconoclast, has already used position player on the mound six times, including star first baseman Anthony Rizzo.

All told, 36 different position players—not counting Los Angeles Angels two-way phenom Shohei Ohtani—have combined to make 42 appearances as a pitcher in 2018, already a modern record entering play on Thursday. An occurrence once viewed as the ultimate

novelty has suddenly become commonplace.

This, according to people across the sport, isn't a coincidence.

"The only thing that has stopped us from using position players more frequently in blowout games in the past is fear of embarrassment," Kapler said. "Somebody has to be the one that says, 'I don't care that this looks embarrassing.'"

Considering the modern pitching paradigm, it makes sense that teams would find themselves low on arms more often than in the past. Starters work less than ever

In 2018, 36 different position players have combined to make 42 appearances as a pitcher.

before, just over five innings a game, before giving way to a parade of hard-throwing relievers who pitch in short, powerful bursts. The role of the long man has practically vanished, as teams prefer to carry somebody else capable of getting a crucial strikeout or matching up against one tough slugger instead.

With teams relying on relievers to an unprecedented extent, keeping them fresh and effective has emerged as perhaps the most difficult and important job for managers. That explains why some managers believe it's more beneficial to put a backup infielder on the mound rather than burn a reliever in a game they will likely lose.

"It's bullpen preservation," San Diego Padres manager Andy Green said. "We value those bullpen arms so much that you have to find ways to protect them."

Managers in the past have hesitated to let their position players pitch for two primary reasons. One

is the fear of injury, like when outfielder Jose Canseco needed elbow surgery after pitching for the Texas Rangers in 1993.

Kapler played down that concern. While working in the Los Angeles Dodgers organization about five years ago, Kapler asked the research and development department to statistically analyze how often position players hurt themselves while pitching. The results emboldened him further, convincing him that he would employ the strategy if he ever became a manager.

The more complicated reason managers have long avoided using position players as pitchers comes down to something more intangible: what Los Angeles Dodgers manager Dave Roberts described as "the optics."

The idea of position players pitching has long been seen as a joke, something that disrespected the game and violated the spirit of honest competition. Batters often feel uncomfortable padding their stats against a noncompetitive pitcher, and everybody wants "the game to be over with as soon as possible," Kapler said.

Having a position player pitch signals that a team is no longer trying to win, which created a stigma against the practice.

"It's not that it's wrong. When you're getting your butt kicked, you might need a little comic relief, I guess," Roberts said. "But I have a hard time with it. I don't like ever conceding a game."

Kapler also pushed back against that premise. In his mind, "the game" isn't an individual contest. "The game" is the entire season, and his responsibility is to put his team in position to outlast the competition over six months, not over nine innings. Therefore, it's only logical to accept a sure loss one night if it enables his bullpen to better help the Phillies over the next few nights.

If that means alienating base-



Chicago Cubs first baseman Anthony Rizzo pitches in relief against the Arizona Diamondbacks.

ball purists by pitching a position player, so be it. In his mind, "It's clearly a better tactical decision."

"If it is making a 'mockery of the game' to be sensible and play the long game, then I'm willing to be uncomfortable with public perception," Kapler said.

Roberts isn't the only manager who believes that position players shouldn't pitch, even in blowouts. The Colorado Rockies haven't put a position player on the mound since 2002. Besides Ohtani, the Angels haven't done it since 1993. Neshek said he has played for teams that say they "refuse to use position guys" as a point of pride.

But even Roberts admitted that as more managers do it, the

stigma is disappearing.

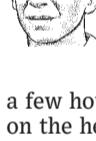
"I'm just not there yet," Roberts said. "But I can say that I'm probably softening more to the idea."

Roberts offered those comments in an interview in the visitor's dugout at Philadelphia's Citizens Bank Park on Tuesday afternoon, hours before a game against the Phillies. To that point, he had never used a position player as a pitcher in his managerial career.

Hours later, out of options in the bottom of the 16th inning, Roberts sent utility player Enrique Hernandez to the mound. He became the first position player in history to give up a walk-off home run.

NFL | By Jason Gay

## Football's Ready to Roll. Is America?



A midsummer's confession:

I am not ready for some football.

Of course, football waits for no one. Just a few hours ago, I was catching up on the headlines, and there he was, stern-faced, his mercilessness already in late season form:

Grumpy Lobster Boat Captain Bill Belichick.

Is it already time for this? It feels like just yesterday we were at the Super Bowl in Minneapolis, and the planet wanted to know why the Grumpy Lobster Boat Captain didn't play Malcolm Butler in New England's upset loss to Philadelphia.

Now it is nearly six months later, and the planet is back, and so is the Grumpy Lobster Boat Captain...and the question remains: Why didn't he play Malcolm Butler in New England's Super Bowl upset loss to Philadelphia?

"Is there going to be any more explanation about why he didn't play?" Boston Globe columnist Dan Shaughnessy asked GLBC as the Patriots opened camp Wednesday.

"Focused on training camp," Belichick elaborated, saving on pronouns.

On one hand, I love the terse comedy of a GLBC media opportunity—it's like watching a cat take a scrubby-dubby bubble bath.

On the other hand, I'm not ready to be back here just yet. Summer's nice. It moves to a different, mellower beat. We've already had some majestic sports memories at the World Cup and Wimbledon. There's still a buzz from Tiger Woods's performance at the British Open. The Tour de France is still rolling, though Geraint Thomas appears to have Paris in the bag.

Old time-baseball takes a lot of grief, but baseball's got Mike Trout, Juan Soto and laughing at the Mets. Even NBA free agency is kind of fun.

But now football's here, and it's tracking sand all through the bullpen.

The NFL can make a mess like nothing else in sports. Even its non-football moves can turn into high dramas. The league still ap-



New England Patriots head coach Bill Belichick appears to be in mid-season form as he chats with the media during a recent news conference.

pears confused on how it's going to handle its pregame anthem ritual; it looks as if the NFL may let the President of the United States chase it around a hamster wheel for another season.

Meanwhile, there's a silly showdown between retired wide receiver Terrell Owens and the Pro Football Hall of Fame. Owens was inducted into the Hall, but won't be attending the ceremony, which has miffed the game's establishment. This, after the game's establishment spent several Hall of Fame votes denying—shaming, really—Owens for being a pernicious influence in the locker room.

This dispute needs group therapy, not a ceremony.

Even college football tromps around like it owns the universe. You may have caught the wild

news conference the other week featuring North Carolina coach Larry Fedora, in which Fedora questioned the building science around concussions and CTE.

"I feel that the game will be pushed so far to one extreme that you won't recognize [it] 10 years from now," said Fedora. "And I do believe that if it gets to that point, then our country goes down too."

Look: I know the bar is high these days for saying loopy stuff in public, but Larry needs to relax. America survived a Civil War, the Great Depression and New Kids on the Block. I'm sure the country will hang in there if, say, football does away with kickoffs.

In fact, the only thing that would happen if football disappeared altogether is that people would talk to their families more

on the weekends.

Larry Fedora is right about one trend, however: Football presumes its primacy, but it's tough to ignore the building storm clouds. As football retirees lament their cognitive futures, safety concerns have filtered down to the roots—at every level, there are parents with serious reservations. And yet the game continues to act as if it will grow, grow, grow.

We should have realized that college football had gone amok when it started scheduling contests for every part of the day except Tuesdays at 4 a.m.

How about this: college football should be played on Saturdays, preferably during daytime. I will try to live without a Friday night football feast of Western Kentucky at Wisconsin.

I haven't even gotten to the biggest football lunacy there is: fantasy football. If anyone talks to you about their fantasy team before Sept. 1, you have my permission to call the authorities.

Can't we just focus on baseball right now? Baseball needs our help—as football claims to be intertwined with the very notion of the democratic experiment, baseball is getting portrayed as a video shop renting VHS cassettes.

Should we be kind and rewind? Unlike football, baseball in mid-summer is just right—warm nights, cold beer, listening to the crickets...and Nationals fans howling about whether or not they should sign Bryce Harper to a free agency megadeal.

That sounds idyllic. The Lobster Boat can wait.

## OPINION

## McCaskill's Intimidation Game



POTOMAC WATCH  
By Kimberley A. Strassel

If you've tuned in to this year's midterms, chances are you know about that hot Senate race in Missouri: McCaskill vs. Humphreys.

Oh, wait.

Democrat Claire McCaskill is indeed facing a tough re-election, trying for a third term. She's had a particularly rough week, after the Kansas City Star reported that businesses tied to her husband had been awarded \$131 million in federal contracts since she took office in 2007. Her putative opponent is the constitutional conservative Josh Hawley, the current attorney general and the strong favorite to win the GOP primary on Aug. 7.

Team McCaskill is already employing the Democratic Party's go-to tactic this midterm: character assassination. There's not much else. The economy is humming, the party's centrist and liberal wings are fighting, and the drumbeat of impending Trump doom isn't finding much accompaniment. So in Missouri as elsewhere, candidates are reverting to personal attacks. But the McCaskill forces are piling on a guy who isn't even running.

Indeed, they are attacking a private citizen and donor, David Humphreys. Back in March, Chuck Schumer's Senate Majority PAC began plowing millions into attacks on

the businessman, who donated to Mr. Hawley's campaign for attorney general. The pattern is the same: An ad makes a malicious accusation against Mr. Humphreys, then sidles over to tar Mr. Hawley with guilt by association. Just how invested are they in this strategy? Since airing their first spot, 70% of Democratic ads—amounting to \$4.7 million—have been focused on Mr. Humphreys.

Ms. McCaskill's pickle is that the GOP has upped its recruitment game. Her only prior re-election bid in 2012 had her face off against Todd Akin, who self-immolated after his blundering comments on abortion and rape. Mr. Hawley—a savvier, younger man and squeaky clean—hasn't provided a similar opening. A native Missourian and one-time U.S. Supreme Court law clerk, he arrived on the political scene only in 2016, becoming the Show Me State's first Republican attorney general in 24 years.

The McCaskill campaign spent early 2018 trying to trap him on his investigation into scandal-plagued GOP Gov. Eric Greitens, but that went poof when Mr. Greitens resigned in May. Ms. McCaskill has been reduced to swiping at Mr. Hawley's "fancy law school" (Yale). A poll in early July showed Mr. Hawley up by two points, and the senator now has the headache of whether to support Supreme Court nominee Brett Kavanaugh.

But whereas Mr. Hawley has a scant record to attack,

Mr. Humphreys is a long and active participant in Missouri civic life. He's been a major backer of judicial reform, so the trial bar loathes him. He pushed hard for the state's recently enacted right-to-work law, so unions loathe him. He sits on the boards of the free-market Cato and Acton institutes, so liberals in general loathe him. Using him to get to Mr. Hawley isn't only strategy—it's catharsis.

### The Missouri senator runs attack ads not on her opponent but one of his supporters.

The specific attacks here are as thin as they are familiar. In addition to a donation to Mr. Hawley, Mr. Humphreys in 2016 gave money to state Sen. Ron Richard. Mr. Richard, like almost every Republican, supports tort reform, and one of his bills would crack down on frivolous lawsuits against businesses—a major racket in Missouri. Critics claimed, baselessly, that Mr. Humphrey's donation was a reward for a bill that might benefit his company, Tamko Building Products. They then slammed Mr. Hawley for not investigating what they called a "pay to play" scheme by his own "donor," even though Mr. Hawley's office doesn't have criminal jurisdiction over such a case.

A liberal organization, Campaign for Accountability,

sought to keep the affair in the news by filing an official complaint with a federal prosecutor in Missouri. It may now wish it hadn't. Mr. Humphreys's attorney recently got a letter from U.S. Attorney Timothy Garrison, stating that his office had followed protocol and referred the issue to the FBI, which determined that "there was no basis for further inquiry." Given the use of "allegations" against Mr. Humphreys for public implication he has violated federal law," Mr. Garrison continued, "this letter is to inform you that Mr. Humphreys was not, and is not now, considered a target by this United States Attorney's Office."

That won't stop the attacks because they serve a greater purpose. Beyond the smears against Messrs. Hawley and Humphreys, such ads are a warning to other donors. Don't get involved, or your reputations and businesses will be next. Intimidation and threats, leveled against private citizens, are now standard liberal practice. If they can't win the argument, they can take out the opponent. And it explains the new liberal push at the state level (including in Missouri) for more donation and nonprofit "disclosure." It isn't about transparency in the public interest; it's about identifying new political targets.

Ms. McCaskill should explain why she's unwilling to debate the issues—or, for that matter, her actual opponent.

*Write to kim@wsj.com.*

## The Controversial Text That Saved Me

HOUSES OF WORSHIP By Ashley McGuire

I first read "Humanae Vitae"—which Pope Paul VI published 50 years ago July 29—when I was 21. As a senior at Tufts University, hardly a bastion of Christian belief, sheer curiosity brought me to the controversial papal encyclical. I knew only that it banned contraception. How could a billion people around the world embrace such a backward religion?

Two years later, I was baptized and received into the Catholic Church. "Humanae Vitae" was my gateway. Disillusioned with a culture that habitually objectifies women, I found the document stirring—as did countless other converts—with its call to safeguard "the reverence due to a woman." Today you can call me a Catholic two-percenter. One of those few American Catholic women who have never used contraception.

The teachings on contraception found in "Humanae Vitae" are often described as arcane and antiscience. To the contrary, the science on female fertility is slowly catching up with the document. As Paul VI argues, there are natural ways to preserve a woman's fertility while still respecting her and her family's needs in limiting and spacing births. The church calls it "natural family planning," though thanks to

its increasing popularity with the organic crowd, "fertility awareness method" has become more widely used.

This method isn't antiscientific by any means. Rather, it complements the scientific understanding of a woman's rhythm of fertility—instead of using potentially harmful pills or devices. As a friend and fellow adherent recently told me, "The pill cost women five decades of science on authentic female fertility. Finally, that's beginning to change."

Women who adhere to the church's teaching on contraception are often described as something out of "The Handmaid's Tale." In reality, they are embedded among us as everything from law-firm partners to stay-at-home moms. Today a suite of fertility apps and laboratory-grade ovulation test strips make natural family planning more accessible than ever—not only for the religious, but also for the countless women who have grown wary of hormonal birth control.

The teachings in "Humanae Vitae" extend beyond organic sex. As those who benefited from its wisdom attest, holding nothing back from your spouse is a choice that can be transformative. Another fellow adherent, a lawyer, told me that embracing the teaching caused her to see not only her spouse, but everything, as sacred. Married love, Pope

Paul VI wrote, is a "compound of sense and spirit." He added, "It is a love which is total—that very special form of personal friendship in which husband and wife generously share everything."

The trust spouses place in each other imitates the transcendent trust that faith teaches us to put in the divine when things aren't fully within

### I'm a Catholic thanks to 'Humanae Vitae.' It's about a lot more than birth control.

our control. This sounds insane to a culture where the individual reigns supreme, but marriage is, after all, a call to abandon ourselves fully to another in love.

Women in particular stand to benefit from Pope Paul VI's prescient teachings about men, women and love. "A man who grows accustomed to the use of contraceptive methods may forget the reverence due to a woman," he wrote. This risks reducing a woman to "a mere instrument for the satisfaction of his own desires." In the #MeToo era, his words are more relevant than ever.

Women in particular stand to benefit from Pope Paul VI's prescient teachings about men, women and love. "A man who grows accustomed to the use of contraceptive methods may forget the reverence due to a woman," he wrote. This risks reducing a woman to "a mere instrument for the satisfaction of his own desires." In the #MeToo era, his words are more relevant than ever.

Removing contraception from the equation frustrates selfishness and demands of men that they always account for the whole woman. Women appalled by

the prevalence of sexual abuse might give the document a look.

The Catholic Church, to

the frustration of many, including many Catholics, will never alter the teachings put forth in "Humanae Vitae."

Yet the challenge to defend those teachings has never been greater. Half a century after its publication, Catholics should reflect on its wisdom but also consider why the communication of its teachings has been ineffective.

In addition to the 2% of sexually experienced Catholic women who have never used contraception, one study found that only 13% of Catholic women completely accept the church's teaching on the subject.

Yet there's hope. More than a third of Catholic women

who regularly frequent the sacraments embrace the teaching. Surprisingly, receptivity to the church's teaching on contraception is highest among millennials. That might be because "Humanae Vitae" is as radical today as it ever was. And a small but passionate cohort of Catholic youth stand ready not only to defend it, but to share its truths with a world greatly in need of them.

*Ms. McGuire, a senior fellow at the Catholic Association, is author of "Sex Scandal: The Drive to Abolish Male and Female" (Regnery, 2017).*

## Bear With Me? Get It Away!

By Mike Kerrigan

I received a letter from my 9-year-old son while he was away at summer camp. He told me he is terrified of bears, just like his old man.

If courage, as John Wayne put it, is being scared to death but saddling up anyway, then the kid is definitely courageous. Camping is something I'd never do, especially not in western North Carolina, which is an ursine Club Med.

My outdoorsy wife, in an attempt to convert me, suggested I try something called "glamping"—a portmanteau of glamour and camping. Under sumptuous tents and accompanied by the luxuries of home, glampers commune with nature in lavish style. My wife thinks the experience will be my gateway drug.

But she's wrong. Glamping, as oxymoronic to me as dry swimming, is even more disagreeable than regular camping. After all, if I book a room at the Four Seasons, scatter

dirt, and light a campfire in the sock drawer—just to get back to Mother Nature—nobody calls me a travel-and-leisure pioneer. They call me insane.

For me it is old-fashioned camping or nothing—which is to say, nothing. To reiterate, it's not the camping I dread.

### I find these creatures terrifying, and I'm not afraid to admit it.

It's the bears. I don't believe a single word Big Camping has promulgated on the ominous omnivore:

• They're more afraid of you than you are of them. They have razor claws and primal strength, and I have what, a can of bear spray? Besides, if I'm close enough to eye-squirt a bear, it's already game, set, match. It's also worth noting that, to my knowledge, no bear has ever

confided to a psychiatrist that "I fear the emptiness in man's eye."

• Cover yourself in ammonia and mothballs, and bears will leave you alone. Fair enough, but you know what else avoids you when you smell like that? Humans.

• Just make lots of loud noises and bears won't bother you. Right, because this works so well on New Year's Eve, when kids the world over are banging pots and pans. I've yelled things at my own children after midnight that would shame a sailor—but I'm to believe this won't chafe the bears?

• Avoid coming between a mama bear and her cub—that's the real danger. That's the real danger. This warning presupposes I can determine bear sex and parentage, something I couldn't do in the calm of veterinary school, let alone the fog of existential dread.

It also proves my point. If someone stands between my

daughter and me in line at the movies, I don't tear him limb from limb. I trade places. I am reasonable. Bears are not reasonable. They are vicious.

• If they want anything, it's your food, so put that where bears cannot reach it. If you woke at a bed and breakfast to the smell of cinnamon coffee cake, only to find it hanging from the kitchen ceiling beyond your reach, would you not have words with your host about the tease?

I suspect that you would. Members of the jury, wouldn't it make sense then that the bear—hungry after hibernation—might take matters into its own paws and put the camper, who hoisted the fragrant food, on the menu?

Speaking of lawyering, there's another good reason I'll continue to give the bears their space as long as they kindly give me mine: professional courtesy.

*Mr. Kerrigan is an attorney in Charlotte, N.C.*

BOOKSHELF | By Sam Sacks

## Solitude In the Sand

### The Immeasurable World

By William Atkins  
(Doubleday, 352 pages, \$28.95)

When the 15th-century Swiss friar Felix Fabri traveled to the Egyptian desert to immerse himself in its punishing heat, he cited the Book of Psalms in explanation: "In barren and dry land where no water is have I looked for thee in holiness." It seems an abiding paradox that God's presence should be sought—and so often found—in the most uninhabitable places. Yet as William Atkins writes in "The Immeasurable World," the desert reminds us how closely connected grace is to desolation: "Amid its horrors, peace—peace magnified by those horrors."

Mr. Atkins is an editor and journalist whose previous book, "The Moor" (2014), is a travelogue and natural history drawing in part on his time in a Cistercian monastery in Devon. "The Immeasurable World" is an account of his pilgrimages to seven of the Earth's arid zones: Oman's Rub' al-Khali, or Empty Quarter; the Great Victoria Desert in Australia; the Gobi and Taklamakan deserts in China;

Kazakhstan's Aralkum, the desert created by the recent desiccation of the Aral Sea; the Sonoran Desert on the U.S.-Mexico border, where Mr. Atkins lived in a straw-bale cabin; Nevada's Black Rock Desert, the site of the countercultural festival Burning Man; and the Eastern Desert in Egypt, where he stays in a Coptic monastery.

Blending history, ecology, current events and personal encounters, "The Immeasurable

World" courts comparisons with the capacious learned nature writing of John McPhee. But there's also an open-ended spiritual

quest to Mr. Atkins's sojourns, which follow closely in the footsteps of religious and literary forerunners who were lured by the rewards of extreme renunciation. Chief among them is St. Anthony, who retreated to the Egyptian desert in the third century. Later, secular zealots include Wilfred Thesiger, who crossed the Empty Quarter in 1946 ("I had learnt the satisfaction which comes from hardship and the pleasure which springs from abstinence," he wrote in his classic "Arabian Sands"), and John C. Van Dyke, an art historian who wandered the American Southwest by pony and produced the stark, magisterial 1901 monograph "The Desert." "There is something very restful about the horizontal line," Van Dyke wrote of the empty expanses. "Things that lie flat are at peace and the mind grows peaceful with them."

Peace of mind, isolation, a heightened attentiveness spurred by the proximity to death—these are conditions for clear, beautiful writing, and Mr. Atkins frequently meets the high standards of his precursors. The scorched basin of a claypan in the Australian desert, he observes, "was cracked into irregular polygons and scurving like a eucalyptus, and each of its palm-sized scales shone with a fine and perfect salt-glaze. It was like walking over the surface of an old oil painting." In Nevada he sees a pair of dust devils circle each other "like two figures dancing or fencing." In a onetime fishing village abandoned by the shrinking Aral Sea, he is awed by the "tremendous weight of quiet."

The author recounts seven separate pilgrimages to the Earth's deserts—in search of peace of mind and a closer connection with nature.

Yet an uneasy subplot of "The Immeasurable World" is that true solitude is growing harder to come by. The book is surprisingly populated. Mr. Atkins is almost constantly attended by guides or helpful locals. The caves adorned with Buddhist art that he visits in the Gobi Desert are so built up that they seem like a far-flung tourist trap. He notes that today there are regular, well-supplied expeditions across the Empty Quarter inspired by Thesiger's legendary trip. A similar irony underwrites the monastery dedicated to St. Anthony: The guy became famous as a hermit, and suddenly he is being mobbed by disciples.

Indeed, there's a somewhat confusing feeling that Mr. Atkins has gone out of his way to find human interference. Why else would he subject himself to the stifling anarchist cosplay of Burning Man? What I sometimes missed in "The Immeasurable World" was an interest in the desert for its own sake rather than as a place useful to people when they've wanted to escape civilization, win fame in exploration, test nuclear weapons, or consume psychedelics and light a giant effigy on fire.

I used to live in Tucson, Ariz., and like Mr. Atkins I came to love the Sonoran Desert. The magic of the place, for me, is the way its sparsity makes it legible. It's easy to identify the few shrubs and cactuses and to witness the drama of survival in their struggle to plant roots and retain water. The changes of the seasons are visible in bird migration patterns and the sensational periods of desert flowering. You can always gain your bearings once you know that the saguaro cactus grows more densely on the southern side of the hills and that you can estimate the recent rainfall by studying whether the ocotillo has dropped or regrown its leaves. When the fauna chooses to be visible, you have an unobstructed view. Whereas forests and mountains are overwhelming in their tangled profusions, the desert teaches an elementary class on nature's rhythms to anybody who cares to attend.

Mr. Atkins communicates some of this in his book's loveliest episode, when, while living in southeast Arizona, he gets lost on a solitary hike and stumbles into a rare moment of revelation. Anxiously trying to find his way back to the trail, and menaced by a threatening rattlesnake, he suddenly spots a single cottonwood tree beside a small brook—"the place that had been my destination all along, though I hadn't known it was there." In silence he watches a "small cyclone of cadmium-yellow butterflies" and a pair of eagles circling overhead. In this place of emptiness, of danger and derangement and death, he has been shown a secret about the miracle of life.

Mr. Sacks reviews fiction for the Weekend Journal.

### Coming in BOOKS this weekend

Charles de Gaulle's 'Idea of France' • The nuclear scare of 1983 • Breaking the sound barrier • How we created the Anthropocene • Arthur Conan Doyle in the courtroom • Democracy in peril? • The secret signs of nature • & more

## OPINION

## REVIEW &amp; OUTLOOK

## Investors Unlike Facebook

**W**ell, no stock-market love affair lasts forever, as Facebook has painfully discovered. An earnings release Wednesday evening perceived as mediocre prompted a fast and brutal selloff Thursday morning in one of the pillars of the long tech-stock rally. Facebook lost about \$119 billion in shareholder value, or nearly 19%—the largest single-day loss for a U.S.-listed company.

In one sense it's odd to see investors come down so hard so suddenly on the social-networking behemoth and its founder and CEO, Mark Zuckerberg. While revenues of \$13 billion in the second quarter narrowly missed stock analysts' targets, revenue is still growing. So are user numbers, which were up compared to the same quarter last year both in average users per day and per month.

Yet that news was swamped for investors by problems exposed in the earnings report. Facebook is struggling to deliver content—and ads—that won't annoy its users. Its costs are rising in part because it is spending so much on technology and hiring so many people to filter out offensive content and weed out fake accounts.

One of its most popular new features, the video-sharing Stories on the Instagram photo-sharing app, is proving difficult to monetize with ad sales. Growth in user numbers seems to be plateauing, especially in America and Europe. Most of its expansion now is in developing countries in Asia and Africa, but Beijing still won't let it operate in China.

The surprise is that the market chose to discount these challenges into the share price in one day instead of gradually over months or years. User growth had to slow sometime, as our columnist Andy Kessler predicted last week, while the costs associated with policing content were bound to increase.

The company's conceit since its founding has been that it is merely a platform on which its users can share their own content, whether

## The tech giant faces new costs to reassure users and regulators.

that's pictures of the grandkids or the latest stupid-pet video. Mr. Zuckerberg has belatedly discovered Facebook faces reputational risks related to violent, obscene or fake material circulated within its community. Investors are belatedly discovering they own something like a traditional content company, with some of the costs that entails.

The company also faces growing political scrutiny around the world over its data-sharing with advertisers and political activists. All of which adds some context to Facebook's preferred explanation for part of its woes, the strict new data-protection law that took effect in Europe in May. GDPR, as the law is known, required Facebook to seek new consent from users to collect and share their data. That helps explain a small decline of one million in monthly users in Europe—to 376 million. More users updated their privacy settings to limit how much of their personal information can be shared with advertisers, dingy revenue.

GDPR is an ill-conceived law that threatens to hamstring the European Union's digital economy. But Facebook's bigger problem remains how to deliver reliable, engaging content to users when the company lacks any discernible editorial experience. One good step would be to admit there are limits to Facebook's current business model, and that paying traditional media companies to deliver trusted content can be a solution.

Facebook remains an excellent business, but its Thursday selloff is a reminder that growth isn't guaranteed even for the hottest tech giants. Too many investors forgot the lesson of the dot-com bubble of the late 1990s that being a darling of digital innovation isn't inoculation against the classic dilemmas that afflict all young and fast-growing companies.

Facebook's regulatory travails are unlikely to let up soon, and they will absorb cash and management time. In that sense the Facebook selloff is a useful and timely lesson in humility for investors and management.

## The Senate Stakes on Appointees

**P**resident Trump nominated Brian Benczkowski to lead the Justice Department's Criminal Division in June 2017. Despite endorsements from former Clinton, Obama and Bush Justice officials, he waited more than a year for a confirmation vote. The Senate finally approved his nomination this month, 51-48, but on Tuesday Senate Democrats made clear they never want the fight to end.

In 2016 news reports suggested that Alfa Bank, which has been linked to the Russian government, could have communicated with the Trump Organization. As a lawyer in private practice, Mr. Benczkowski briefly oversaw a third-party examination of some Alfa Bank electronic records. He testified that it found no connections between the Russian bank and the Trump business. The nominee pledged to recuse himself from anything involving Alfa Bank and to work with the department's ethics officials.

This satisfied Republicans and Democratic Senator Joe Manchin, but other Democrats wanted a sweeping recusal from all matters related to Russia or Robert Mueller's investigation. In a July 24 letter to Deputy Attorney General Rod Rosenstein, 14 Democrats, including 2020 hopefuls Kamala Harris and Cory Booker, called for broad recusals and demanded an extensive

## Could any Trump nominee get past a Democratic majority?

list of ethics documents from Justice. The day after Democrats dashed off their letter, the Criminal Division announced the arrest of two men involved in a billion-dollar Venezuelan money-laundering scheme. The division also prosecutes cybercrime, sex trafficking and political corruption, sometimes involving foreign governments. The division needs a permanent chief to set priorities and deepen relationships with foreign counterparts.

In addition to tarnishing a reputable Trump official, the Democratic resist-at-all-costs strategy chews up precious time on the Senate floor. The method for delaying Mr. Benczkowski's nomination is now common. After a nominee is voted out of committee, a Senator can object to a floor vote. That leads to a cloture vote, which triggers 30 hours of debate.

In the first two years of his Presidency, Barack Obama's nominees faced 12 cloture votes on judicial and executive nominations. Trump nominees have faced 107 through July 20. That's four times more in the first two years than in all Administrations going back to Jimmy Carter. Currently more than 150 nominees await Senate confirmation, and that's with Democrats in the minority. Would they confirm any Trump nominee if they retake the Senate this year?

## Endangered Species Scare

**B**y now you may have seen the photos of baby owls that will ostensibly be extinct once Donald Trump finishes demolishing protections for endangered species. Such dystopian predictions warrant a more rational look at the Trump Administration's efforts to update a 1970s law that isn't accomplishing what its supporters claim.

The Interior and Commerce departments are accepting feedback on proposals to clarify regulations related to the Endangered Species Act, which Congress hasn't updated in more than 25 years. The law is a golden idol of the environmental left, though its goal is species recovery and less than 2% of listed species are delisted.

Wyoming Governor Matt Mead noted recently that it "took five lawsuits and fifteen years to delist a recovered gray wolf population in Wyoming," while the Canada lynx listed some 18 years ago still has "no discernible path to recovery." Private land owners have little incentive to help because spotting an endangered species is a death sentence for the productive use of their property.

Interior's sensible principle seems to be that the law should be more predictable, including harmonizing the standards for listing and delisting. The current process makes it easy to list a species but hard to remove it even when the evidence of recovery is compelling. Also welcome is a proposal that wildlife classified as "threatened" won't receive full treatment as "endangered," which has defeated the purpose of a distinction that is supposed to allow for proactive rehabilitation.

Interior is accused of ravaging the planet for

removing language in a regulation that says listings must be made "without reference to possible economic" consequences. The law still says that listings must be made based solely on the scientific evidence. It isn't an assault on animals to inform the public of the trade-offs a society may make when protecting wildlife. It's a basic tenet of transparent government.

Another proposal deals with how government classifies "critical habitat" for species. The Supreme Court is hearing a case this fall about the dusky gopher frog that illustrates government behavior (*Weyerhaeuser v. U.S.*). Several years ago the Fish and Wildlife Service listed as critical habitat a place the frog hasn't lived in decades. The frogs would have to hitch-hike across a state border to reach the area, and there's some doubt tadpoles could even survive there.

Interior's supposedly radical change is that the agency should first consider where a critter actually lives and clarify under what circumstances unoccupied land might be included. Ditto for clarifying language about whether a species is threatened, as defined by facing extinction in the "foreseeable future." The greens define that as any remote risk over the next millennia, which isn't reasonable.

These reforms are modest because more changes would require legislation from Congress. Sen. John Barrasso of Wyoming is passing around a draft bill that would require recovery plans for species and allow states more opportunity to lead conservation efforts. That Democrats would block these changes tells you that their priority isn't conservation. It's political control from Washington.

## LETTERS TO THE EDITOR

## In Defense of President Trump's Trade Policy

Regarding your editorial "The Trade Casualties Mount" (July 21): The claim that six U.S. aluminum plants have shuttered since 2012 because "retrofitting plants is expensive" is counterfactual. A collapse in global aluminum prices due to excess capacity was the real driver.

In fact, excess capacity in both steel and aluminum is a key reason why the tariffs imposed by the Trump administration are necessary to defend U.S. producers in the interests of national security. These tariffs, working synergistically with other key policies of the Trump economic plan—including tax cuts, deregulation and the unleashing of our energy sector—are helping to spur new investment. For example, on the same day the tariffs were announced, Century Aluminum announced an over \$100 million expansion and modernization effort at its Hawesville, Ky., plant while U.S. Steel announced a restart of its Granite City Works in Illinois.

The claim that "downstream businesses can't easily reconfigure global supply chains, and higher input costs are making them less competitive globally" is likewise not supported, at least in any economic data to date. Employment in metal-consuming industries has continued to rise since imposition of the tariffs; from May to June employment was up 7,100 in fabricated metal products, up 4,400 in

machinery and up 12,000 in motor vehicles and parts.

As for criticizing my statement that the tariffs the Trump administration is imposing on a predatory China for its targeting of America's technological crown jewels represent a "rounding error," do the math. As I noted on CNBC, the U.S. and Chinese economies collectively represent over \$30 trillion while the trade flows affected between the two countries by the tariffs is considerably less than 1% of that total. Meanwhile, data show the total amount of trade affected by all U.S. tariff actions to date on aluminum, steel, solar, washing machines and China is a mere 3% of U.S. imports and a small fraction of 1% of U.S. GDP.

Finally, American farmers are indeed being targeted. There are two concluding points to make about this assault on American agriculture.

First, President Trump and Secretary of Agriculture Sonny Perdue will always have the backs of American farmers. Second, counterfactual editorials not supported by the economic data unwittingly feed into the false narratives of those foreign countries that have been getting away with high tariffs and unfair trade practices for years.

PETER NAVARRO  
White House trade adviser  
Washington

## Rethinking the Best Universities in the World

Regarding John Leo's review of Warren Treadgold's "The University We Need" (Bookshelf, July 19): I've spent over 50 years teaching at one of those universities Warren Treadgold describes as captives of something called the campus left, mediocre institutions driven only by ideology and dull faculty, wasting money and diminishing the country. My conclusion: We were better off when Americans thought all faculty behaved like Groucho Marx in "Horse Feathers." It was before our ascendancy to the top of the world's academic pyramid, where, hard as you may find it, we are today.

In the 1930s, before Hitler destroyed the world's greatest universities, we were a homogeneous faculty and student body, harmonious, agreeable and mediocre. Now, we

have anarchy, are diverse in faculty and student body, with a million students from all over the world in our dreadful colleges and universities, with another million wishing they could get in. Perhaps 150 of our Nobel laureates chose American universities for their research and emigrated. We have all of those terrible qualities that Messrs. Leo and Treadgold identify—but could the Journal, at least for a moment, quietly tell its readers that we have the greatest higher education "anarchy" in the world? It is a mess, chaotic, sports-driven, with incompetent administrators trying to lead ungovernable faculty and students. Perhaps that's the price you pay for being the envy of the world.

EM. PROF. SOL GITTLEMAN (TUFTS)  
Lexington, Mass.

## Great Books, Even Cheap Ones, Build Minds

Danny Heitman's rhetorical request in his review of R. Alton Lee's "Publisher for the Masses" (Books, July 21) for more depth on how the Little Blue Books changed America can be answered by reading Louis L'Amour's memoir "Education of a Wandering Man." Leaving home at 15 to skin cattle and ride box cars throughout the Southwest, L'Amour recounts his exposure to literature through the Little Blue Books. They were sold at newsstands for five and 10 cents each and offered a range of literature and ideas. L'Amour read several hundred of the Little Blue Books during his peripatetic early life and kept a list of what he read from 1930 to 1937. That list, beginning with Santayana and ending with the likes of Hemingway and

Shakespeare, speaks to the depth and breadth of the Little Blue Book collection and that reader.

Absorbing deep and wide-ranging ideas gleaned from the Little Blue Books changed L'Amour's life and no doubt countless others. It is a reminder that exposure to a range of ideas presented by civilization's best isn't a bad precept for an education. But that of course leads to a different rhetorical question.

RALPH PERRY-MILLER  
Dallas

## Bork, Kennedy and the End Of Civility, Rise of Ideology

Regarding the letters of July 21, which include a picture of the late Judge Robert Bork: Soon after Bork's annihilation by Senate Democrats at his Supreme Court nomination hearings, he happened to plop down next to me at lunch. He seemed convivial, so I asked about his experience.

In a calm manner Bork said (I paraphrase his words from memory): I'd visited a number of Senators regarding my nomination. We exchanged views cordially . . . focusing on mine. Then came my visit with Sen. Ted Kennedy in his office. It was a different, strange encounter. Kennedy would not look me in the eye. Repeatedly he said, It won't be personal, Judge . . . nothing personal . . . over and over with no further explanation. Our meeting was short; and, naively, I thought it simply inconclusive. The White House felt likewise. We were not prepared for the ensuing onslaught.

FRITZ RENCH  
Racine, Wis.

## Freedom Medal for Browder

Regarding your editorial "Donald Trump, Meet Bill Browder" (July 20): We feel Mr. Browder should be presented the Presidential Medal of Freedom. It would be the recognition he deserves for his actions in advocating for human rights for Russian citizens, as well as for those around the world.

BERNIE AND VLASTA BOVEE

Cadillac, Mich.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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## OPINION

# Save Low Interest for a Rainy Day

By Martin Feldstein

President Trump told a national television audience last week that he disapproves of the Federal Reserve's decision to continue raising short-term interest rates. He later repeated his concern in a series of tweets. In complaining publicly about the Fed, Mr. Trump is breaking decades of presidential precedent, and he is wrong on the substance. The Fed actually is behind the curve in normalizing short-term interest rates, and it should now raise the federal-funds rate at least four times a year.

The president isn't alone in his opposition to the Fed's interest-rate policy. Narayana Kocherlakota, a former president of the Minneapolis Fed, recently published an article criticizing the interest-rate hikes. Critics of the Fed's policy point out that the inflation rate is neither high nor rising rapidly. The consumer-price index in June

**President Trump chided the Fed for raising rates, but the move creates space to spur the economy later on.**

was only 2.9% higher than the previous year, pushed up by the recent jump in energy prices. The price index the Fed uses to calculate inflation, the personal-consumption expenditures index, was up only 2.3%.

But controlling inflation isn't the primary reason for the Fed to



keep raising the short-term interest rate. Rather, raising the rate when the economy is strong will give the Fed room to respond to the next economic downturn with a significant reduction.

That downturn is almost surely on its way. The likeliest cause would be a collapse in the high asset prices that have been created by the exceptionally relaxed monetary policy of the past decade.

It's too late to avoid an asset bubble: Equity prices already have risen far above the historical trend. The price/earnings ratio of the S&P 500 is now more than 50% higher than the all-time average, sitting at a level reached only three times in the past century. Commercial real-estate prices also are extremely high by historical standards.

The inevitable return of these asset prices to their historical norms is likely to cause a sharp decline in household wealth and in the rate of investment in commercial real estate. If the P/E ratio returns to its historical average, the fall in share prices will amount to a \$9 trillion loss across all U.S. households.

Large drops in household wealth are usually accompanied by declines in consumer spending equal to about 4% of the wealth drop. That rule of thumb implies that a \$9 trillion drop in the value of equities would reduce consumer spending by about 2% of gross domestic product—enough to push the economy into recession. The fall in the value of commercial real estate would add to the decline of demand. And with consumer spending down sharply,

businesses would cut back on their investment and hiring.

Recent recessions have generally been short and shallow, as a result of a rapid response of offsetting monetary and fiscal policy. The Fed typically cuts its short-term interest rate by several percentage points, and tax cuts and increased government spending help spur demand.

But significant monetary stimulus would be impossible to achieve if the short-term interest rate remains at the current 1.75%. And there is less room than ever for fiscal stimulus, as annual deficits will exceed \$1 trillion by 2020 and federal debt will be greater than 100% of GDP by the end of the decade.

That's why it's important for the Fed to raise the federal-funds rate to 4% over the next two years, which would allow it to cut the rate by at least three points when the next recession begins. Such a rate reduction might not be enough to prevent a recession within the next two years, but it would maximize the Fed's positive influence on the economy.

Raising rates does increase the risk of bursting the asset bubble sooner than investors and consumers might hope. But the Fed has let the economy grow fragile by keeping short-term rates too low for too long. Now it must respond by raising rates enough to deal with the bubble burst when it inevitably comes.

*Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.*

## One Man Can Unite Democrats: James Comey

By Ted Rall

You probably have a relative who drives you crazy. Yet if someone from outside the family complains about him, you'll defend your kin. When strangers attack, families pull together.

So it is in politics. Since Donald Trump emerged as front-runner in the 2016 primaries, Republican voters have braved a relentless torrent of criticism about their ethics, their tastes, even their patriotism. Liberals, NeverTrump Republicans and other outsiders keep trying to drive a wedge between factions of the Trump coalition. But these critics, shouting from outside the tent, don't have standing. That's why Mr. Trump is more popular within his party than any Republican president except George W. Bush immediately after 9/11.

**Families come together when an outsider takes sides in a squabble.**

We're seeing the same phenomenon among Democrats. The divide between progressive populists and corporatist centrists goes back decades. Ted Kennedy's 1980 primary challenge left President Jimmy Carter wounded. In 2016 supporters of Bernie Sanders and Hillary Clinton waged a brutal battle.

The party faithful are studying this year's local primary results, particularly a single upset in New York. Is 28-year-old Sanders acolyte and Democratic Socialist Alexandria Ocasio-Cortez the future of her party, or a fluke?

Enter James Comey. Wading into this internecine furor with the grace of Chris Christie on rollerblades, the fired former FBI director—a registered Republican until 2016, when he became an independent—took to Twitter with an endorsement: "All who believe in this country's values must vote for Democrats this fall. Policy differences don't matter right now. History has its eyes on us."

But then he added a qualification: "Democrats, please, please don't lose your minds and rush to the socialist left. This president and his Republican Party are counting on you to do exactly that. America's great middle wants sensible, balanced, ethical leadership."

Notwithstanding Mr. Comey's loathing for Mr. Trump, Democrats resent him. They believe his October 2016 announcement that the FBI was reopening its investigation into Hillary Clinton's emails tipped the election toward Mr. Trump. So his latest intervention might have helped heal the Democratic progressive-centrist schism.

"No one is asking for your advice. As we saw during the campaign, your judgment isn't great!" replied Obama White House veteran Tommy Vietor. President Obama endorsed Mrs. Clinton before Democratic primaries were over and is thus viewed with suspicion by many Sanders fans.

Novelist and NPR star Kurt Andersen, who also chose Hillary over Bernie, helped circle the wagons in favor of progressives like Ms. Ocasio-Cortez. He shot at Mr. Comey: "What do we mean by 'the socialist left' (Comey's scaremongering phrase) apart from the goal of a health care system like those in the rest of the rich world, and a few things America used to have, like cheap public higher education and higher taxes for rich people?"

Maybe Democrats can all just get along—if they unify to repel annoying outsiders. Joe Lieberman's call in this newspaper for New York voters to reject Ms. Ocasio-Cortez at the polls this November—despite opponent Joe Crowley's public pledge not to try to keep his seat—landed like a lead balloon.

Due to a quirk in New York's ballot laws, Mr. Crowley will appear on the ballot as nominee of the leftist, union-backed Working Families Party. Working Families was quick to say thanks-but-no-thanks to the proposal of Mr. Lieberman, who won his final Senate term in 2006 by running against the Democrat who beat him in the primary: "New York voters aren't going to take their cues from @JoeLieberman, a disgraced ex-senator who now works as a lawyer at Donald Trump's law firm."

The Democratic coalition might regroup—stronger than ever before—were Mr. Trump to denounce Ms. Ocasio-Cortez and the red peril of democratic socialism. So far, however, the president has been too smart for that.

*Mr. Rall is a political cartoonist and author of "Francis: The People's Pope," the latest in his series of graphic novel-format biographies.*

## Where Posting Selfies on Facebook Can Get You Killed

By T.S. Allen  
And Robert A. Heber Jr.

Every U.S. Army soldier wears a camouflage uniform to provide concealment and enable surprise. As technology changes warfare, camouflage needs to change with it. Soon America's adversaries will be as likely to find a soldier by his electronic signature as his physical presence. This means concealment on the virtual battlefield will be as important as on the physical one. Accordingly, the Army must update its doctrine and training to ensure its soldiers remain concealed in the electromagnetic and cyber environments.

Every piece of equipment that emits an electromagnetic signature or connects to a network can be identified and exploited by the enemy. This isn't a new concept: The Army has been fighting in this environment for decades. But today individual soldiers, not only combat systems, can exist in the

information environment. Soldiers' smartphones and Facebook profiles already have become key terrain in modern warfare.

Consider Russia's war against Ukraine, which began in 2014. Cellphones and social media have become dangerous for soldiers on both

### Enemies have targeted U.S. military assets with the help of social media.

sides of the conflict. Russia has claimed its soldiers are not fighting in Ukraine, yet their social-media posts tell another story. In a crude attempt to hide its aggression, Moscow cracked down on social-media use last year.

Russia has taken advantage of its enemies in the information environment, too. A report from the cybersecurity firm CrowdStrike found that Russia had exploited Ukrainian

soldiers' cellphones to track artillery units on the battlefield. This digital security breach likely led to deaths.

Nothing that happened in Ukraine was unpredictable. Islamic State's efforts to advertise and recruit online have already provided valuable intelligence for the U.S. In 2015 the U.S. Air Force announced it had identified and bombed an Islamic State command center after a fighter posted a selfie from it.

U.S. assets have been targeted with the help of social media for more than a decade. In 2007, several soldiers took geotagged photos of a newly arrived fleet of Apache helicopters in Iraq. Insurgents found the posts—and the helicopters, four of which they destroyed in a mortar attack. It continues today: American competitors in the "gray zone" short of declared hostility are targeting the smartphones of U.S. military personnel in Europe.

Commanders already have broad

authority to control soldiers' use of personal electronic devices and social media. They must be willing to exercise it. This means designating unsecure apps off-limits and ensuring that lieutenants and sergeants are comfortable enforcing those policies and can do so without invading privacy and undermining morale.

Ultimately the best way to ensure enforcement is to make sure soldiers understand the ramifications of their actions—before enemy artillery makes them crystal clear. No soldier wants to put his unit at risk by identifying its location; if soldiers are trained in cyberprotection, they will use it.

This is a capability the U.S. Army must develop not for the "next war," but immediately. If soldiers can silence their phones in a movie theater, they should do it on the battlefield.

*Capt. Allen and Heber are U.S. Army officers.*

## For Imran Khan, Winning Was the Easy Part

EAST IS EAST

By Sadanand Dhumé

With Imran Khan's victory in Wednesday's election, Pakistan will get its fifth prime minister in seven years. But instead of providing a sorely needed spell of political stability, the contentious election signals more turmoil.

As widely expected, Mr. Khan's Pakistan Tehreek-e-Insaf party defeated the incumbent Pakistan Muslim League-Nawaz of jailed former Prime Minister Nawaz Sharif. By holding on to its stronghold of Khyber-Pakhtunkhwa in the northwest and making deep inroads in populous Punjab province, PTI was on course to win at least 120 of the 272 directly elected seats to the lower house of Parliament.

The PML-N looked likely to win about 60 seats, less than half of its total five years ago. The leftist

Pakistan Peoples Party, the political vehicle of the once-powerful Bhutto clan, was third with about 40 seats. Should PTI fall short of a majority, it will easily form a government with the help of smaller parties and independents.

For Mr. Khan's elated supporters, his election to an office he has sought for more than two decades marks the end of politics as usual in Pakistan. The former cricket star has promised corruption-free governance, a welfare state modeled on Islamic principles that he says were borrowed by countries like Sweden, and an end to Pakistan's "slavish" subservience to the U.S.

In reality, the result marks a step backward for the nuclear-armed nation. Thanks to heavy-handed efforts by the powerful army to tilt the political playing field in his favor, Mr. Khan takes office with his legitimacy under a cloud. PML-N President Shehzad Sharif, the outgoing chief minister of Punjab and younger brother

of the jailed former prime minister, tweeted that his party "wholly rejects" the results.

The younger Mr. Sharif and PPP leader Bilawal Bhutto Zardari have raised allegations of rigging. They accuse the Election Commission of illegally evicting their parties'

### A flawed election and a divided populace augur poorly for stability in Pakistan.

election agents from polling stations. The commission denies wrongdoing and blames software glitches for delays in announcing official results.

We can dismiss some of these opposition complaints as the usual sour grapes following a defeat. But in an environment where Mr. Khan already stands accused of colluding with the army to hobble his rivals, they will add to his legitimacy deficit.

Last year, the Supreme Court made Nawaz Sharif step down as prime minister for not meeting vaguely worded Islamic injunctions to be "truthful and trustworthy." Earlier this month, an anticorruption court sentenced Mr. Sharif and his daughter Maryam Nawaz Sharif to jail for failing to show convincingly how the family came to own four luxury apartments in an upscale London neighborhood. Many independent observers see the army's influence at work in the judiciary's zeal to punish the Sharifs.

The new government also will struggle to shape a national consensus. Mr. Khan has long taken a confrontational approach toward his rivals, treating them as corrupt oligarchs unfit for high office rather

than as legitimate politicians with their own networks of loyal supporters. PTI spokesperson Naeem ul Haque called the national election "a contest between the forces of good and evil."

Many Pakistanis disagree. The PML-N retains deep reserves of support in Punjab, where it may again form the provincial government. The PPP still dominates in Sindh. Both parties will likely resist any attempts to roll back provincial autonomy or synthetically engineer further support for Mr. Khan.

Moreover, although the army may have cowed much of Pakistan's media in the run-up to the vote, it has not been able to tame it entirely. Thanks to a handful of plucky newspaper publishers, a clutch of professional journalists, an active Pakistani intelligentsia in the West, and the explosion of social media, it will be virtually impossible to quash all dissent.

Mr. Khan also will have to find a way to square his irresponsible rhetoric with reality. His habit of blaming the U.S. for Pakistan's terrorism problem may please the generals and a chorus of Twitter trolls. But as long as Pakistan shelters terrorist groups such as the Afghan Taliban, the Haqqani network and Lashkar-e-Taiba, restoring its standing in the world will be a struggle.

The gauzy promise of an Islamic welfare state stands on equally shaky ground. The rupee has lost 15% of its value against the dollar since December, and foreign-exchange reserves are barely enough to pay for six weeks of imports. Moreover, Mr. Khan's friends in the army, used to lavish military budgets, are the biggest impediment to stepped-up spending on health and education.

Mr. Khan has promised much on his long road to power. Now comes the hard part of delivering.

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## WORLD NEWS

# Taxes Strangle Greek Growth Prospects

By NEKTARIA STAMOULI

ATHENS—Greece is scheduled to exit its marathon bailout this summer after hitting the tough fiscal targets set by its creditors. But the country has done so by raising taxes so high that they are strangling the small businesses that form the backbone of its economy.

At the Dandy restaurant in downtown Athens, owner Charalampos Bonatsos said rising taxes have forced him to lay off half his staff and cut his remaining workers' wages. He said he still struggles to cope with the past three years' increases in corporate income tax, property tax and sales tax.

"All that matters is reaching the bailout goals. No one cares whether doing business is possible with this policy," Mr. Bonatsos said.

The tax increases have left Greece with some of Europe's highest tax rates across several categories, including 29% on corporate income, 15% on dividends, and 24% on value-added tax (a rough equivalent of U.S. sales tax). Individuals pay as much as 45% income tax, plus an extra "solidarity levy" of up to 10%. Furthermore, workers and employers pay social-security levies of up to 27% of their salaries.

The elevated taxation under Greece's bailout program has fallen most heavily on small and midsize businesses and self-employed people. Lawyers and engineers, most of whom are self-employed, are fighting the government in court over having to pay what they say is up to 80% of their average monthly takings in taxes and levies. Some also have to pay retroactive social-security contributions, to the point where professional associations say some of their members are having to pay more to the state than they make.

The painfully high taxes reflect the tough demands of Greece's main creditors: other eurozone countries led by Germany, and the International Monetary Fund.



A man carrying empty boxes at the main meat market in Thessaloniki, Greece. The country's bailout regime is set to end next month.

## Anger Mounts Over Handling of the Fire

ATHENS—Greece's government unveiled financial aid for people affected by devastating wildfires that left 83 dead, responding to rising anger over what many see as a bungled evacuation.

Relief measures included a one-off €10,000 (\$11,700) payment, a job in the public sector, and easier access to universities for victims' spouses, children and relatives.

The measures did little to ease public outrage.

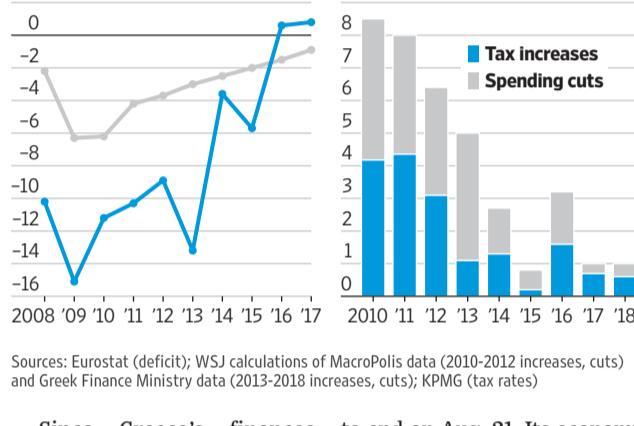
"It's unbelievable and unacceptable that no one is being punished, while people have lost their children and loved ones in such a horrible way," said Yiannis Kalogirou, who survived the fire.

## Debt and Taxes

Greece has pulled itself out of a hole budget-wise largely by raising taxes, but companies are moving to neighboring countries with lower tax rates in response.

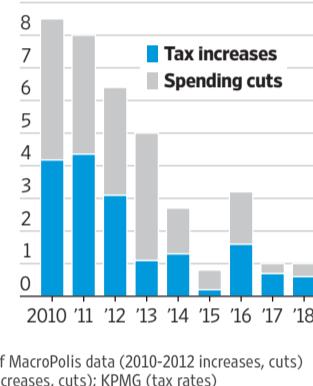
### Annual deficit

As a percentage of GDP



### Greece's fiscal retrenchment measures

As a percentage of GDP



### Corporate tax in Greece and some of its neighbors

As a percentage of GDP



serious disincentive for economic activity. It mainly hits the most productive part of the Greek society," said George Pagoulatos, professor of economics at the Athens University of Economics and Business. "Greece resembles Scandinavian-style taxation, but its welfare state has nothing to compare to theirs: You don't get anything in return."

Total austerity measures since 2010 have come to €72 billion (\$84 billion), equivalent to around 40% of the country's annual economic output.

Spending cuts have delivered about half of the total, but some of Greece's creditors also specifically demanded higher tax revenues. The left-wing Syriza party, which has governed Greece since 2015, has also preferred tax increases over further cuts to public-sector wages and pensions, which have already been reduced several times.

"Our arm was twisted," Finance Minister Euclid Tsakalotos has said regarding the tax burden, conceding that over-taxation wasn't the best solution.

He recently said any future fiscal elbow room would be used for tax relief.

That may not be an easy promise to keep. A deal struck in late June by eurozone finance ministers forces Greece to run tight budgets for the next 40 years, leaving limited scope for tax cuts.

"No country in the world, with the possible exception of oil-producing countries, has ever achieved such high surpluses for such a long period," the Bank of Greece, the country's central bank, said in a report this month, commenting on the high bar set for coming decades.

Aris Kefalogiannis, the CEO of olive-oil and food company Gaea, said the fiscal strait-jacket is keeping qualified executives from coming to Greece and making him more sparing with investments.

"At first we said, fair enough, we should all back Greece's effort to meet targets," he said. "But this abusive taxation is not backed by any actual reforms that would make the state efficient."

## OFFERS AS WELL-CRAFTED AS THE CARS THEMSELVES



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# BUSINESS & FINANCE

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## Facebook Loses \$119 Billion in Day

By DEEPA SEETHARAMAN AND LARA O'REILLY

**Facebook** Inc. suffered the biggest-ever one-day loss in market value for a U.S.-listed company, a punishing reversal for a company that has led a yearslong tech-stock surge.

Facebook shares fell 19% to \$176.26, erasing about \$119.1 billion in market value, after the Menlo Park, Calif., company warned late Wednesday about slowing growth. Facebook's loss in market value Thursday is larger than 457 of the 500 companies in the S&P

500. Facebook Chief Executive Mark Zuckerberg alone lost almost \$16 billion in the value of his stock holdings.

The rout followed Facebook's earnings after the bell on Wednesday, when the company reported slower-than-expected revenue growth for the second quarter—albeit logging in at more than 40%—and said it expected quarterly revenue growth to decline over the rest of the year. Until then, Facebook had shown few business effects from the negative headlines that have dogged it in recent months.

The stock drop Thursday rep-

resented Facebook's biggest percentage drop ever. While the magnitude of the decline took Wall Street by surprise, executives on Madison Avenue were less surprised, given how the broader digital advertising market is maturing globally.

Facebook, whose relentless growth was long a given, now faces a question that was previously an afterthought: How to squeeze more money from its other apps and services beyond the core platform?

Some of those products, including photo-centric Instagram and messaging-service

WhatsApp, are hugely popular with users but Facebook hasn't always moved with urgency to get maximum profits out of them. The pressure is on now as the company faces a paradigm shift around how it pursues growth.

The 14-year-old company has typically taken a slow-and-steady approach to generating income from its various services. Mr. Zuckerberg has been more eager to gather an audience first—and then sell advertising to those users at some point later.

But Facebook's main app,

internally called "Big Blue," is starting to show signs of age. Facebook's user base in the U.S. and Canada is stagnating, while in Europe it fell slightly in the second quarter partly due to stricter privacy laws enacted in May.

Facebook has been under scrutiny in recent months after it disclosed that political analytics firm Cambridge Analytica improperly accessed information about as many as 87 million Facebook users. The company recently tweaked some of its products to allow

Please turn to page B4

## Fiat Says It Didn't Know CEO Was Ill

By DEBORAH BALL AND ERIC SYLVERS

Sergio Marchionne had a "serious illness" lasting more than a year before the long-time **Fiat Chrysler Automobiles** NV chief died this week, a Swiss hospital said Thursday, a condition the car maker said it didn't know about.

FCA's statement came after University Hospital Zurich disclosed that Mr. Marchionne had received recurring treatment at its facility. The Italian-American auto maker cited medical privacy as the reason why it had "no knowledge of the facts relating to Mr. Marchionne's health."

The hospital said it had used "all the options offered by cutting-edge medicine" but didn't disclose the exact nature of Mr. Marchionne's illness.

Fiat Chrysler announced Mr. Marchionne's departure and named a replacement abruptly last weekend, suggesting that the board was forced to implement a succession plan hastily because they were unaware of the seriousness of his medical condition. The episode raises questions about when top executives should inform company boards of serious ailments, and whether boards in turn should disclose that information to shareholders.

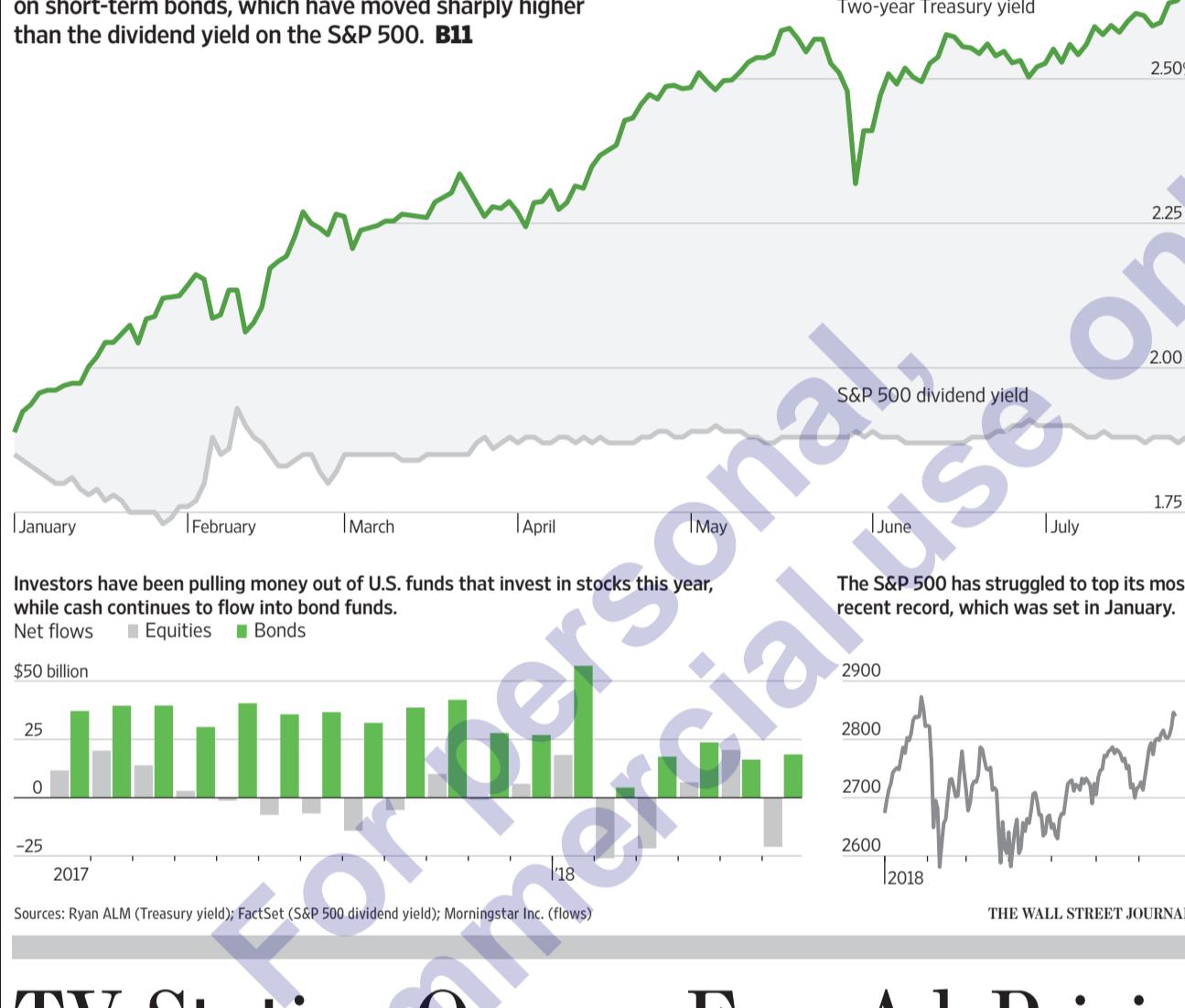
On July 21, FCA said that Mr. Marchionne wouldn't be able to return to work after suffering complications from surgery and named Mike Manley as CEO. That was one day after Mr. Marchionne's family told executives that his condition had seriously deteriorated, the company said Thursday.

Mr. Marchionne was also chairman and CEO of Ferrari NV, the luxury car maker that

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## Market Volatility Pushes Investors to Take Shelter in Bonds

Treasury yields have risen since earlier this year, especially on short-term bonds, which have moved sharply higher than the dividend yield on the S&P 500. **B11**



## TV Station Owners Face Ad-Pricing Probe

By DREW FITZGERALD AND KEACH HAGEY

The Justice Department is investigating whether television station owners violated antitrust law in ways that inflated local television advertising prices, according to people familiar with the matter.

The probe has examined whether **Sinclair Broadcast Group** Inc., **Tribune Media** Co. and other independent TV station owners coordinated ef-

forts when their ad sales teams communicated with each other about their performance, potentially leading to higher rates for TV commercials, one of the people said.

Companies like Sinclair and Tribune own dozens of local TV stations that carry programming from national broadcast networks like ABC, CBS, NBC and Fox.

"It is our policy not to com-

ment on a potential investigation," said a Sinclair spokes-

man. "It is our understanding that this is not specific to Sinclair but focuses on the larger broadcast industry."

A spokesman for Tribune declined to comment.

Government officials stumbled across the alleged ad-

sales practice during their re-

view of Sinclair's \$3.9 billion

proposed acquisition of Trib-

une, the people familiar with

the matter said. Federal Com-

munications Commission

Chairman Ajit Pai put that

deal in jeopardy last week by referring the matter to an administrative law judge. Mr. Pai said Sinclair hadn't been can-

did in its filings with the tele-

com regulator.

It is unclear when the probe

over advertising sales started

or what penalty, if any, the

companies might face.

Both station groups submitted detailed documents during their merger-review process.

Besides Sinclair and Trib-

une, some of the other largest

independent station owners include Nexstar Media Group, Tegna Inc. and Hearst. Representatives for these companies declined to comment.

The local television industry has been rapidly consolidating in recent years, as broadcasters look to gain leverage with the pay TV dis-

distributors that carry their stations, and the networks that supply programming. Relaxed regulations on ownership have

partly fueled the deals.

## Walmart Strikes Capital One Deal

By ANNAMARIA ANDRIOTIS AND LIZ HOFFMAN

**Walmart** Inc. has chosen **Capital One Financial** Corp. as the new issuer of its store credit cards, ending a nearly 20-year partnership with **Synchrony Financial**, the companies confirmed Thursday.

Capital One will become the exclusive issuer of credit cards for the nation's largest retailer by sales. The deal covers both the credit cards that can be used only at Walmart's website and stores, as well as co-branded cards that can be used almost anywhere else, the companies said.

The move was a major blow to Synchrony; the company's shares fell more than 10% Thursday after The Wall Street Journal reported on Walmart's decision.

Synchrony confirmed in a securities filing following the Journal's article that its Walmart card program wouldn't be renewed. Synchrony said its partnership with Walmart is set to expire on July 31, 2019.

## INSIDE



### AMERICANS LOSE TASTE FOR BUD

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### AIRLINES FIGHT THE CURRENT ON FUEL COSTS

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## Plan B for Aramco: Borrow

By SUMMER SAID AND RORY JONES

RIYADH, Saudi Arabia—Saudi Arabia is pushing Aramco to raise tens of billions of dollars in debt now that the state oil giant's initial public offering has stalled, as the kingdom pursues other ways to fund an economic transformation.

Crown Prince Mohammed bin Salman's advisers are prodding **Saudi Arabian Oil** Co., as the oil company is officially known, to raise debt to buy a controlling stake in a petrochemical company from the country's sovereign-wealth fund, said Saudi officials and executives familiar with the matter.

A potential deal would give the Public Investment Fund between \$50 billion and \$70 billion for all or part of its stake in **Saudi Basic Industries** Co., officials and executives said. Controlled by the state, Sabic is the country's largest publicly listed company, with a market capitalization of about \$100 billion.

That sum is roughly what the sovereign-wealth fund had expected to reap from Aramco's

plan to go public. Preparations for an IPO have stalled amid doubts about the company's and country's readiness to handle the scrutiny that comes with a public listing.

Aramco has already begun seeking billions of dollars in loans from international banks to finance the Sabic deal, according to people familiar with the matter. That debt could be lent in three parts, with the first tranche of up to \$10 billion likely to be raised this year, these people said.

Aramco is also looking to raise money on the international bond market, Saudi officials and executives said, a move that could require it to be more transparent about its accounts.

The transaction would supply the Public Investment Fund with much-needed cash, an unusual funding strategy that highlights Saudi Arabia's tight financial position. Even though oil prices recently have risen, the government is running a budget deficit this year after announcing the biggest

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A Saudi Aramco facility at the Shaybah oil field.

AHMED JADALLAH/REUTERS

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## Chip Delays Undercut Strong Intel Quarter

By JAY GREENE  
AND MARIA ARMENTAL

Intel Corp. added to a string of impressive results in the second quarter, but concerns about delays in rolling out substantial numbers of new, denser chips cast a pall over results.

Shares of Intel fell 2.4% in after-hours trading as investors homed in on the timetable for the company's 10-nanometer chips to reach volume production. The stock also took a hit from company guidance that implied gross margins wouldn't expand, though revenue would.

That drop came even as revenue in Intel's highly profitable data-center group rose 27% to \$5.55 billion, driven by growth in the cloud-computing industry. Intel said revenue from its cluster of four data-centric businesses is approaching nearly half of overall revenue.

Intel's board continues its search for successor to Mr. Krzanich, who resigned after violating company policy by having a relationship with a co-worker, and hasn't set a timetable for finding a replacement. Mr. Swan said he won't be Intel's next CEO.

"I love what I do, and I'm committed to the CFO role," he said in the interview.

Intel is also dealing with potential challenges as the Trump administration increases pressure on Beijing with three different batches of tariffs on billions of dollars of its goods. Mr. Swan played down the consequences for Intel's business. "We don't anticipate any of the three waves to have significant impact on our revenue," Mr. Swan said.

A bigger question hanging over Intel is the continuing delay to its rollout of 10-nanometer chips. Intel three months ago said it would delay substantial production into 2019 from later this year. The company was more specific Thursday, saying volume production would allow it to get systems with the new chips on store shelves by holiday season next year.

That new timing is a "disappointment," said Pierre Ferragu, an analyst at New Street Research.

clusive credit-card issuer in 1999. The partnership was renewed several times, but it ran into trouble over the past year.

Walmart executives believed Synchrony was keeping too much of the card revenue, people familiar with the matter said. The retailer also wanted Synchrony to approve a higher percentage of applicants, the people said.

Synchrony executives, meanwhile, expressed frustration that Walmart wasn't putting enough marketing muscle behind the card, people familiar with the matter said.

One thing working in Capital One's favor, according to people familiar with the negotiations, was Walmart's desire to move upmarket and further into digital payments and e-commerce.

Facing intense competition from Amazon.com Inc., Walmart has been investing in self-checkout and mobile payments, pushing customers toward its own digital wallet, Walmart Pay.

Synchrony, which separated from General Electric Co. in 2014 through an initial public offering, became Walmart's ex-

Mr. Swan delivered results for a quarter buffeted by major distractions: the unexpected resignation of former CEO Brian Krzanich and a growing trade battle between the U.S. with China that includes tariffs, both enacted and proposed, on semiconductors.

The acquisition, valued at \$2.9 billion including debt, comes with risks for both firms.

The deal would boost United Natural's wholesale capacity as it strains to keep up with a surge in business since Amazon.com Inc.'s acquisition last year of Whole Foods, United Natural's top customer.

United Natural is the largest distributor of natural goods in the U.S. and Canada, and Supervalu is the biggest publicly traded food wholesaler.

"This combination is what

## BUSINESS & FINANCE

# Papa John's Founder Seeks Records

BY ANNIE GASPARRO

**Papa John's International** Inc.'s founder John Schnatter is taking his first legal action against the pizza chain since relations with his board of directors began crumbling months ago.

Mr. Schnatter, who owns 29% of Papaaba John's and is a director, filed a complaint against Papa John's in a Delaware court on Thursday alleging that the company failed to disclose

documents he requested related to his resignation as chairman.

A spokeswoman for Papaaba John's said the company believes it has given him all of the documents he is entitled to as a director.

Mr. Schnatter, 56 years old, said he requested communication records among board members, which he said will show that directors were planning to terminate his chairmanship and his lease agreement to work from corporate headquar-

ters before they formed a special committee to address allegations against him, according to the filing. Mr. Schnatter said he has a right to view such records because he is a director, according to the court docu-

ment.

Representatives for Mr. Schnatter said the company agreed in a letter Wednesday to provide a few documents but denied the majority of his requests.

Mr. Schnatter agreed to re-

sign as chairman earlier this month at the request of the board, following reports that he used a racial slur in a marketing meeting.

In December, he stepped down from the chief executive position following an uproar over his criticism of the National Football League's handling of players' kneeling during the national anthem.

The pizza chain Mr. Schnatter started in 1984 is now led by Chief Executive Steve Ritchie.



A Supervalu warehouse in Hopkins, Minn. The food distributor company has faced heat from activist investor Blackwells Capital.

## United Natural to Acquire Supervalu

BY HEATHER HADDON

**United Natural Foods** Inc. is buying food distributor **Supervalu** Inc. for about \$1.3 billion, the latest deal in the food-distribution sector as it faces low margins and increasing costs.

The acquisition, valued at \$2.9 billion including debt, comes with risks for both firms.

The deal would boost United Natural's wholesale capacity as it strains to keep up with a surge in business since Amazon.com Inc.'s acquisition last year of Whole Foods, United Natural's top customer.

United Natural is the largest distributor of natural goods in the U.S. and Canada, and Supervalu is the biggest publicly traded food wholesaler.

"This combination is what

our retailers demand," United Natural Chief Executive Steven Spinner told shareholders on Thursday. United Natural expects the deal to result in roughly \$175 million in savings over three years.

United Natural's offer of \$32.50 a share represents a 67% premium to Supervalu's closing stock price Wednesday. Supervalu's stock soared 65% to \$32.10 on Thursday; United Natural shares fell more than 15%.

Supervalu said it would hold a shareholder vote on the merger and expects it to close at the end of this year.

United Natural would inherit Supervalu's debt and significant pension liabilities. Supervalu is still integrating several recently acquired distributors into its business.

United Natural, which

doesn't run grocery stores, said it would get rid of Supervalu's underperforming supermarket business, requiring it to find buyers or close stores.

That could hearten investors including activist fund **Blackwells Capital LLC**, which pushed for Supervalu to improve its performance after a long stock slump.

United Natural, based in Providence, R.I., specializes in natural and organic distribution, with more than one-third of its business coming from its long-running contract with Whole Foods.

The deal would vastly broaden United Natural's reach into more conventional foods and ethnic markets.

Blackwells Capital has pressured Supervalu for months to shake up its business, nominating an alternative slate of

six board members and criticizing pay practices and executive use of the company plane. Shareholders were scheduled to vote on the competing board slate and other Blackwells proposals next month.

Supervalu had said it would shed the underperforming grocery stores. Supervalu also questioned the extent of Blackwells's stake in the company.

A Blackwells spokesman declined to comment.

United Natural's net sales jumped 12% in its last quarter. Sales to the retail channel dominated by Whole Foods were up 24%, and it was the highest quarterly year-over-year growth in net sales to Whole Foods in more than seven years.

—Allison Prang contributed to this article.

## Fiat Chief Was Ill for Over a Year

*Continued from page B1*  
was spun out of FCA in 2016. Although he had said he would step down as FCA chief in 2019, he planned to continue at Ferrari until at least 2021.

"Succession has been a topic that has obsessed all of us," FCA Chairman John Elkann said at the company's business plan event in early June. "This has been taken incredibly seriously by the board [and] by myself and we've been working on it for many years with Sergio," he said. "We were also very clear about the timing of it, which is 2019."

Messrs. Elkann and Marchionne were in agreement that Mr. Manley would be the next CEO, but the board hadn't made a decision, a spokesman said Thursday.

Ferrari didn't have a succession plan in place, a person familiar with the matter said. Ferrari directors were told on July 5 that Mr. Marchionne had had surgery and there were complications, but that it wasn't serious, the person said. In mid-July, directors were told his condition had worsened but were given no details, the person said.

Ferrari declined to comment.

Securities laws require publicly held companies to disclose "material" information that might affect investors' decisions to buy or sell shares, but directors get to decide what is material. Deciding whether an executive's health is material is a difficult task, but companies can get into trouble if they issue half-truths or inconsistent statements, said Allan Horwich,

a partner at the law firm of Schiff Hardin in Chicago and a

shoulder surgery on July 5 for the first time in a statement provided upon request following Italian press reports, and said Mr. Marchionne was recovering without providing further details. Ferrari directors too were told about the operation on July 5.

Corporate governance experts say boards should be told about a serious illness affecting a chief executive so they can plan a succession strategy, but whether they choose to disclose that information publicly is less clear.

Companies typically don't reveal a CEO's health problems until the condition reaches a critical stage. Apple Inc., for instance, kept co-founder Steve Jobs's health issues under wraps even during his two extended medical leaves in 2009 and in 2011, which raised the ire of some shareholders.

Apple did make some public management moves during Mr. Jobs's protracted illness, signaling a succession plan. After Mr. Jobs had a liver transplant, Tim Cook, then Apple's chief operating officer, was named to the board. Mr. Jobs died in 2011 after battling pancreatic cancer.

More recently, **CSX** Corp. CEO Hunter Harrison died in December at 73, just months after being placed at the helm of the railroad as part of an activist-investor campaign to shake up the company. Before he was hired, questions about his health prompted the board to ask for an independent physician to review his medical records, the company said at the time.

Mr. Harrison refused, presenting a letter instead from his physician saying he was healthy enough for the job. His death came as a shock to many investors and caused the railroad company to lose \$4 billion in market value at the time.

—Brian Blackstone and Chester Dawson contributed to this article.



FCA said Mr. Marchionne had shoulder surgery at the end of June.

ITALY PHOTO PRESS/UNIVERSITY PRESS

## Walmart Strikes Card Deal

Continued from page B1

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## BUSINESS NEWS

# BP to Buy Most of BHP U.S. Shale Unit

BY RHIANNON HOYLE  
AND SARAH KENT

**SYDNEY—**BP PLC will buy the bulk of **BHP Billiton** Ltd.'s U.S. onshore oil-and-gas unit for US\$10.5 billion, as the U.K. oil company rebuilds in the U.S. after the Deepwater Horizon disaster and BHP exits from a business it has called a costly and mistimed investment.

The sale accelerates a reshuffling of assets among global energy companies as oil prices surge to levels not seen since 2014. **Chesapeake Energy** Corp. said Thursday it is selling oil and gas fields in Ohio for \$2 billion, while **Royal Dutch Shell** PLC has nearly completed a \$30 billion asset-sale program begun after its roughly \$50 billion acquisition of BG Group in 2016.

The deal is important for BP, which is in the middle of an ambitious growth plan. The company is on track to stage a comeback after years of retrenchment following its fatal blowout in the Gulf of Mexico in 2010.

The acquisition will grant BP access to some of the hottest acreage in the U.S. shale patch. Big oil companies have historically focused more on giant offshore projects but are increasingly sinking money into shale developments that start producing and throwing off cash faster.

In a second deal, BHP said it would sell its Fayetteville shale business in Arkansas to closely held **Merit Energy** Co., in an agreement worth \$300 million.

"The sale of our onshore U.S. assets is consistent with our long-term plan to continue to simplify and strengthen our portfolio to generate shareholder value and returns for decades to come," said BHP Chief Executive Andrew Mackenzie.

—Robb M. Stewart contributed to this article.

# Broadband Lifts Result At Comcast

BY MICAH MAIDENBERG  
AND SHALINI RAMACHANDRAN

**Comcast** Corp. reported higher revenue and earnings for the second quarter, as growth in its broadband business helped mitigate the continued loss of cable-television subscribers.

Earlier this month, Comcast dropped its bid for **21st Century Fox**'s entertainment assets, delivering a victory to rival **Walt Disney** Co., which plans to buy the properties in a \$71 billion deal.

Comcast, however, is still competing against Fox for European pay-television giant **Sky** PLC. Comcast has the higher offer for the operator, in which Fox already owns a 39% stake.

On an earnings call Thursday, Chief Executive Brian Roberts said he doesn't believe Comcast needs to strike deals to achieve greater scale. He said Fox was a "unique" opportunity, and Comcast's interest was "mostly about international expansion."

"Ultimately we pulled back because we thought we couldn't build enough shareholder value" at the price needed to win the bidding war, Mr. Roberts said, adding that Comcast is focused on Sky.

Earnings at the Philadelphia-based company increased to \$3.22 billion, or 69 cents a share, from \$2.52 billion, or 52 cents a share, a year earlier. Excluding certain costs, Comcast had per-share earnings of 69 cents, above the average analyst estimate of 60 cents on Thomson Reuters. Revenue rose 2.1% to \$21.7 billion but came in shy of the \$21.9 billion expected by analysts.

Comcast added 260,000 internet customers in the period, up 49% from the 175,000 added a year ago, but lost 140,000 cable subscribers, its fifth consecutive quarter in declines. Broadband revenue grew 9.3% while video revenue declined 1.9%.

# Bud Fails to Stem Shrinking Share

AB InBev profit rises, but U.S. market still proves a challenge for world's largest brewer

BY SAABIRA CHAUDHURI

**Anheuser-Busch InBev** NV still has a way to go in its quest to woo increasingly fickle American drinkers.

The brewer behind Budweiser and Bud Light on Thursday said U.S. revenue fell 3.1% in the second quarter on the back of lower volumes, as both brands continued to lose market share. The weak performance was a factor in the company missing overall sales growth forecasts, prompting shares to drop more than 5%.

Sales of the two brands have fallen as once-loyal American consumers shift away from domestic lagers toward craft beers, Mexican imports, wine and spirits.

In response, the company is trying to persuade consumers to buy more expensive beers, rolling out Michelob Ultra Pure Gold, made with organic grains, and Bud Light Orange, brewed with citrus peels. It also plans to launch pricier variants of Budweiser, due to begin selling next month.

Chief Financial Officer Felipe Dutra said there was "no short-term answer to some of the problems we face" in the U.S., but he added that efforts to innovate and go upmarket were bearing fruit.

**AB InBev** pointed to some signs of improvement, saying quarterly share losses in the U.S. had slowed, with a drop of 0.35 percentage point in the latest quarter—its best quarterly performance in almost four years. It said Michelob Ul-



Sales of Budweiser and Bud Light have fallen as U.S. consumers shift away from domestic lagers. Above, the Budweiser Clydesdales.

tra—marketed as a beer for people with an active lifestyle—performed well.

AB InBev said net profit rose to \$1.94 billion in the most recent quarter, from \$1.5 billion a year earlier, as lower costs helped offset a 1.2% fall in revenue to \$14.01 billion.

Stripping out currency changes and acquisitions, sales rose 4.7%, missing analyst estimates for growth of 5.4%. Shares in AB InBev fell 4.2% in Brussels after the results.

While some multinational companies have said tariffs on steel and aluminum imports are pushing up costs, Mr. Dutra said AB InBev's costs haven't risen yet as the company is still protected by hedges. It will begin to feel the impact from these next year.

Outside of the U.S., results were buoyed by Brazil, Mexico, China and Western Europe, helped by the soccer World Cup in Russia, and AB InBev's efforts to sell pricier drinks.

The World Cup didn't help sales in the U.S., where viewership was lower than for past tournaments as a result of the American team's failure to qualify. AB InBev said its sponsorship of the soccer tournament was an opportunity to

boost sales of Budweiser in international markets.

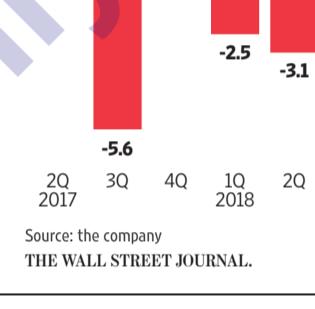
The company also announced changes to spur growth. It will combine ZX Ventures, a unit founded in 2015 to develop new products for emerging consumer needs, with its marketing arm.

AB InBev is also creating a new position: a head of nonalcoholic beverages. Millennials and so-called Generation Z are drinking less than older generations, spurring booze makers to launch more low-alcohol and nonalcoholic products.

—Patrick Thomas contributed to this article.

## Losing Fizz

AB InBev's U.S. sales, quarterly change



Source: the company

THE WALL STREET JOURNAL.



Efforts to trim management staffing weighed on the company's earnings. A McDonald's in Thailand.

# McDonald's Revenue Falls As It Sells Off Restaurants

BY HEATHER HADDON

**McDonald's** Corp.'s revenue fell as the fast-food giant sold company-owned stores to franchisees and operating income decreased as it restructured its operations.

The burger giant's revamped value menu and switch to higher-priced fresh beef contributed to higher average customer checks during the second quarter. Meal delivery also fueled sales. But executives said that breakfast sales continued to underperform expectations and that competitors were wooing budget-minded customers with deals in response to McDonald's own lower-priced offers.

"We're not intending to lead any race to the bottom," Chief Executive Steve Easterbrook told investors Thursday.

Revenue of \$5.35 billion in the quarter was down from \$6.05 billion a year earlier, but above the \$5.32 billion analysts expected.

Operating income also decreased as a result of the company's restructuring.

Shares fell 1.7% to \$156.14 on Thursday.

This month the company had to find a new supplier for its salads at some 3,000 restaurants mostly in the Midwest because of a cyclospora outbreak tied to McDonald's.

Federal officials said Thurs-

day that 286 people in 15 states had become ill from McDonald's salads, up from 163 in 10 states last week. Eleven people have been hospitalized, up from three prior, according to the Food and Drug Administration.

McDonald's said that it had removed all of the lettuce from the 3,000 impacted restaurants,

and the locations all received new greens as of earlier this week. "It's something you don't want to be associated with, so we take it very seriously," Mr. Easterbrook said.

McDonald's executives said they are pushing ahead with renovations at more than a third of the company-owned restaurants in the U.S., while also introducing fresh beef and rolling out more menu deals.

But they acknowledged that more needs to be done to drive traffic. "We're not yet where we need to be but we're gaining," Mr. Easterbrook said.

McDonald's has been eliminating layers of management to trim costs and become more

nimble. The plan involves providing more support for franchisees, helping them manage expenses and boost sales.

The Oakbrook, Ill.-based company said selling restaurants to its franchisees hurt second-quarter revenue, which fell 12% from a year earlier. McDonald's said it recorded a pretax charge of \$92 million in the quarter because of employee severance costs and other costs associated with closing field offices.

McDonald's reported profit of \$1.5 billion, or \$1.90 a share, up from \$1.4 billion, or \$1.70 a share, a year earlier. Analysts were expecting \$1.92 a share.

Same-store sales grew 4% globally and 2.6% in the U.S. during the quarter.

U.S. sales, which the company said were partially driven by price increases, missed analyst expectations of 3% growth for stores open more than a year.

McDonald's said in the first quarter that rising commodity costs around the globe were pressuring the company to raise prices, and it said some food and labor costs continued to rise in the second quarter.

The chain said it would roll out a two-for-\$5 offer on some sandwiches next month, and continue to tweak the value menu.

—Julie Jargon contributed to this article.

# Shell's Profit Surges, Kicking Off Strong Quarter for Industry

BY SARAH KENT

LONDON—The world's biggest oil companies are on a winning streak of rising profits and soaring cash flow. Investors are expecting to reap the rewards.

**Royal Dutch Shell** PLC opened Big Oil's earnings period Thursday, nearly tripling its net profit in the second quarter from a year earlier. Shell said its quarterly profit on a current cost-of-supplies basis—a number similar to the net income that U.S. oil companies report—was \$5.2 billion, up from \$1.9 billion a year earlier.

While adjusted earnings excluding identified items came in below analysts' expectations, the company said rising profit, strong cash flow and falling debt levels have given it the confidence to launch an anticipated \$25 billion share-buyback program, rewarding investors for years of belt-tightening when oil prices were low.

French oil giant **Total** SA also reported a sharp increase in profit, benefiting from a rise in oil prices and years of painful cost cutting. Though earnings from Norway's **Equinor** ASA, formerly known as Statoil, lagged behind expectations because of maintenance costs, the company has already raised its dividend this year.

Investors are paying attention. Shares in the group of European oil companies have in recent months been trading at their highest levels in years, though the market reaction Thursday was mixed.

Meanwhile, shares in Total ticked higher after the company's earnings met analysts' targets.

U.S. oil giants **Exxon Mobil** Corp. and **Chevron** Corp. are set to report earnings Friday. **BP** PLC reports Tuesday.



A Shell plant in Russia. The company's stock price fell Thursday.

# 286

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## TECHNOLOGY

WSJ.com/Tech

# Spotify's Promotions Pull In Subscribers

Music-streaming company posts wider loss, tempers guidance on growth in users

By ANNE STEELE

**Spotify Technology SA's** subscriptions grew 10% during the most recent quarter thanks to promotions, though the music-streaming company tempered the high end of its active-user guidance for the year as it posted a wider loss.

Shares in the Stockholm company closed up 4.4% at \$196.28 Thursday in New York.

Spotify said it now has 83 million subscribers after adding a net eight million of its most lucrative type of customer during the quarter. Including the many more customers of its free, ad-supported tier, the service altogether has 180 million monthly active users. Both results hit the top of the company's guidance.

The company recently let customers sign up for an introductory three-month subscription for 99 cents, a promotion it offers twice a year. The subscription plan traditionally costs \$9.99 a month. Spotify also started bundling access to streaming service Hulu as part of a \$12.99-a-month premium subscription. The promotional activity helped drive subscription



JOHN SCULLY/GETTY IMAGES FOR SPOTIFY

Shawn Mendes performed for fans at a Spotify event last week. The company has been prioritizing a strategy of growth over profit.

growth, but also dragged average revenue per user down 12% to €4.89 (\$5.72)—a seasonal impact the company said it expects to continue.

On an investor call with analysts, Chief Executive Daniel Ek played down reports that Spotify was moving toward direct licensing deals with artists in competition with labels. He said in an effort to ex-

pand the number of labels and creators on the platform, Spotify has always licensed music from "rights holders both large and small and will continue to license from whom-ever holds rights," adding, "We've been doing this for a long time."

Media and analyst reports speculating that the company was doing more direct licens-

ing deals helped boost the stock in the quarter. On the call, Mr. Ek pointed out its deals with artists don't give the service exclusivity or ownership of content.

"There's been some confusion regarding our intention and for us it's about bringing the largest number of creators to our platform," said Mr. Ek. "Licensing content doesn't

make us a label nor do we have any interest in becoming a label."

In all for its second quarter reported as a public company, Spotify posted a loss of €394 million, or €2.20 a share, wider than its €188 million, or €1.24 a share, loss in the same period a year ago. The company booked a €30 million cash expense related to its di-

rect listing in April during the quarter.

Analysts polled by Thomson Reuters were expecting a loss of 68 European cents a share.

The company, which has reported net losses every year since it launched in 2008, has said it is prioritizing growth over profit—a strategy executives believe will make the business more valuable long-term.

Revenue grew 26% to €1.27 billion, near the high end of the company's guidance, and in line with analyst expectations. Free cash flow—a measure of the cash a company generates that many investors view as a good proxy for performance—was €18 million in the quarter, down from €59 million a year earlier and €74 million in the previous quarter.

For the current quarter ending in September, Spotify said it expects to hit 85 million to 88 million premium subscribers and 188 million to 193 million active users. The company forecast revenue to grow to €1.2 billion to €1.4 billion.

Spotify also issued guidance for the fourth quarter, forecasting its subscriber count to hit 93 million to 97 million and active users to reach 199 million to 207 million. The company had previously issued forecasts for up to 96 million subscribers and 208 million active users.

# Beijing Shows Clout in Foiling Qualcomm's Bid for NXP

By DAN STRUMPF

HONG KONG—By effectively blocking Qualcomm Inc.'s \$44 billion acquisition of **NXP Semiconductors**, Beijing scored in two ways: It showed it has more than tariffs to use in its trade fight with the U.S., and it checked a powerful U.S. rival in a longer-range battle for tech supremacy.

Qualcomm has a commanding position in cutting-edge chip technology, which Beijing has been trying to nurture at home. By failing to approve Qualcomm's purchase of Dutch chip maker NXP—thus killing the deal—Beijing slowed the San Diego-based company's advance into new sectors, and that could help Chinese chip companies as they strive to catch up with foreign rivals, analysts say.

"Qualcomm has for many years been a real worry of Beijing's, so it's not surprising—trade war or no trade war—that this deal got scuttled," said Christopher Balding, a longtime China economist. "To give Qualcomm that much more market dominance across an even broader range of chips I think was a very worrying issue."

Qualcomm scrapped its \$44



billion purchase of NXP on Wednesday, hours before its self-imposed deadline for completing the deal. Qualcomm blamed the stalled approval process on regulators in China, the last of nine markets it needed to sign off on the acquisition.

At a regular news briefing Wednesday, a Chinese Ministry

of Commerce spokesman rejected suggestions that China's inaction was influenced by the bilateral trade fight.

"As far as I know, the case is a matter of antitrust law enforcement," the spokesman said. "It has nothing to do with China-U.S. trade frictions."

But the notion that the

Qualcomm-NXP tie-up posed antitrust issues is far-fetched, since the two companies compete in different areas of the chip market, according to Mark Li, an analyst at research firm Bernstein.

"They are in two complementary businesses to start with, so there is really no strong argument to say they

have too high a market share," Mr. Li said. Qualcomm's strength is in communications chips, while NXP has become a key supplier to the automotive industry.

With President Trump threatening to expand tariffs on Chinese goods, China is at a disadvantage because it imports far less from the U.S. But Beijing has other weapons it can use, including holding up merger deals involving American firms, delaying business licenses and increasing inspections of U.S. products at ports.

In this case, the target was Qualcomm, a U.S. tech powerhouse that China has long viewed with a wary eye.

In 2015, Qualcomm reached a settlement with Chinese antitrust authorities that required it to pay a \$975 million fine and make changes to its patent-licensing practices. It is currently mired in a licensing dispute with handset makers, including Chinese telecom giant Huawei Technologies Co.

Qualcomm is essential to the modern tech industry, making the chipsets that power most modern mobile phones, including those made by China's fast-growing smartphone companies, including Huawei and ZTE Corp.

China was the world's largest semiconductor market last year, valued at \$132 billion, according to World Semiconductor Trade Statistics. But the dominant global suppliers are based in South Korea, Japan, Taiwan and the U.S.—including Qualcomm, which derived nearly two-thirds of its total revenue from China last year.

Seeking to change that, China has been pouring money into domestic chip companies. The Wall Street Journal recently reported that the government-backed China Integrated Circuit Industry Investment Fund Co. was amassing about 300 billion yuan (\$44 billion) to spur development of its semiconductor industry.

Lingling Wei and Lin Zhu in Beijing contributed to this article.

# Facebook Sees Biggest Daily Loss

Continued from page B1  
users to opt out of certain types of targeted advertising after the resulting furor.

The changes comes as growth in digital ad spending is also starting to slow.

Digital-ad spending will account for 43.5% of the \$628.6 billion spent on ads in 2018, up 17.7% from last year according to estimates from research firm eMarketer. The growth in digital-ad spending between 2021 and 2022 is predicted to slow to 8.6%.

Facebook is estimated to control an 18% share of the global digital ad market this year, behind Google, which will take a 31% share, according to eMarketer. The issue for Facebook is that its fastest-growing category of ads isn't as profitable as its old standbys.

Even with the technology stocks sliding Thursday, many of the market's behemoths hung onto sizable 2018 gains. Netflix is up 89%, Amazon 55% and Microsoft 28%. The S&P 500 is up 6.1% in 2018, and Facebook is down 0.1%.

Chief Financial Officer Dave Wehner said on Facebook's earnings call that while users were flocking to consume con-

tent across its Stories format—photo and video montages that disappear after 24 hours—that kind of experience isn't currently generating as much revenue as ads in Facebook's and Instagram's feeds.

Wells Fargo analysts estimate that ads in Stories generate about \$1 per daily user compared with \$9 from those shown in users' Instagram feeds and \$27 for ads in the Facebook feed.

Ad-industry executives said it would take time for marketers to gain comfort with the Stories format and see evidence that advertising on the platform is effective. Facebook plans to test ads within WhatsApp Status, a similar feature.

Instagram Stories, considered a Snapchat clone, launched in 2016 and has 400 million daily active users. Facebook Stories followed in 2017 and hit 150 million daily active users in May. Meanwhile, almost 1.5 billion people use Facebook and its news feed every day; that audience is relatively unmatched for advertisers looking to reach large audiences online.

WhatsApp, too, could be a source of ad growth. The co-founders of WhatsApp, which Facebook acquired for \$22 billion, in 2014 were against targeted advertising. But they left the company earlier this year and Facebook executives have signaled they would be open to introducing advertising to the messaging app.

—Akane Otani contributed to this article.

# Dutch Chip Maker Is Back at Square One

By STU WOO

**NXP Semiconductors NV** Chief Executive Rick Clemmer got the text message Wednesday evening. It was **Qualcomm Inc.** CEO Steve Mollenkopf, thanking him for working together even as the U.S. chip maker was about to abandon its nearly two-year-old bid to buy NXP for \$44 billion.

Mr. Clemmer, who was visiting company offices in Austin, Texas, didn't respond until 3½ hours later at 12:01 a.m. Eastern time. He had a smidgen of hope that Chinese regulators would approve the merger by the midnight deadline Qualcomm had set.

The green light never came. Now Mr. Clemmer must plot a new future for NXP, a Dutch business that makes computer chips for automobiles, as a stand-alone company.

"We were prepared for this," Mr. Clemmer said in an interview Thursday. "We were very confident about the transaction closing until a few months ago. We realized it was a flip of a coin."

The companies announced their deal in October 2016, but it became entangled in the U.S.-China trade feud. NXP's consolation was a \$2 billion breakup fee, which it had received by Thursday morning.

It will use the funds quickly. To ease investor anxiety, NXP

on Thursday announced a \$5 billion share buyback.

The most immediate challenge, though, could be to assure shareholders that NXP has a plan for what it does next. Mr. Clemmer said NXP missed out on business opportunities during its 21 months in limbo, and analysts wonder whether the company's senior management is fully engaged.

Mr. Clemmer exercised options and sold more than \$400 million of NXP shares last autumn when the stock was trading around \$113. On Thursday, shares traded at \$92.81, down 5.7%. NXP Chief Financial Officer Daniel Durn left a year ago for the same role at rival semi-

conductor company Applied Materials Inc. NXP brought back a previous finance chief as a replacement.

"You worry about losing the good people," said Stacy Rasgon, an analyst at Bernstein, adding that NXP "likely needs a new senior management team."

In a conference call with analysts Thursday, Mr. Clemmer said he and his team were indeed engaged. He said NXP has plenty of room to grow, but didn't answer some specific questions. "You have to give us time," he said, adding "I don't think you'll see us try to do any big merger."

NXP must also confront the

reality that the markets it competes in are changing. The company, which is based in Eindhoven, the Netherlands, is a leading maker of chips used in cars, especially for infotainment systems and sensors. It also makes chips for identification and public-transit cards.

On Thursday, NXP reported its second-quarter profit rose 10% from a year earlier to \$54 million, while revenue climbed 4% to \$2.3 billion.

However, competition to supply the automotive sector with chips is increasing. Intel Corp. last year agreed to buy Israel's Mobileye NV to boost its expertise in self-driving vehicles, while Samsung Electronics Co. in late 2016 agreed to buy U.S. automotive technology provider Harman International Industries Inc.

NXP could find itself marginalized. "A lot of what they sell are things like sensors and peripherals and infotainment-type stuff, but in the long run the premise is the car will become more and more like a computer, and NXP doesn't have that expertise today," said Tore Svanberg, a Stifel Nicolaus analyst.

The minute after the deal was officially abandoned, Mr. Clemmer responded to Mr. Mollenkopf. "Many thanks for the kind words," he wrote. "I'm sorry that we didn't have a chance to work together."



NXP's Rick Clemmer, left, called Qualcomm CEO Steve Mollenkopf a minute after a midnight deadline for the \$44 billion deal.



BRENDAN SMIALOWSKI/AGENCE FRANCE PRESSE/GETTY IMAGES

## BUSINESS NEWS

# New Takeoff Rules Aimed at Air Delays

BY ANDY PASZTOR

Aviation industry experts are finalizing rules that will enable some airliners to routinely take off in significantly lower visibility than currently permitted at most U.S. airports.

The anticipated new standards, slated to be approved as early as September and phased into operations over a number of years, will allow departures with only one-third or half the 1,000-foot minimum visible runway distance typically required for liftoff. The result, according to industry officials involved in the process, will be fewer delays, less canceled flights and more reliable schedules in heavy

**Rules would apply only to airliners with specific computerized vision systems.**

rain, fog or snow.

The rules would apply only to airliners with specific computer-assisted or computer-generated vision systems, expected to be phased in over the next few years. Many business jets already have the technology, and plane makers, equipment manufacturers and regulators on both sides of the Atlantic have been preparing for implementation for years.

The changes are being drafted as voluntary industry standards, but are expected to be endorsed or mandated by federal aviation authorities. They are likely to have the most impact at smaller or midsize commercial airports, which lack the most advanced ground-based navigation aids and therefore generally close runways in reduced-visibility conditions before major hubs.

The anticipated changes for airliners won't require new

Federal Aviation Administration rules but rather entail changes to operational standards for individual carriers.

Last month, RTCA, the leading standard-setting organization for the U.S. aviation industry, laid out some of the proposed enhancements to its top policy-making committee. Final approval is expected in September, and industry officials said technical disagreements about specifics are expected to be resolved by then.

The latest vision systems on planes are intended to help pilots track runway lights, terrain and possible obstructions on the strip that otherwise might not be apparent. Featuring infrared cameras and other sensors able to peer through such conditions, the systems provide pilots computer-enhanced or computer-generated images of runway lights and other airport features.

Similar technology already allows airliners piloted by specially trained crews to land in reduced visibility.

Ultimately, the goal is to make it possible for crews to taxi planes around airports and then depart when there is only 300 or 500 feet visibility to the naked eye. In the long run, officials said, some of the changes are expected to help speed up traffic flow at big hubs such as San Francisco International Airport and Memphis International Airport.

The National Aeronautics and Space Administration, in conjunction with equipment makers including Rockwell Collins Inc. and Honeywell International Inc., has been pushing the technology for years. But most of those advances targeted easing restriction on touching down at socked-in airports. Under the proposed rules, industry officials said, if planes manage to land in reduced visibility, they most likely will be authorized to depart from the field under the same degraded conditions.

BY ANDREW TANGEL

AND ALISON SIDER

Many of the biggest U.S. airlines are cutting flights and raising fares to counteract rising fuel prices that are threatening a long run of profitability.

**American Airlines Group Inc.** and **Southwest Airlines Co.** joined rivals in trimming capacity growth for this fall, spurring a rally on Thursday for airline shares that have fallen sharply this year.

U.S. carriers had been adding aircraft and flights at a rapid clip, pressuring fares and profits even as demand remained strong in the face of spiking fuel costs.

American, the world's largest airline by revenue, on Thursday trimmed its profit outlook for 2018 and pledged to cut capacity and delay delivery of some new Airbus SE jetliners after fuel costs rose 40% in the second quarter compared with last year.

"To the extent any of us were viewing this quick run-up as a spike that would quickly correct itself, we should abandon that notion," American Chief Executive Doug Parker said Thursday on a call with investors and reporters.

Southwest said revenue per available seat mile fell by 3% from a year ago. The Dallas-based carrier said that fuel costs weighed on its results and that it expects those costs to rise again in the current quarter.

"Higher fuel prices make us more circumspect about our expansion," Southwest CEO Gary Kelly said.

Alaska Air Group Inc., Spirit Airlines Inc. and Allegiant Travel Co. also said that higher fuel costs dented their profits in the second quarter and that they would trim capacity growth in the rest of the year.

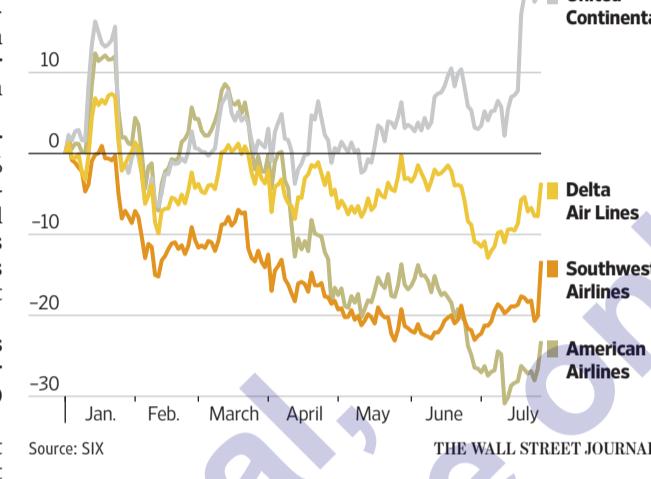
Southwest shares led the sector up 8.4% on Thursday. American's shares rose close to 5%, as investors bet that slower growth would give airlines room to raise prices,



Alaska Airlines and other carriers plan to trim capacity growth because of higher fuel costs.

## Turbulence

Share performance, year-to-date



Source: SIX

passing higher fuel costs on to customers.

But more broadly this year, investors have been dissatisfied with airlines' efforts to keep up with fuel costs after several years of relatively low prices. Shares of most U.S. carriers remain down sharply this year. American's stock is down more than 20% this year even

ing costs including fuel, resulting in an 85% drop in quarterly profit.

Higher fuel costs have pushed U.S. carriers to trim their plans to boost capacity and instead raise fares to protect profits. This month, **Delta Air Lines Inc.** lowered its profit outlook for the year, and both Delta and **United Continental Holdings Inc.** trimmed capacity growth plans.

Overall for the quarter, American's profit fell 35% to \$566 million. In addition to fuel costs, American was buffeted by a major glitch last month when subsidiary PSA Airlines canceled 2,500 flights as a result of a malfunction with a crew-placement system. On an adjusted basis, American earned \$1.63 a share. Analysts polled by Thomson Reuters had expected profit of \$1.59 a share.

Southwest reported a profit of \$733 million for the quarter, compared with \$743 million a year earlier. Per-share earnings rose to \$1.26 from \$1.23 on an adjusted basis. Analysts had expected adjusted earnings of \$1.22 a share.

## EARNINGS WATCH



Hershey plans to invest in better marketing to stand out.

HERSHEY

### Confectioner to Lift Prices Average 2.5%

Hershey Co., the maker of chocolate Kisses and Reese's peanut butter cups, said Thursday it is raising prices 2.5% on average as rising costs cut into profitability. Hershey said it is also investing in better marketing and packaging to stand out.

Second-quarter sales rose 5.3% to \$1.75 billion, driven by the acquisition of SkinnyPop popcorn maker Amplify Snack Brands. Profit rose 10% to \$226.9 million, excluding noncontrolling interests. Adjusted to exclude acquisitions, divestitures and other one-time events, earnings were \$1.14 a share, topping analysts' expectations.

—Annie Gasparro

NESTLÉ

### Strategy Shift Starts To Show Results

Nestlé SA posted a jump in profit and a rise in a key sales-growth metric from 2017, suggesting its shift to coffee and healthier food is starting to bear fruit.

Nestlé's first-half 2018 profit was 5.8 billion Swiss francs (\$5.8 billion) up 19% from the previous year. Analysts expected net profit of 4.6 billion francs. Sales in the first half were 43.9 billion francs, up 2.8% on an organic basis, which strips out the effects of currency fluctuations, acquisitions and divestments.

—Brian Blackstone and Anthony Shevlin

## BUSINESS NEWS

# Under Armour's Loss Worsens on Cost of Overhaul

By AISHA AL-MUSLIM

**Under Armour** Inc. posted higher revenue, but said its net loss widened in the latest quarter as the sportswear company restructures itself after facing slower demand for its products.

The Baltimore company reported that its second-quarter revenue rose 8% to \$1.17 billion. Analysts polled by Thomson Reuters expected \$1.15 billion in quarterly revenue.

North America revenue increased 2% to \$843 million, while the international business grew 28% to \$302 million, representing 26% of total revenue. That growth, however, was offset by restructuring and impairment charges of \$79 million.

The athletic apparel and footwear company posted a net loss of \$95.5 million, or 21

cents a share, compared with a net loss of \$12.3 million, or three cents a share, a year earlier. Adjusted earnings were a loss of eight cents a share, in line with analysts' expectations.

Shares in Under Armour increased 4.6% to \$22.04.

The company's inventory levels rose 11% to \$1.3 billion. During a call to discuss its first-quarter results in May, the company had projected that its inventory would be up less than 20% in the second quarter. The company's inventory has been worrisome to analysts and investors because the increases could possibly lead to discounting.

During an earnings call with analysts Thursday, Patrik Frisk, president and chief operating officer, said the company expects inventory growth to decline to a high single-



The athletic apparel firm now expects pretax restructuring charges of up to \$210 million this year.

digit percentage in the third quarter, on track with the goal of slowing to the low single digits by the end of the year.

Under Armour is in the midst of a restructuring. The company said it now expects to incur about \$190 million to \$210 million of pretax restructuring and related charges in 2018, up from its estimates in February of \$110 million to \$130 million.

The second and third quarters will be the most negatively affected by the planned restructuring charges, Chief Executive Kevin Plank said during the earnings call.

The restructuring plan includes contract, facility and lease terminations, and inventory management. The company is also determining the products that should be kept or discontinued.

For fiscal 2018, the company expects net revenue to grow about 3% to 4%, up from the earlier outlook in the low single digits. The new outlook reflects a decline in the low-to-mid-single digits in North America and international growth of more than 25%.

The company retained its guidance for earnings per share of 14 cents to 19 cents in fiscal 2018.

# Nielsen Says CEO To Leave; Stock Hit

By ALLISON PRANG

**Nielsen Holdings** PLC said Chief Executive Mitch Barns intends to retire at year-end, and shares in the market-research company tumbled 25% after it lowered some of its annual financial targets.

The company said Chairman James Attwood, a managing director at **Carlyle Group** LP, will lead the Nielsen board's search for a new CEO. Nielsen, which plans to start the search immediately, also named Mr. Attwood as executive chairman.

Mr. Barns started at the company in 1997 and became CEO in 2014. He was previously president of the company's U.S. media business and its greater China business.

Nielsen said it would launch a strategic review of its "buy" business, or the part of the company that provides data on retail and consumer behavior.

Shares in Nielsen fell \$7.46 to \$22.11 on the New York Stock Exchange. The stock is off 42% this year.

Nielsen expects its revenue to fall 1% this year, down from its prior forecast of 3% growth. The company now expects to earn between 95 cents a share and \$1 a share, off from between \$1.50 a share and \$1.56 a share.

For the quarter ended June 30, revenue was roughly flat from a year earlier at \$1.65 billion. Profit fell 45% to \$72 million, or 20 cents a share.

# Kodak Explores Sale of Packaging Division

By DANA MATTIOLI

is more than Kodak's current market capitalization of \$258 million.

The company also has \$403 million of debt, according to S&P Global Market Intelligence.

The sales process is at an early stage and there is no guarantee there will be a deal.

The business that is being sold makes printing plates

that are used to label packaging for consumer goods. It competes with companies such as **Platform Specialty Products** Corp. and **Fujifilm Holdings** Corp. of Japan.

It had more than \$145 million in revenue and \$31 million in profit in 2017.

Rochester, N.Y.-based Kodak is a shell of the company it once was. For generations, the company reaped

profit from one high-margin product: film.

But it was too slow to adapt as digital technologies emerged, and the company, which at its peak employed 145,000 people world-wide and once had \$14 billion in annual revenue, filed for bankruptcy protection in 2012.

It emerged the next year a leaner company focused on

commercial imaging and printing.

Private-equity firm **Blackstone Group** LP's GSO Capital Partners LP credit-investment arm currently owns more than 20% of Kodak shares and has board representation.

Kodak shares closed Thursday up 4.6% at \$3.45, after the Wall Street Journal reported on a possible sale of the business.

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## CLASS ACTION

IN THE UNITED STATES DISTRICT COURT  
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HOUSTON DIVISIONIN RE CONN'S, INC. SECURITIES LITIGATION § Civil Action No. 4:14-cv-00548 (KPE)  
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## THE WALL STREET JOURNAL.

## THE MARKETPLACE

Call for submitting binding offers for the acquisition of the business

of Artoni Trasporti S.p.A. in Amministrazione Straordinaria and/or the properties of Artoni Group S.p.A. in Amministrazione Straordinaria

The Extraordinary Commissioner of Artoni Trasporti S.p.A. in Amministrazione Straordinaria (A.S. or "Extraordinary Administration") and Artoni Group S.p.A. in Amministrazione Straordinaria, pursuant to the authorisation decree issued by the Italian Ministero dello Sviluppo Economico ("MISE") dated 20th July 2018,

calls for

all interested parties to submit Binding Offers for the acquisition of the business belonging to Artoni Trasporti S.p.A. in A.S., together with properties used for its operations, including those owned by Artoni Group S.p.A. in A.S., or, alternatively, part of the business of Artoni Trasporti S.p.A. in A.S., together with properties used for its operations, including those owned by Artoni Group S.p.A. in A.S. or, otherwise, solely one or more properties owned by Artoni Group S.p.A. in A.S. or Artoni Trasporti S.p.A. in A.S., according to the terms and conditions available on the website [www.artoni.com](http://www.artoni.com).

Any additional information not included in the tender rules shall be submitted to the Extraordinary Commissioner by certified email to the addresses: [a.s.2017reggioemilia@pecamministrazionestraordinaria.it](mailto:a.s.2017reggioemilia@pecamministrazionestraordinaria.it) and [a.s.2017reggioemilia@pecamministrazionestraordinaria.it](mailto:a.s.2017reggioemilia@pecamministrazionestraordinaria.it).

Reggio Emilia, July 24th 2018

The Extraordinary Commissioner  
Franco Maurizio Lagro



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**SUMMARY NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENT, AND MOTION FOR ATTORNEYS' FEES AND EXPENSES**

To: All Persons and Entities Who Purchased or Otherwise Acquired Conn's, Inc.'s ("Conn's") Publicly Traded Common Stock and/or Call Options, or Who Sold/Wrote Conn's Put Options, During the Period from April 3, 2013 through December 9, 2014, Inclusive (the "Class Period"), and Were Damaged Thereby (the "Class").

**PLEASE READ THIS NOTICE CAREFULLY. IF YOU ARE A MEMBER OF THE CLASS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.**

YOU ARE HEREBY NOTIFIED, in accordance with Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of Texas, that the above-captioned litigation (the "Action") has been certified as a class action on behalf of the Class, except for certain persons and entities who are excluded from the Class by definition as set forth in the proposed Notice of Pendency of Class Action, Proposed Settlement, and Motion for Attorneys' Fees and Expenses (the "Notice").

YOU ARE ALSO NOTIFIED THAT the Court-appointed Class Representatives Laborers Pension Trust Fund – Detroit and Vicinity, Connecticut Carpenters Pension Fund and Connecticut Carpenters Annuity Fund, St. Paul Teachers' Retirement Fund Association, and Universal Investment Gesellschaft m.b.H., on behalf of themselves and the Class, and Defendants Conn's, Theodore Wright, and Michael J. Poppe (collectively, "Defendants") have reached a proposed settlement of the Action in the amount of \$22,500,000 in cash (the "Settlement Amount") that, if approved by the Court, will resolve all claims in the Action (the "Settlement").

A hearing will be held before the Honorable Keith P. Ellison of the United States District Court for the Southern District of Texas in the United States Courthouse, 515 Rusk Street, Houston, TX 77002 at 2:00 p.m. on October 11, 2018 (the "Settlement Hearing") to, among other things, determine whether the Court should: (i) approve the proposed Settlement as fair, reasonable, and adequate; (ii) dismiss the Action with prejudice as provided in the Stipulation and Agreement of Settlement, dated as of June 28, 2018; (iii) approve the proposed Plan of Allocation for distribution of the Net Settlement Fund; and (iv) approve Class Counsel's application for an award of attorneys' fees and payment of expenses. The Court may change the date of the Settlement Hearing without providing another notice. You do NOT need to attend the Settlement Hearing to receive a distribution from the Net Settlement Fund.

**IF YOU ARE A MEMBER OF THE CLASS, YOUR RIGHTS WILL BE AFFECTED BY THE PROPOSED SETTLEMENT AND YOU MAY BE ENTITLED TO A MONETARY PAYMENT.** If you have not yet received the Notice and a Proof of Claim and Release form ("Claim Form"), you may obtain copies of these documents by visiting the website dedicated to this Action, [www.Conn'sSecuritiesLitigation.com](http://www.Conn'sSecuritiesLitigation.com), or by contacting the Claims Administrator at:

**In re Conn's, Inc. Securities Litigation**  
Claims Administrator  
c/o Epiq Global  
P.O. Box 4087  
Portland, OR 97208-4087  
(855) 804-8547

Inquiries, other than requests for the Notice/Claim Form or for information about the status of a claim, may also be made to Class Counsel:

1. **PLEASE DO NOT CONTACT THE COURT, DEFENDANTS, OR DEFENDANTS' COUNSEL REGARDING THIS NOTICE.**

2. **All questions about this notice, the Settlement, or your eligibility to participate in the Settlement should be directed to the Claims Administrator or Class Counsel.**

DATED: July 27, 2018

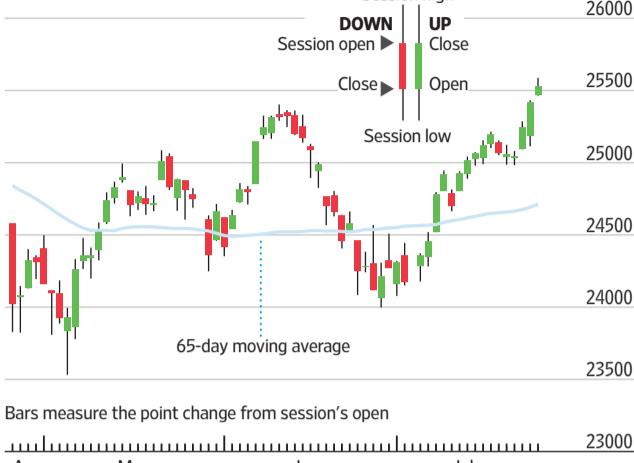
BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**25527.07** ▲ 112.97, or 0.44%  
 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

\*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

## S&amp;P 500 Index

**2837.44** ▼ 8.63, or 0.30%  
 High, low, open and close for each trading day of the past three months.



## Nasdaq Composite Index

**7852.18** ▼ 80.05, or 1.01%  
 High, low, open and close for each trading day of the past three months.



## Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	
Industrial Average	25587.24	25463.16	<b>25527.07</b>	112.97	<span style="color: green;">▲</span> 0.44%	26616.71	21674.51	<b>17.1</b>	3.3	<b>13.3</b>
Transportation Avg	11052.40	10845.91	<b>10984.86</b>	91.57	<span style="color: green;">▲</span> 0.84%	11373.38	9021.12	<b>19.5</b>	3.5	<b>10.8</b>
Utility Average	726.72	720.91	<b>725.38</b>	8.31	<span style="color: green;">▲</span> 1.16%	774.47	647.90	<b>0.2</b>	0.3	<b>8.8</b>
Total Stock Market	29561.64	29438.19	<b>29483.47</b>	-50.56	<span style="color: red;">-0.17</span>	29630.47	25030.26	<b>15.0</b>	6.5	<b>10.7</b>
Barron's 400	763.40	755.95	<b>760.97</b>	3.93	<span style="color: green;">▲</span> 0.52%	761.84	629.56	<b>16.4</b>	7.0	<b>11.0</b>

## Nasdaq Stock Market

	Nasdaq Composite	7881.30	7834.08	<b>7852.18</b>	-80.05	<span style="color: red;">-1.01</span>	7932.24	6213.13	<b>23.0</b>	13.7	<b>15.6</b>
Nasdaq 100	7430.12	7385.72	<b>7400.75</b>	-107.84	<span style="color: red;">-1.44</span>		7508.59	5786.54	<b>25.1</b>	15.7	<b>17.5</b>

## S&amp;P

	500 Index	2845.57	2835.26	<b>2837.44</b>	-8.63	<span style="color: red;">-0.30</span>	2872.87	2425.55	<b>14.6</b>	6.1	<b>10.9</b>
MidCap 400	2003.85	1985.74	<b>1997.44</b>	8.88	<span style="color: green;">▲</span> 0.45%		2009.15	1691.67	<b>12.8</b>	5.1	<b>10.6</b>
SmallCap 600	1062.80	1048.57	<b>1059.77</b>	11.37	<span style="color: green;">▲</span> 1.08%		1059.77	817.25	<b>22.3</b>	13.2	<b>14.7</b>

## Other Indexes

	Russell 2000	1702.93	1684.75	<b>1695.36</b>	10.16	<span style="color: green;">▲</span> 0.60%	1706.99	1356.90	<b>18.3</b>	10.4	<b>11.4</b>
NYSE Composite	12985.57	12929.79	<b>12953.39</b>	19.76	<span style="color: green;">▲</span> 0.15%		13637.02	11699.83	<b>8.3</b>	1.1	<b>6.5</b>
Value Line	585.19	580.50	<b>583.76</b>	2.95	<span style="color: green;">▲</span> 0.51%		589.69	503.24	<b>10.2</b>	3.8	<b>6.5</b>
NYSE Arca Biotech	5139.76	5064.40	<b>5132.77</b>	0.08	<span style="color: green;">▲</span> 0.00%		5132.77	3787.17	<b>29.7</b>	21.6	<b>6.7</b>
NYSE Arca Pharma	562.26	559.17	<b>559.66</b>	1.41	<span style="color: green;">▲</span> 0.25%		593.12	514.66	<b>5.6</b>	2.7	<b>-1.8</b>
KBW Bank	109.83	108.96	<b>109.02</b>	0.14	<span style="color: green;">▲</span> 0.13%		116.52	89.71	<b>14.2</b>	2.2	<b>11.6</b>
PHLX® Gold/Silver	78.39	76.96	<b>76.96</b>	-2.33	<span style="color: red;">-2.94</span>		93.26	76.42	<b>-8.4</b>	-9.8	<b>16.6</b>
PHLX® Oil Service	148.83	145.57	<b>148.13</b>	1.56	<span style="color: green;">▲</span> 1.07%		170.18	117.79	<b>9.6</b>	-0.9	<b>-5.7</b>
PHLX® Semiconductor	1379.32	1363.68	<b>1378.42</b>	25.27	<span style="color: green;">▲</span> 1.87%		1449.90	1060.02	<b>25.6</b>	10.0	<b>29.0</b>
Cboe Volatility	12.53	11.78	<b>12.14</b>	-0.15	<span style="color: red;">-1.22</span>		37.32	9.14	<b>20.1</b>	10.0	<b>-4.0</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Van Eck Vectors Gold Miner	GDX	11,980.4	21.39	...	unch.	21.48	21.35
SPDR S&P 500	SPY	9,548.0	283.43	0.09	<b>0.03</b>	283.77	282.82
iShares MSCI EAFE ETF	EFA	6,407.9	68.72	0.05	<b>0.07</b>	68.72	68.62
Invesco QQQ Trust I	QQQ	5,871.8	180.59	0.54	<b>0.30</b>	182.82	178.64
Cisco Systems	CSCO	5,718.6	43.41	-0.12	<b>-0.28</b>	43.75	43.36
Intel	INTC	5,541.0	49.80	-2.36	<b>-4.52</b>	52.83	48.70
Pfizer	PFE	4,933.7	38.10	-0.06	<b>-0.16</b>	38.25	38.00
Chesapeake Energy	CHK	3,160.6	4.85	0.45	<b>10.23</b>	4.96	4.40

## Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Atlassian CI A	TEAM	314.9	76.99	10.16	<b>15.20</b>	83.23	66.83
Expedia Group	EXPE	286.6	138.74	12.94	<b>10.29</b>	143.80	125.00
Chesapeake Energy	CHK	3,160.6	4.85	0.45	<b>10.23</b>	4.96	4.40
Chipotle Mexican Grill	CMG	164.4	475.00	28.24	<b>6.32</b>	478.99	440.25
Lam Research	LRCX	722.0	188.35	11.09	<b>6.26</b>	191.40	169.35

## ...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low

<

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
	Open	High	low	Low	Settle	Chg	Open interest

Copper-High (CMX)	-25,000 lbs.; \$ per lb.
July	2,8420 2,8420 2,7890 2,8040 -0.0200 1,114
Sept	2,8615 2,8645 2,8015 2,8180 0.0005 174,683
Gold (CMX)	-100 troy oz.; \$ per troy oz.
Aug	1,231.70 1,235.30 1,221.70 1,225.70 -6.10 130,715
Oct	1,236.10 1,239.80 1,226.60 1,230.50 -5.90 37,185
Dec	1,240.80 1,244.60 1,231.30 1,235.30 -5.70 282,097
Feb'19	1,247.10 1,247.40 1,237.30 1,241.00 -5.70 28,098
June	1,257.50 1,257.50 1,254.70 1,252.70 -5.70 6,344
Aug	1,260.40 1,260.90 1,255.30 1,258.80 -5.70 1,214
Palladium (NYM)	-50 troy oz.; \$ per troy oz.
Sept	933.50 936.50 919.00 933.60 5.30 18,652
Dec	929.30 930.30 915.70 929.80 5.00 2,449
March'19	915.70 915.70 915.70 923.50 5.10 131
Platinum (NYM)	-50 troy oz.; \$ per troy oz.
July	826.50 832.70 826.50 832.40 -1.40 18
Oct	845.90 847.80 826.20 835.70 -4.00 75,706
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.
July	15.570 15.570 15.375 15.438 -0.095 244
Sept	15.620 15.700 15.390 15.495 -0.094 155,202
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.
Sept	69.44 69.92 68.92 69.61 0.31 453,243
Oct	68.17 68.64 67.73 68.43 0.42 243,326
Dec	67.41 67.83 67.02 67.67 0.41 294,589
Jan'19	67.16 67.56 66.82 67.41 0.41 167,259
June	65.50 65.94 65.21 65.79 0.43 159,014
Dec	63.84 64.32 63.67 64.16 0.38 212,505
NY Harbor UlSD (NYM)	-42,000 gal.; \$ per gal.
Aug	2,1580 2,1815 2,1496 2,1769 0.025 31,229
Sept	2,1610 2,1857 2,1544 2,1809 0.0249 116,572
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.
Aug	2,1290 2,1675 2,1199 2,1623 0.0392 32,441
Sept	2,0906 2,1211 2,0814 2,1166 0.0315 142,305
Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu
Aug	2,779 2,799 2,769 2,780 .005 23,138
Sept	2,754 2,779 2,749 2,762 .007 226,443
Oct	2,773 2,796 2,768 2,780 .007 158,977
Nov	2,823 2,846 2,821 2,830 .006 133,692
Jan'19	3,020 3,043 3,016 3,025 .004 153,372
April	2,609 2,624 2,587 2,595 -.015 129,834

## Agriculture Futures

Corn (CBT)	-5,000 bu.; cents per bu.
Sept	361.00 365.75 360.25 361.50 +2.25 613,841
Dec	375.25 379.75 374.25 375.75 +2.50 798,562
Oats (CBT)	-5,000 bu.; cents per bu.
Sept	233.00 234.75 232.50 232.50 +.25 1,715
Dec	239.50 242.00 239.00 239.00 ... 3,254
Soybeans (CBT)	-5,000 bu.; cents per bu.
Aug	870.00 881.00 858.25 861.25 +.50 57,291
Nov	885.00 896.00 873.25 876.00 +.25 436,857
Soybean Meal (CBT)	-100 tons; \$ per ton.
Aug	332.90 337.90 331.20 332.60 +2.60 33,043
Dec	331.50 336.60 330.10 331.70 +3.20 203,824
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.
Aug	28.43 28.69 28.11 28.15 -.26 38,137
Dec	28.82 29.08 28.54 28.58 -.24 245,314
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.
Sept	1,203.50 1,205.00 1,195.50 1,200.00 -.450 6,693
Nov	1,190.00 1,190.00 1,182.00 1,185.50 -.350 1,348
Wheat (CBT)	-5,000 bu.; cents per bu.
Sept	544.75 553.75 532.00 536.50 +6.25 191,216
Dec	565.75 572.75 552.00 556.50 +5.25 152,100
Wheat (KC)	-5,000 bu.; cents per bu.
Sept	540.00 553.50 527.50 534.00 +6.75 130,637
Dec	566.75 579.25 554.00 560.50 +5.75 94,606
Wheat (MPLS)	-5,000 bu.; cents per bu.
Sept	585.50 611.75 582.50 587.75 +.50 28,330
Dec	602.00 625.00 596.75 601.75 +1.25 20,585
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.
Aug	153.050 154.225 149.800 151.425 +1.400 14,196
Sept	153.500 154.300 150.250 151.825 +1.425 13,196
Cattle-Live (CME)	-40,000 lbs.; cents per lb.
Aug	109.775 110.675 106.800 109.750 +1.075 48,947
Oct	111.400 112.250 108.75 109.375 +1.400 124,608
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
Aug	65.950 66.875 64.600 64.900 +1.500 28,821
Oct	53.750 55.975 52.150 52.250 +1.675 117,378
Lumber (CME)	-110,000 bd ft.; \$ per 1,000 bd ft.
Sept	488.00 492.00 478.30 487.30 +15.00 4,189
Nov	452.00 456.00 442.80 442.80 +15.00 679
Milk (CME)	-200,000 lbs.; cents per lb.
July	14.13 14.14 14.13 14.14 -.04 3,633
Aug	14.88 14.90 14.79 14.85 -.07 4,819

## Cash Prices | WSJ.com/commodities

Thursday, July 26, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Thursday

## Energy

(U.S.\$ equivalent)	<b>*15,565.00</b>
Coins, wholesale \$1,000 face-a	11382

## Other metals

LBMA Platinum Price PM	<b>*841.0</b>
Platinum, Engelhard industrial	838.0
Platinum, Engelhard fabricated	938.0
Palladium, Engelhard industrial	936.0
Palladium, Engelhard fabricated	1036.0
Aluminum, LME, \$ per metric ton	*2056.5
Copper, Comex spot	2,804.0
Iron Ore, 62% Fe CFR China-s	n.a.
Shredded Scrap, US Midwest-s, m	n.a.
Steel, HRC USA, FOB Midwest Mill-s	n.a.

## Metals

Gold, per troy oz	<b>1230.74</b>
Engelhard industrial	1232.05
Handy & Harman base	1228.25
Handy & Harman fabricated	1363.35
LBMA Gold Price AM	*1230.55
LBMA Gold Price PM	*1231.50
Krugerrand wholesale-e	1274.52
Maple Leaf-e	1286.78
American Eagle-e	1286.78
Mexican peso-e	1485.59
Austria crown-e	1204.24
Austria phil-e	1286.78

Silver, per troy oz	<b>15,520.00</b>
Engelhard industrial	15,520.00
Engelhard fabricated	18,624.00
Handy & Harman base	15,478.00
Handy & Harman fabricated	19,348.00
LBMA spot price	*11,830.00

Fibers and Textiles	<b>0.5700</b>
Burlap, 10-40 in NY yd-n.w	0.5700
Cotton, 1/16 std-wl-MdMphs-u	0.8753
Cotlook 'A' Index-t	*96.70
Hides, hvy native steers piece fob-u	n.a.
Wool, 64s, staple, Terr,dlr-u	n.a.

Grains and Feeds	**3,250.00**




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## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by NYSE BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, July 26, 2018

A B C

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	22.84	.015	Autodesk	ADSX	136.14	-6.2	AtmosEnergy	ATO	91.31	.91	Autohome	ATHM	103.22	-0.52	Avnet	AVT	76.65	-1.89	BWX Tech	BWXT	65.72	0.70	BarrickGold	ABX	11.10	-4.07
ADT	ADT	9.10	-0.13	AutoZone	AZO	711.14	5.42	Autodesk	ADSX	136.14	-6.2	Avnet	AVT	76.65	-1.89	BWX Tech	BWXT	65.72	0.70	BarrickGold	ABX	11.10	-4.07				
AES	AES	13.40	...	AvalonBay	AVB	178.88	0.38	AutoZone	AZO	711.14	5.42	Avnet	AVT	76.65	-1.89	BWX Tech	BWXT	65.72	0.70	BarrickGold	ABX	11.10	-4.07				
Aflac	AFL	44.41	.63	Avangrid	AGR	91.48	-0.06	Avnet	AVT	76.65	-1.89	BWX Tech	BWXT	65.72	0.70	BarrickGold	ABX	11.10	-4.07								
AGNC Inv	AGNC	19.37	0.12	AveryDennison	AVY	113.13	.81	Avnet	AVT	76.65	-1.89	BWX Tech	BWXT	65.72	0.70	BarrickGold	ABX	11.10	-4.07								
ANGI Homesvng	ANGI	16.91	-0.07	AxaltaCoating	AXTA	30.36	.51	Avnet	AVT	76.65	-1.89	BWX Tech	BWXT	65.72	0.70	BarrickGold	ABX	11.10	-4.07								
Ansys	ANSS	176.99	-0.52	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
ASML	ASML	216.65	-2.32	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AT&T	T	30.35	0.10	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AbbottLabs	ABT	65.66	0.43	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AbbVie	ABBV	93.94	0.82	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Abiomed	ABMD	38421.46	-46.43	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Accenture	ACN	165.17	-1.91	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
ActivisionBlz	ATVI	77.65	-1.89	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AdobeSystems	ADBE	247.65	-1.24	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AdvanceAuto	AAP	141.78	1.31	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AdvMicrDevic	ADM	18.35	2.30	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AerCap	AER	56.37	0.23	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Aetna	AET	189.15	0.03	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AffiliatedMtrs	AMG	151.71	0.80	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AigentTechs	AGEN	66.75	0.79	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AgilientTechs	AGEN	42.47	-2.37	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AirProducts	APD	161.55	4.25	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AlkamTech	ALK	80.37	0.60	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AlaskaAir	ALK	64.76	5.65	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Albermarle	ALB	93.06	1.27	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Alcoa	AA	42.82	-0.29	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Altria	MO	56.10	-1.75	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
AluminaChina	ACH	11.40	...	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Amazon.com	AMZN	1808.00	-55.61	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Amgen	AMGN	106.55	0.81	Babcock&Wilcox	BBCW	16.56	-2.32	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24	BAE Systems	ADBE	261.93	-1.24				
Alphabet	GOOG	1268.63	4.63	Babcock&																							

## BANKING &amp; FINANCE

# Libor Alternative Passes Big Test

BY VIPAL MONGA  
AND DANIEL KRUGER

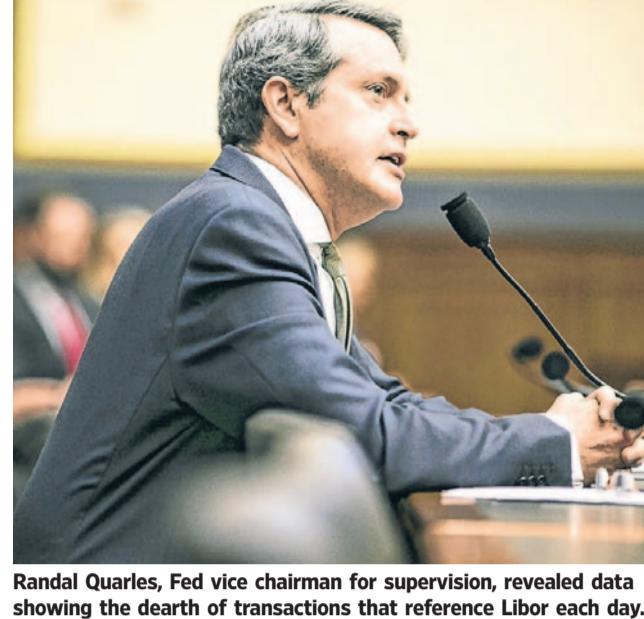
A benchmark lending rate that regulators and investors hope can replace the scandal-plagued Libor as the foundation for trillions of dollars of debt from credit cards to business loans easily passed a key test.

Mortgage finance giant **Fannie Mae** sold \$6 billion of adjustable-rate securities in the first major trial run of the new index Thursday. The sale marked a milestone for borrowers, investors and bankers as Libor, the London interbank offered rate, begins its planned wind-down from ubiquitous metric to expiration at the end of 2021.

Once obscure, Libor eventually became the foundation for trillions of dollars of derivatives and other financial contracts. More recently, it was discredited after evidence emerged that bank traders were manipulating it to boost trading profits.

Banks were fined billions of dollars, and several traders were sent to prison. Since 2012, Libor has been under the supervision of U.K. regulators.

On Thursday, investor demand for the Libor-replacement proved strong enough



Randal Quarles, Fed vice chairman for supervision, revealed data showing the dearth of transactions that reference Libor each day.

that it could inspire other borrowers to use the new benchmark, analysts said. Known as the secured overnight financing rate, or SOFR, the new index was developed by a panel of banks and investors overseen by the Federal Reserve, as part of an effort to move contracts away from Libor.

The new product is one of several that aims to address a major challenge for the finan-

cial markets, replacing Libor. The Libor-based contracts cover many borrowings including floating-rate home mortgages, business loans and complex financial instruments.

"There is a massive amount of work to do to move all that risk from Libor to another index," said Michael Cloherty, head of interest-rate strategy at RBC Capital Markets. "It's a long, long path."

The rate is "more robust" than Libor because it's based on actual market trades that reflect the price at which banks and other financial in-

stitutions can borrow, said Greg Moore, head of U.S. fixed-income currencies and commodities at TD Securities USA, which was one of the lead managers on Fannie Mae's offering, along with Barclays Capital Inc. and Nomura Securities International Inc.

Libor has been calculated by asking banks how much it theoretically would cost them to borrow money from other banks, making it possible to manipulate.

The new SOFR rate is averaged from more than \$750 billion worth of transactions, according to the Federal Reserve Bank of New York. Fannie Mae's bonds were priced in three segments, maturing in six, 12 and 18 months, carrying rates that exceeded SOFR by 0.08, 0.12 and 0.16 percentage points, respectively.

The rate is "more robust" than Libor because it's based on actual market trades that reflect the price at which banks and other financial in-

stitutions can borrow, said Greg Moore, head of U.S. fixed-income currencies and commodities at TD Securities USA, which was one of the lead managers on Fannie Mae's offering, along with Barclays Capital Inc. and Nomura Securities International Inc.

Supporting the Libor replacement has been a pressing priority for regulators and market participants as the old benchmark moves closer to disappearing.

Fed Vice Chairman for Supervision Randal Quarles last week revealed data showing the dearth of transactions that reference Libor each day, and said banks are "justifiably uncomfortable" with how thin the underlying markets for Libor have become.

Still, Mr. Quarles said the transition toward the replacement rate was proceeding "ahead of schedule."

While Libor's history has been troubled, the rate will likely continue to be widely used for some time to come, said Moti Jungreis, head of global markets at TD.

In part, that is because the rate is still used in trillions of dollars worth of contracts that were signed before the index fell out of favor.

# KKR Gets Lift From Sales of Assets

BY MIRIAM GOTTFRIED

**KKR & Co.**'s second-quarter profit rose as the firm sold off assets into a strong stock market.

The New York private-equity firm said Thursday net income was \$680.4 million, or \$1.24 a share. That compares with \$405.6 million, or 81 cents a share, in the second quarter of 2017.

The quarter was KKR's last under a partnership structure. On July 1, it completed its conversion to a corporation.

When it announced the move in May, the firm said it would no longer be reporting economic net income—the measure upon which Wall Street analysts had previously based their estimates for the firm and its peers.

Instead, KKR said it would focus on after-tax distributable earnings.

KKR said that measure, which represents the portion of profits that could be paid out to shareholders, came in at \$404.7 million, or 49 cents a share. Analysts polled by FactSet had forecast 45 cents a share.

The result was primarily due to a higher-than-expected amount of realized gains on the sale of assets in KKR's private-equity and credit portfolios.

The buyout firm reported assets under management of \$191.3 billion, up 29% from the same period a year ago.

The growth was driven by the closing of KKR's partnership with business-development company FS Investments, new capital raised in credit and infrastructure funds and an increase in the value of its private-equity portfolio.

The portion of assets on which it collects fees was \$138.8 billion, a 23% increase year over year.

Book value per share, another measure the firm is highlighting under its new structure, was \$15.59, up 15% from the prior year.

KKR's decision to change its corporate structure, which came after Congress lowered the corporate tax rate late last year, was aimed at making its shares more accessible to a broader range of investors.

So far, that appears to be working. Its shares have climbed 29% versus a 16.5% jump for rival Blackstone Group LP and an 8% increase for the S&P 500 since it announced its plan to convert.

KKR announced a number of sizable deals in the quarter, including an agreement to buy BMC Software Inc. from a group of other private-equity firms for about \$8.3 billion including debt and the purchase of publicly traded Envision Healthcare Corp. for \$9.9 billion including debt.

KKR shares rose 11 cents, or 0.4%, to \$27.85 Thursday. The shares are up 32% year to date.

# Focus Financial Rises 14% in First Day of Trading

BY LISA BEILFUSS

Focus Financial Partners Inc. shares rose in their debut Thursday as investors seek exposure to the rapid growth of independent wealth-management.

The stock jumped 14% to \$37.55 on its first day of trading on the Nasdaq Stock Market. That is within the range of \$35 to \$39 Focus had targeted before it was forced to price the shares at \$33 apiece Wednesday amid disappointing investor demand.

Focus's first-day jump is in line with other IPOs this year. The average first-day pop for a U.S.-listed company is 14.3%, according to Dealogic.

While the IPO represents the first time stock-market investors have had the chance to get in on the booming market for independent financial advice, observers say some elements unique to Focus have given them pause. In particular, the company has a large amount of debt accumulated through a series of acquisitions. Its borrowings stood at about \$1 billion as of March 31, about two-thirds of the company's public float of \$1.5 billion.

In buying shares of Focus, investors are effectively investing in a private-equity firm that owns independent financial-advisory groups. Chief Executive Rudy Adolf founded Focus in 2004 as a home for already-independent advisers and Wall Street brokers look-

ing to strike out on their own. He has built it into a network of more than 50 partner firms across the country and is looking to expand abroad. In 2017, Focus closed 23 deals, up from 12 in 2016. As of March 31, it has done six this year.

In 2017, Focus pulled in \$662.9 million in revenue but posted a net loss of \$48.4 million. Excluding interest, taxes, depreciation and amortization, Focus earned \$145.2 million.

The IPO comes about a year after private-equity investors KKR & Co. and Stone Point Capital took a majority stake in Focus in a \$2 billion deal.

The IPO spotlights the changing market for financial advice. Once dominated by stockbrokers charging commissions to buy and sell securities, investors are increasingly opting to hire independent financial advisers who aren't affiliated with a big bank. The trend, which began years ago but gained steam after the financial crisis, is reshaping the industry and eroding the strongholds of firms like Bank of America Corp.'s Merrill Lynch and Morgan Stanley.

Since 2008, the ranks of independent financial advisers have swelled to over 64,000 from about 44,000, according to research firm Cerulli Associates. Meanwhile, broker head count at the biggest firms has fallen to about 47,000 from 54,000.

—Maureen Farrell contributed to this article.

## Mastercard Posts Jump in Profit



Mastercard Inc. reported an increase in profit in its latest quarter as the value of card transactions rose by about 15%, with Europe outperforming compared with other markets.

The company set aside \$225 million during the quarter for litigation costs with merchants in the U.S. and the U.K. Mastercard said \$210 million of the money it set aside was for U.S. merchants.

The credit-card company's profit rose 33% to \$1.57 billion, or \$1.50 a share, compared with \$1.18 billion, or \$1.10 a share a

The Wall Street Journal reported late last month that both Mastercard and its competitor, **Visa** Inc., were near settling a lawsuit from merchants related to credit-card fees. A group of credit-card companies—including Mastercard and Visa—would pay around \$6.5 billion to merchants.

The credit-card company's profit rose 33% to \$1.57 billion, or \$1.50 a share, compared with \$1.18 billion, or \$1.10 a share a

year earlier. On an adjusted basis, Mastercard reported earnings of \$1.66 a share, beating estimates from analysts polled by FactSet of \$1.53 a share.

Net revenue rose 20% to \$3.67 billion. Expenses rose 24% to \$1.73 billion.

Gross-dollar volume for its credit, charge and debit programs rose 15.3% worldwide to \$1.48 trillion, beating analysts' expectations of \$1.46 trillion.

## SEC Rejects Bitcoin ETF Pitch

BY DAVE MICHAELS

The Securities and Exchange Commission on Thursday denied an application for an exchange-traded fund that would track the price of bitcoin, the latest indication that regulators are still uneasy with the volatile and largely unpoliced cryptocurrency market.

The commission's vote affirms an earlier decision in 2017 by the SEC's staff to reject the proposal, for which Cameron and Tyler Winklevoss first sought approval years ago.

Cryptocurrency traders and exchanges have hoped that an exchange-traded product would make the currency attrac-

tive to Wall Street and retail investors.

The SEC's decision, posted in an order on the regulator's website, marks the end, for now, of a long and drawn-out odyssey to package bitcoin into an exchange-traded product that could create a broader investor base for the virtual currency.

# Wells Hangs For-Sale Sign on Eastdil

**Wells Fargo & Co.** is exploring a sale of its Eastdil Secured real-estate division, according to people familiar with the matter, as the bank continues to shed noncore businesses.

By Craig Karmin, Dana Mattioli and Emily Glazer

The San Francisco bank has been sounding out private-equity firms to drum up interest in the real-estate brokerage and investment bank, the people said. Wells Fargo bought Eastdil in 1999 for an undisclosed sum to bolster its commercial real-estate-lending business.

It isn't clear what the business may be worth, and there is no guarantee there will be a deal.

Wells Fargo officials don't consider Eastdil's commercial real-estate business core and have weighed a sale for at least a few months, a person familiar with the bank's discussions said. The bank has



Bank officials don't consider Eastdil's commercial real-estate business to be core to their business and have weighed a sale.

been slimming down over the past 18 months as it looks to sell businesses "with low returns or high investment needs," the bank has said.

In the first quarter, Wells Fargo said results included a \$643 million gain from the sales of \$1.6 billion Pick-a-Pay loans. It closed the sale of its Shareowner Services business in February, resulting in a

\$202 million gain.

Regulatory scrutiny may limit potential buyers, said a person familiar with the matter. Banks aren't technically supposed to own brokerage arms, the person said, which would likely deter other banks from taking a look at the business.

Eastdil is part of Wells Fargo's investment-banking

securities and markets division, known as Wells Fargo Securities. The bank doesn't break out specific metrics for the real-estate broker.

The broker was founded in 1967 and has offices in Los Angeles, London, New York and other major markets, according to the firm's website. Eastdil is led by industry veteran Roy March.

Wells is exploring a sale when shares of some of Eastdil's rivals, like CBRE Group and JLL, have been trading near records.

Those firms enjoy rising commissions and property-management fees, thanks to expanding economies around the world.

Eastdil has had its problems, losing some of its top brokers to aggressive rivals. The firm, which specializes in sales and refinancing, saw a group led by Douglas Harmon and Adam Spies move to Cushman & Wakefield Inc. in 2016. In May, Newmark Group Inc. poached a senior hotel sales and financing team.

## 'China's Groupon' IPO Turns In Strong Debut

BY STELLA YIFAN XIE

HONG KONG—A three-year-old Chinese internet startup earned a \$33 billion market valuation in its trading debut in New York, drawing high investor demand ahead of a string of larger internet IPOs from the country in coming months.

Pinduoduo Inc., a Shanghai-based online discounter that some people call China's Groupon, priced a \$1.63 billion sale of American depositary shares at \$19 apiece, the top end of their offered range, it said Thursday.

The securities began trading on Nasdaq at \$26.50, a 39% jump from their IPO price, and closed at \$26.70, up 41%. Pinduoduo said it could raise an additional \$244 million if underwriters of the IPO exercise an option to purchase additional shares.

Pinduoduo, whose backers include Chinese internet heavyweight **Tencent Holdings**

Ltd., is an online bulk purchasing platform and an emerging rival to e-commerce giant **Alibaba Group Holding Ltd.** and online retailer **JD.com**. Founded by a former Google employee, it is known in China for marketing and selling goods such as clothing, diapers and groceries via Tencent's popular social-media app WeChat.

The offering has been closely watched by bankers and other Chinese internet startups waiting to go public in the coming months. Online-services platform **Meituan Dianping** and China's largest music-streaming business, Tencent Music, have filed initial plans for large IPOs in Hong Kong and New York respectively, while Chinese ride-hailing platform **Didi Chuxing** and the popular online news aggregator known as **Jinri Toutiao** could go public next year.

—Julie Steinberg contributed to this article.



## MARKETS

# Uncertainty Puts Hold on Steel's Rally

By AMRITH RAMKUMAR

Steel prices in the U.S. have eased after hitting their highest level in a decade in early June, a relief for some large manufacturers facing higher input costs.

Futures contracts for U.S. hot-rolled coil steel have fallen to about \$850 a ton since hitting a fresh multiyear high of \$935 on June 11, with investors assessing the full impact of tariffs on steel and aluminum imports. Thousands of requests for exemptions from the tariffs have been filed, and analysts are also trying to determine if protectionism will slow the global economy and lower demand for materials.

Analysts also say the surge in domestic prices so far this year means U.S. steel is so much more expensive than global benchmarks that some companies will likely opt to pay the Trump administration's 25% import tariffs. Some think domestic steelmakers also could ramp up production, lowering prices.

Adding to the unknowns: The political landscape keeps changing. President Trump said Wednesday the U.S. and European Union would resolve steel and aluminum tariffs.

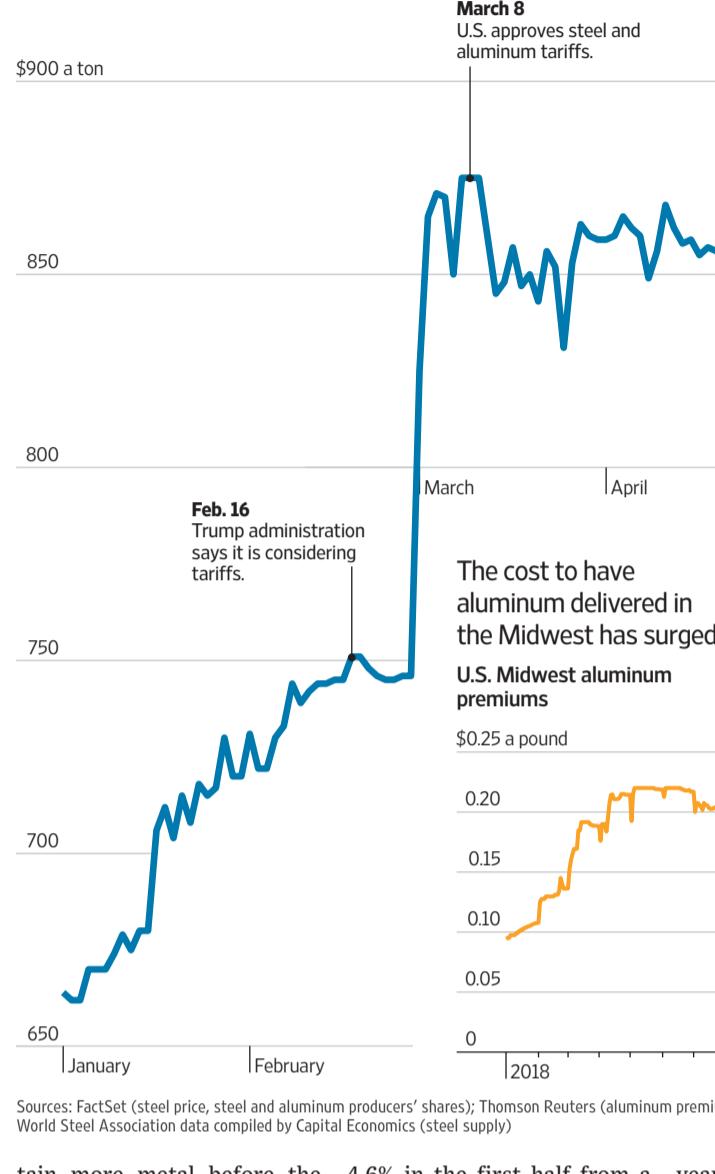
The various factors have unnerved some investors and hurt shares of steel producers, which have lagged behind the commodity.

**U.S. Steel** Corp. shares fell \$1.02, or 2.7%, to \$37.24 Thursday and are 19% below their March 1 multiyear peak. Shares of **Nucor** Corp. and **AK Steel Holding** Corp. also fell Thursday.

"The uncertainty is the killer," steel analyst Charles Bradford of Bradford Research said. "People are sitting on their hands waiting to see what happens."

Mr. Bradford said it also remains unclear how much of the steel-price surge was driven by people trying to ob-

**U.S. hot-rolled coil steel prices have fallen after getting a boost from tariffs on metal imports.**



Sources: FactSet (steel price, steel and aluminum producers' shares); Thomson Reuters (aluminum premiums); World Steel Association data compiled by Capital Economics (steel supply)

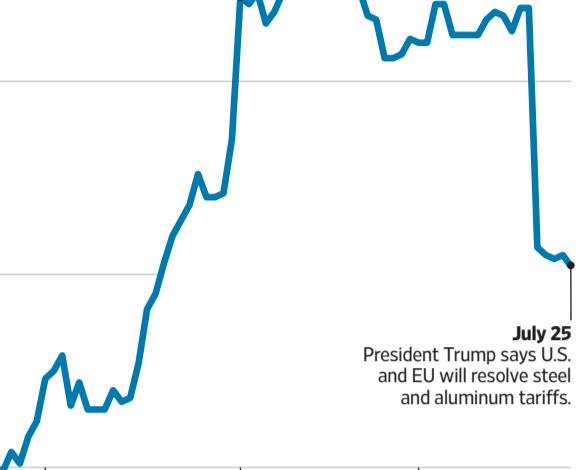
tain more metal before the tariffs took effect, leading to swings in inventories that could moderate in the coming weeks.

Even with the tariffs on steel, supply has grown steadily outside the U.S. Global steel production increased

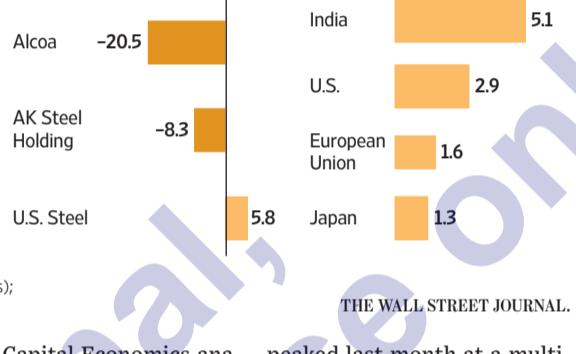
4.6% in the first half from a year earlier, according to the World Steel Association and Capital Economics, with China and India fueling the rise.

"We expect this trend to continue over the coming months, which underpins our bearish view on prices this

**May 31**  
Trump administration imposes steel and aluminum tariffs on the European Union, Mexico and Canada, sparking further retaliation.



**Shares of domestic steel and aluminum producers have swung.**  
**Share performance, year to date**



Sources: FactSet (steel price, steel and aluminum producers' shares); Thomson Reuters (aluminum premiums); World Steel Association data compiled by Capital Economics (steel supply)

year," Capital Economics analysts said in a Thursday note to clients.

Prices of other industrial metals used heavily in construction and manufacturing have also been volatile.

The cost to have aluminum delivered in the Midwest

peaked last month at a multi-year high after the U.S. imposed 10% tariffs on aluminum imports at the end of May.

Like steel, aluminum has pulled back, with its moves prompting swings in the stock prices of producers.

The price moves for copper

have been even more drastic, with the red metal down 15% from a four-year high reached June 8.

Calmer metals markets could be a boon for some manufacturing companies contending with uncertain costs. Although many have existing supply deals in place and won't feel the impact of the levies until next year, others are starting to increase cost estimates.

Appliance maker **Whirlpool** Corp. cut its full-year profit outlook earlier this week as its costs continue to rise, with Chief Executive Mark Bitzer saying that domestic steel prices "have reached unexplainable levels."

The company's shares fell 15% on Tuesday, their largest one-day drop since 1987. The stock fell an additional 3.6% a day later before rebounding 2.8% on Thursday.

On Wednesday, auto makers **General Motors** Co. and **Ford Motor** Co. lowered their profit outlooks for 2018, and both companies said fallout from U.S. tariffs on steel and aluminum is weighing on their bottom lines. GM shares have fallen 6.7% this week, while Ford is down 6.3%.

Some analysts expect domestic metal prices to come down, but even a moderate decline would leave prices elevated.

Citigroup expects domestic steel to remain around \$850 a ton in the second half.

Some analysts think those levels could challenge industrial firms that have so far been shielded from tariff impacts but will soon be negotiating new contracts.

"We're actually not seeing the full impact in 2018 of what the steel or aluminum tariffs are, and it's anybody's guess how long those stay in place," **United Technologies** Corp. Chief Executive Greg Hayes said on the company's Tuesday earnings call.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

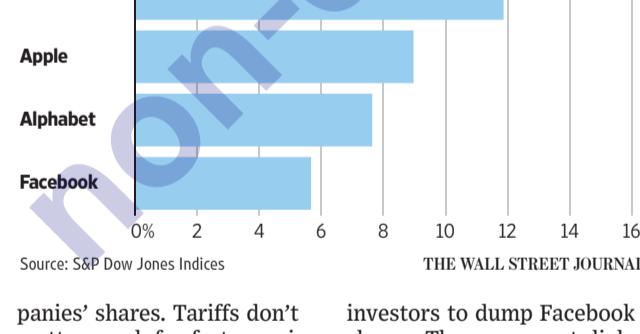
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

# Trade Truce Deals a Blow to Facebook

### Heavy Hitters

Contribution to the S&P 500's year-to-date gain through July 25



panies' shares. Tariffs don't matter much for fast-growing companies that sell services.

Facebook's earnings came just hours after President Trump and European Commission President Jean-Claude Juncker agreed to tone down the trade dispute between the U.S. and the European Union. Combined

with the weak numbers, the tentative trade deal pushed

investors to dump Facebook shares. The agreement dials down the fear, for now, that the White House will place a 25% tariff on cars and car parts—a move that could throw a wrench in global supply chains and had been weighing on stocks.

Tellingly, the S&P 500 was flat on Thursday, despite Facebook's fall. And the Facebook-free Dow Jones In-



Facebook CEO Mark Zuckerberg

profit margins that sparked Thursday's selloff was driven in part by its plan to boost spending on security and safety—effectively a plan by Facebook to buy its way out of its problems.

While Facebook is under the most pressure, Google too is facing tough regulators. Google's terrific numbers were weighed down by a \$5 billion fine by the European Union, which said the company abused its dominance of its Android mobile operating system.

More generally, Facebook is also a reminder of what happens when tech companies priced for turbogrowth fail to live up to those targets. Netflix is still down 10% following last week's second-quarter results that contained disappointing subscriber numbers.

These are politically uncertain times, and as Facebook shows, what seems like a safe bet can suddenly shift.

—Justin Lahart,  
Dan Gallagher

### Amazon.com Makes Its Payday

**Amazon.com** as a profit machine is an encouraging—if slightly disconcerting—prospect.

The e-commerce giant pulled off two relatively rare moves with its second-quarter results. Overall revenue, while up 39%, actually lagged behind analysts' consensus by 1%. But operating income of nearly \$3 billion, up close to fivefold year over year and soundly beating Wall Street's projection, is more than Amazon has ever made in a single quarter.

Investors were relieved. Amazon's share price had surged 59% in the year before a 3% selloff Thursday on jitters stemming from Facebook's reminder of what awaits tech growth stocks that disappoint. Amazon's surging bottom line is also a nice change for investors accustomed to razor-thin margins. Its shares rose a little over 3% following the results, making up for the regular day's losses.

The sharp profit gains are the latest sign Amazon has a lot going its way right now. Earnings at the AWS cloud service surged 79% to a record \$1.6 billion.

Whole Foods Market played a strong part. Amazon reported \$4.3 billion in physical store sales mostly stemming from the high-end grocer it acquired last year. That is up 16% from what Whole Foods reported as a stand-alone company a year earlier.

Amazon typically has followed big jumps in profit with big investments in new projects, so investors shouldn't treat the latest results as a new normal. But the company's past outlays have produced the very services that are now paying off. That means Amazon is likely to stick to what works. It is hard to blame them.

—Dan Gallagher

# Caution Needed on Biogen Breakthrough

Investors looking to profit from a major breakthrough in Alzheimer's disease have more than just clinical data to worry about.

**Biogen** and its Japanese partner **Eisai** unveiled highly anticipated data for its Alzheimer's program Wednesday afternoon. Certain aspects of the data are highly encouraging, but some muddier ones helped Biogen shares close 10% lower on Thursday.

The selloff won't dim investor enthusiasm for the stock altogether. At about 13 times forward earnings, it trades at a discount to the broader market and, even after Thursday's selloff, the stock is still up 15% since Biogen first an-

nounced positive data July 5.

But investors hoping for a big score shouldn't forget that it might take years to know whether the promise of Biogen's research will turn into commercial success. After all, Alzheimer's disease is a notoriously difficult category littered with expensive failures.

That raises the issue of what Biogen's core business will look like by the time investors have their answer. Sales of Biogen's multiple sclerosis drugs, which account for the bulk of the company's total revenue, fell 6% from a year earlier in the second quarter. And competition in that therapeutic area is growing.

Swiss pharmaceuticals giant **Roche** reported strong sales for its rival drug Ocrevus on Thursday and said the drug is gaining market share. There are factors that will help cushion the blow. Biogen is entitled to royalty payments on Ocrevus sales and its multiple sclerosis drug sales fell only 2% in the second quarter when those royalties are included.

Still, Biogen's seemingly enticing valuation might create false comfort. If the larger parts of Biogen's business don't hold up in the near future, bidding the stock up on the recent Alzheimer's data will turn out to have been a big mistake.

—Charley Grant

### OVERHEARD

Sometimes it feels like tech stock investors have a license to print money. One actually does.

Like other central banks, the Swiss National Bank can create currency out of thin air and hasn't been shy about it in recent years. The SNB is unique though because individual investors can buy shares in this magical money machine. Thursday was a bad day for them.

In an effort to hold down the value of the Swiss franc, the SNB has been buying lots of assets outside the country and had been going cuckoo for U.S. stocks.

Unfortunately for its shareholders, mostly Swiss cantons, that included 7.87 million

shares of Facebook, which lost nearly a fifth of its value following quarterly results.

Don't feel too bad, though. The SNB's average cost was \$92.29 a share, according to FactSet, or a little over half of Facebook's diminished market price. Other top holdings include fellow tech giants Apple, Microsoft, Amazon and Google parent Alphabet.

While those stocks have been red-hot over the past couple of years, the SNB might have better served its shareholders by doing a share buyback instead. The total return on its stock over two years has been 415%—far better than any of those. That is something to yodel about.

—Dan Gallagher

Nancy Lieberman's home court in Queens  
MS



# MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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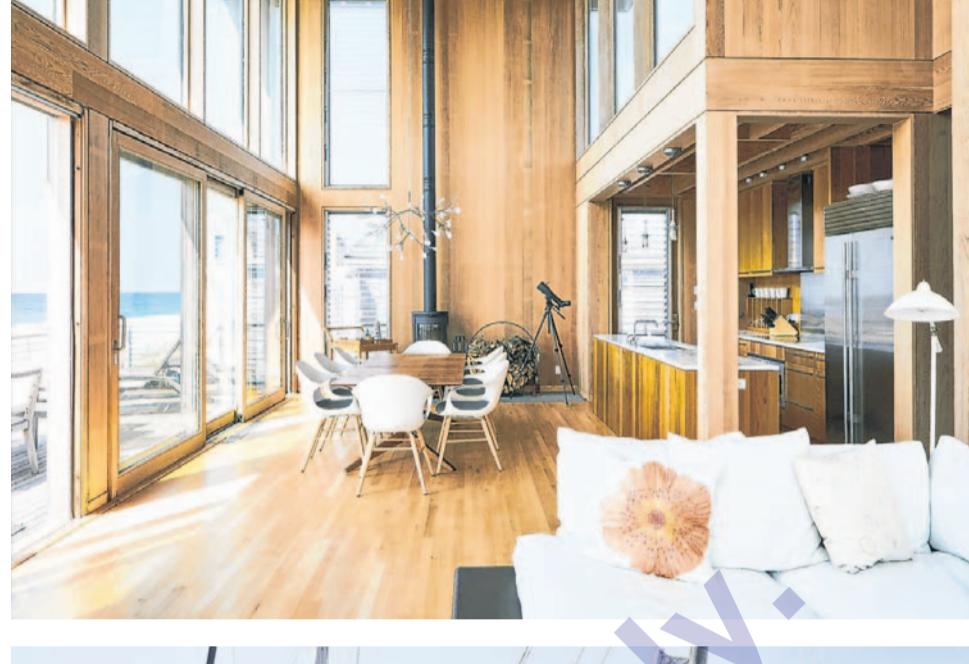
'When society requires to be rebuilt, there is no use in attempting to rebuild it on the old plan.'

—John Stuart Mill

Friday, July 27, 2018 | M1

## A Wave Hits Fire Island

In a rebuilding boom after superstorm Sandy, multimillion-dollar homes have replaced bungalows. But some locals fear growth could ruin their barefoot, Boho vibe.



**BEACH CHIC** With few stores or restaurants, Fire Island has a shoes-optional, Bohemian feel that has long drawn vacationing beach-lovers. Clockwise from top left: bicycles are the main mode of transport on the mostly car-free island; a beachfront contemporary-style home is up for sale for \$3.2 million; boats line the shore; beachgoers get ice cream in the Fair Harbor community.

BY CANDACE TAYLOR

**RISING ABOVE** the dunes on New York's Fire Island is a striking contemporary home on the market for \$3.2 million. With 20-foot-high ceilings, Calacatta marble countertops and a wall of glass providing an expansive view of the Atlantic Ocean, the house bears little resemblance to the single-story 1960s bungalow that underwent

extensive renovations several years ago.

It's one of a number of high-end homes that are replacing the tiny beach bungalows that have long dominated the island. "The houses have gotten really fancy," says Linda Cahill, founder of Barrier Beach Properties.

A wave of renovation and new construction is transforming this narrow barrier island about 60 miles from New York City, as modest cottages—often occupied in summers by hard-par-

tying "share house" renters—make way for grander homes. The shift has accelerated since superstorm Sandy hit the island in 2012, wiping out some of the traditional bungalows. Affluent buyers looking for beach getaways close to the city are snapping up properties for a fraction of what they'd pay in pricier enclaves like the Hamptons, undeterred by the storm risk.

The year-to-date median sale price on Fire

Please turn to page M12

## HAVE YOU LOST YOUR SENSES?

INSIDE

Residential flotation tanks help homeowners escape the sights and sounds of daily life; priced up to \$45,000, saltwater pods are taking the place of dining rooms and clothes closets in luxury homes.

BY ALINA DIZIK

**LAST YEAR**, Francie and Ali Nilforushan spent "hundreds of thousands" of dollars turning their formal dining room and a guest bedroom into a high-tech relaxation area in their ranch-style San Diego home. There's a hyperbaric oxygen-therapy chamber, an infrared sauna, a steam shower and therapeutic lighting. But the centerpiece is a 7-foot-tall sensory-deprivation tank.

Here they can spend 30 minutes to an hour floating in saltwater in complete silence and darkness to achieve a meditative state.

"If life is busy, this is the best hour you could spend," says Mr. Nilforushan, a 42-year-old former Olympic equestrian who now puts on horse events throughout the country. Mr. Nilforushan says he floats four times a week in his sensory-deprivation pod, beginning each session with meditative music that fades away after five minutes. Between sessions, the water is filtered and cleansed using ultraviolet light and hydrogen peroxide.



**ADRIFT** The float tank at Dancing Bear in Aspen, Colo., a residential club with 19 private units available for fractional ownership. Residents have access to two float pods, which are filled with water and salt to simulate weightlessness.

Homeowners looking to tune out the sights and sounds of daily life are in-

stalling futuristic float tanks that are touted to hasten muscle recovery, reduce

headaches and pain and even boost energy and creativity. Some of the newest options

cost \$20,000 to \$45,000 and feature star-effect lighting

Please turn to page M12



**DENNIS QUAID**  
Actor lists L.A. home for \$6.495 million M12



**WILD AND CRAZY**  
Real-estate agents' animal tales M12



**ROYAL RESIDENCE**  
A Portuguese palace asks \$14.6 million M12

## MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

## Dennis Quaid Lists L.A. Home



Actor Dennis Quaid is listing his Spanish-style Los Angeles home for \$6.495 million.

On Sunset Boulevard, the gated property is on a more than 16,000-square-foot lot. The 6,114-square-foot house has six bedrooms plus a large office, an en-suite playroom, a media room and large living room with leaded windows, beamed ceilings and a stone fireplace. Outside, there is a 10-car motor court, a large pool and spa, and a yard with mature fruit trees.

Mr. Quaid said he was pleasantly surprised by the bustling area. "I never thought of living on Sunset Boulevard before," he said. "It turned out I had more privacy

being on Sunset than anywhere else. You get inside the property and really don't hear the cars."

The home, which dates to the 1920s, was renovated by the previous owner. Mr. Quaid bought it for \$5.1 million in 2013, property records show. Before purchasing, he and his ex-wife Kimberly Quaid lived in the home for a year as tenants, he said.

Mr. Quaid, 64, said he is selling because he recently got divorced, but he remains on the west side of Los Angeles, where he is a

short drive from the beach. "I wouldn't live anywhere else," he said. "If you like the outdoors, this is where you want to be."

Mr. Quaid, who is known for his roles in films like "The Parent Trap" and "The Day After Tomorrow," is set to star in the action movie "Kin," alongside James Franco, later this year. He is also slated to play Ronald Reagan in a new film based on the life of the late president.

Chris Hicks of the Agency has the listing.



VIRTUALLYHERSTUDIOS

## COLORADO HOME INSPIRED BY 'WALDEN' ASKS \$29 MILLION

In the winter of 2005, Vanessa Kerzner and her husband, casino executive Butch Kerzner, donned snowshoes and trekked to the site in Colorado's Vail Valley where they would build their new home. "We looked out and he just said, 'This is it,'" Ms. Kerzner remembered.

Less than a year later, Mr. Kerzner died in a helicopter crash on a business trip in the Dominican Republic at age 42. Ms. Kerzner had to decide whether to continue with plans to build the home, the design of which had been inspired by her late-husband's favorite book, "Walden" by transcendentalist Henry David Thoreau. "He was traveling a lot and wanted a place to be very quiet and in touch with nature, out of the craziness of New York City life," she said.

Ms. Kerzner, 54, chose to go ahead, and the roughly 10,515-square-foot home was completed in 2009. Designed by the architect An-

## TINDER CO-FOUNDER SWIPES RIGHT ON HOLLYWOOD HILLS HOME

Sean Rad, a founder of the dating app Tinder, has purchased a home in L.A.'s Hollywood Hills for \$26.5 million, according to a person with knowledge of the deal.

The seller was real-estate mogul Kurt Rappaport, the founder of Westside Estate Agency.

Mr. Rappaport purchased the property for around \$5 million in 2014 from Mitzi Shore, founder of the iconic Comedy Store in Los Angeles who died in April. He completely remodeled it, according to a person familiar with the property, finishing work in 2017.

The modern, gated home measures about 10,425 square feet, with five bedrooms and 6½ baths. It has a 60-foot pool, a game room, a large outdoor dining area, a bar with a Comedy Store theme, a gym and a wine cellar.

The Doheny Drive home was not formally listed for sale and

closed in an off-market deal.

Mr. Rappaport recently purchased another home, a Wallace Neff-designed French Manor-style property in Brentwood, from former Viacom Chief Executive Frank Biondi Jr. for \$16.25 million, or 32% less than its original \$23.9 million asking price. He also recently sold a seven-bedroom Malibu, Calif., mansion to Canadian billionaire Daryl Katz for \$85 million, according to a person with knowledge of the transaction.

Mr. Rad, 32, co-founded Tinder in 2012, working as part of an incubator owned by IAC, which is the majority owner of the dating app. The app allows user to browse the dating profiles of prospective partners, then swipe right for "yes" and left for "no" to reflect their interest. Reached through a friend, Mr. Rad declined to comment.



FROM TOP: WILLIAM MACCULLUM; NATHAN CONGLETON/GETTY IMAGES

## Quogue Waterfront with Dock Permit in Place

\$5,795,000 - Resting on 5.2 landscaped acres with sweeping views of Penniman Creek and the ocean. With 7,000+/- SF of living space, this waterfront estate offers 6 bedrooms, 6 baths, 3 fireplaces and large eat-in kitchen with an open floor plan. A wrap-around porch is easily accessed from any room on the first floor, including the junior master, guest bedroom, study, double height living room, dining room, and kitchen. Outside, views of the ocean can be seen from second floor balconies; sounds of which can be heard throughout. This sprawling estate is rounded out with a heated gunite pool surrounded by pavers. Dock permits and plans are in place should one decide to build. WEB# 105165



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## MANSION

## LIVING HISTORY

# A Bachelor Pad With 40-Some Rooms

Once home to a poet and a king—and their American spouses—a waterfront palace near Lisbon is on the market for \$14.6 million. The family of its current resident has owned it since 1907

BY J. S. MARCUS

**A WAYWARD KING** and an eccentric poet were just two notable residents of Quinta do Relógio, a 17,300-square-foot Portuguese palace with landmark status and a prime waterfront location in Oeiras, about 10 miles west of Lisbon.

The property, which has been in the same family for more than a century, is now on the market for \$14.6 million.

The centerpiece of the home is a second-floor array of grand reception rooms, including one with 30-foot ceilings. The interior gallery and main staircase are flooded with natural light from an antique skylight.

Outside, a lush garden is presided over by a clock tower that predates the palace and gives the home its name: Estate of the Clock Tower. The home itself has landmark status, but a prime attraction is the elaborate garden, which includes a parasol-like dragon tree.

The seven-bedroom, three-story home on 1½ acres was built on a bluff above the Tagus River in 1860, under the direction of Giuseppe Cinatti, an Italian-born architect and set designer who made his career in Portugal. It was commissioned by Tomás Maria Bessone, a wealthy Lisbon entrepreneur who was made a viscount in 1870.

The current owners are António Edgardo Perez Quesada de Lancastre, great-grandson of the marquis who bought the estate, and his four siblings.

Mr. de Lancastre, an attorney in his mid-60s, is the sole resident. Although he has lived in the palace for much of his life, he isn't certain exactly how many rooms it has—"40, give or take," he says.

Quinta do Relógio was a bustling home during his childhood, with a staff of up to 14 looking after their family of seven, Mr. de Lancastre says. His father was an avid hunter and the family would rotate between their riverside estate and a hunting lodge in Portugal's Alentejo region, south of Lisbon. His father's hunting trophies still decorate the rooms.

These days, living in Quinta do Relógio is a job as well as a pleasure, Mr. de Lancastre says. With no central heating, he is forced to spend winters using electric radiators to warm up a few favored rooms. He has workmen in most days doing upkeep.

His family has owned the property since 1907, when it was ac-



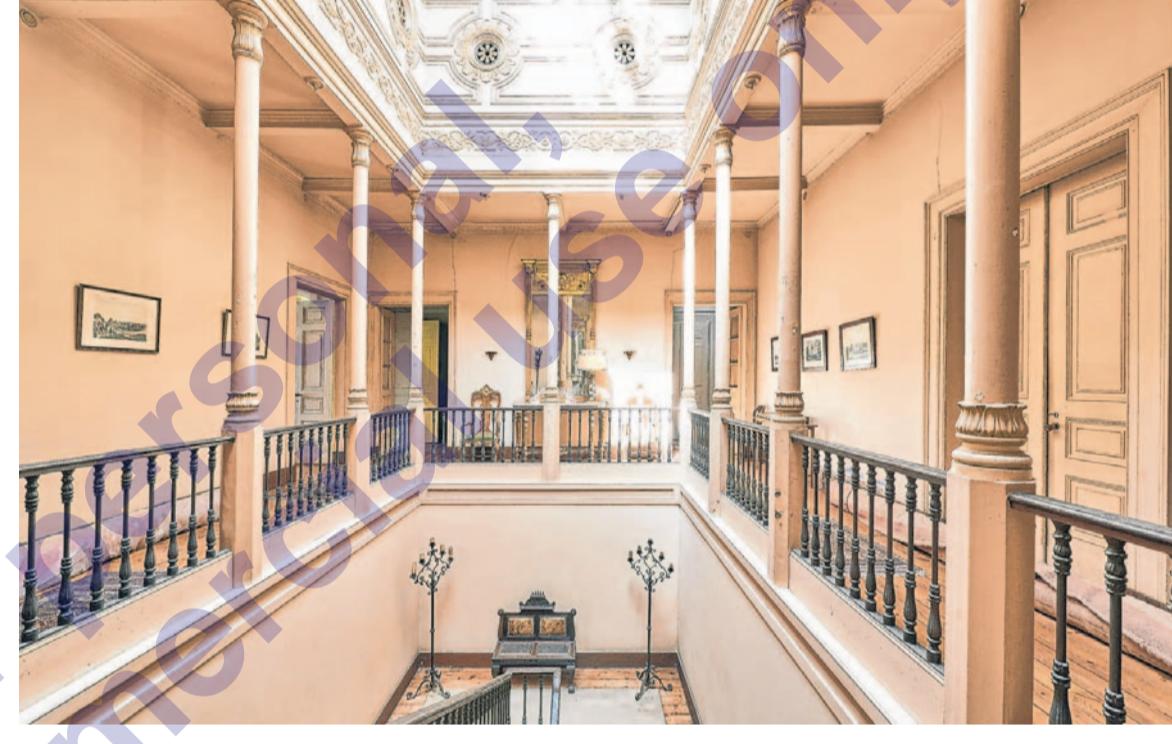
**QUINTA DO RELÓGIO** The 19th-century palace on the Tagus River outside of Lisbon, above, gets its name from its clock tower, right. Below, an upstairs gallery is brightened by a skylight; António Edgardo Perez Quesada de Lancastre, great-grandson of the marquis who bought the estate in 1907, is the sole resident of the home.



quired by António de Freitas, a Portuguese marquis who made a fortune processing cork.

The family traces its origins to King John I of Portugal (1357-1433) and his English wife, Philippa of Lancaster. The family crest adorns the skylight and an elaborately sketched family tree is on display on the ground floor.

The estate entered into literary history when it was the home of celebrated Spanish poet Carolina



**ROYAL RETREAT** A second-floor reception room, left, and the main entryway, right. The palace was once a retreat for a former Portuguese king, Ferdinand II, and his second wife, the Swiss-born American opera singer Elise Hensler.

Coronado, who lived there with her American husband, the New England-born diplomat, Horace Perry from 1873 to about 1890.

She had been a leader of Spain's Romantic movement, and the Quinta became a gathering place for Iberian artists and writers. Her husband installed a telescope in the clock tower and enjoyed sailing in the Tagus River estuary just

beyond the property.

But the writer "had a histrionic personality," says Noël Valis, a professor of Spanish literature at Yale, adding that she apparently suffered from catalepsy, a nervous condition that can mimic death.

The couple's Portuguese years were marked by financial problems, Prof. Valis says. They eventually had to sell and move to another Lisbon palace, where the poet's eccentricities increased.

Birds flew in and out of the rooms, says the professor, and for years the widowed poet kept her embalmed husband on view in a catafalque with a glass top.

Before the couple's time at the estate, another couple left a royal stamp on the Quinta.

In 1870 it was lent for a season to Portugal's former king Ferdinand II and his second wife, the Countess of Edla.

Ferdinand was born a German prince, but he became king after marrying Portugal's Queen Maria II. The Queen died in 1853 while giving birth to their 11th child. After serving as regent, Ferdinand was succeeded by the couple's son King Pedro V in 1855.

Ferdinand—a first cousin of the U.K.'s Queen Victoria and her own German husband, Prince Albert—was known as a liberal-minded sovereign with an artistic bent. He shocked European royalty and Por-

tuguese nobility in 1869 when he married a Swiss-born American opera singer named Elise Hensler.

"Of course, the marriage was a scandal," says Lisbon historian Margarida Magalhães Ramalho. "The countess was never invited to the Royal Palace for official celebrations."

The couple's social circle was largely limited "to some intellectuals, members of the diplomatic corps and foreigners living in Lisbon," she adds.

The pair laid low at the Quinta do Relógio. Mr. de Lancastre says that one of the second-floor reception rooms likely served as the king's bedroom.

The pair later went on to live in style at the Pena Palace in the Sintra Mountains above Lisbon—to-day, one of Portugal's leading tourist attractions.

Mr. de Lancastre says that after selling the family's historic home, he is looking forward to something "modern on the inside," although he wants to be in a historical neighborhood.

He is considering one of Lisbon's traditionally upscale neighborhoods, such as Lapa, known for its urban palaces, or an area around São Jorge Castle, which overlooks the city.

Paula Penim of Portugal Sotheby's International Realty is handling the sale of the home.



**LANDMARK** A sitting area with hunting trophies, top, and the prized dragon tree that dominates the garden, above.

## MANSION

HOUSE CALL | NANCY LIEBERMAN

# The 'Fire' Of Far Rockaway

How parental strife and Harlem friends turned a scared kid into a driven basketball champion

**My parents fought bitterly. One day, when I was 9, my mother threw a milk bottle at my father. It missed but shattered the window behind him. I ran out of the house.**

A half-block away at P.S. 104, my grade school in the Far Rockaway section of Queens, N.Y., I saw kids playing basketball in the school's park. It looked so cool. A ball rolled toward me, so I picked it up. I awkwardly dribbled and threw it at the lower 8-foot hoop for kids my age.

My first few attempts missed. Then I shot it underhanded. When the ball went through the rim, I felt unbelievable peace and joy. That was the first time I held a basketball.

I was born in Brooklyn, but I grew up in Far Rockaway. I don't recall sitting on a sofa between my parents to watch a movie or someone reading me a book or any birthday parties. I don't even have pictures of my father and me when I was little.

My father, Jerome, built the two-story house we lived in but never finished it. My parents rented out the upstairs.

We were one grandparent away from food stamps. Every day was survival. I'd keep my jacket by the front door so when the fighting started, I could take off. Sometimes I slept outside in the cold to avoid the tension. There, I'd hear my parents arguing about me, that there was something wrong with



me because I liked to play sports. They separated in late 1966.

My first sport was fastpitch stickball. We played in the schoolyard in front of a wall with a white box painted on it for the strike zone. I loved the feeling of my bat slamming into the pink rubber ball.

In my bedroom, I had hot-pink shag carpeting and a single bed. I had used furniture and nothing matched. At 10, I gathered as many bumper stickers I could find. I unpeeled them and made a hoop. Then I attached it to the wall and practiced with a Nerf ball.

When I began playing basketball in P.S. 104's park, I practically lived there. I was so aggressive on the court that I played with guys. Most were African-American. They talked about Rucker Park in Harlem, where many NBA stars got their start.

One evening, when I was 12, I traveled up to Rucker on the subway. I stuffed T-shirts into my jacket so I'd seem larger and would be left alone. When I showed up with my flaming red hair, someone said, "Little girl, do you know where you're at?"

I said, "Yeah, do you?"

He said, "Yeah, at Rucker. Are



FROM LEFT: NANCY LIEBERMAN; JONATHAN ZIZZO FOR THE WALL STREET JOURNAL (2)

you afraid?"

I said, "No, I just want to play basketball. Your name Rucker?"

He said, "No."

I said, "Great, then it's not your park."

The guys called me "Fire." I was a skinny little kid, but I was fearless, fast and scored a lot of points. Eventually some of them rode the subway back with me, to be sure I got home safe.

The first time we arrived home late, my mother, Renee, was furious. She asked where I was. I told her I was in Harlem at Rucker Park. Her eyes widened. Then she asked who the guys were outside. I said, "They're my friends. Now can you please feed them dinner?" She made spaghetti.

The guys loved that I was full of piss and vinegar. The ones who toughened me up in that park improved my game and changed my life.

When people asked my mom how I was doing, she'd say, "Oh, she scored a touchdown" or, "She hit a home run." She didn't take me seriously until 1976, when, at 17, I was on the first women's Olympic team in Montreal. She

**SURE SHOT**

Nancy Lieberman in the pool of her home near Dallas, above, and in the room in her home where she keeps her trophies and her memorabilia from other athletes, left. Far left, Ms. Lieberman in Queens in 1966.

watched us win a silver medal. Then she became my biggest fan.

In the fall of '76, I was the first woman to attend Old Dominion University on a full athletic scholarship. We won two AIAW Championships. In 1980, I left college to turn pro.

Today, I live near Dallas in a 4,500-square-foot Mediterranean-style house with Art Deco interior design. If you came in my front door and looked around, you'd think, "Oh, a business person must live here."

All of my trophies and sports memorabilia from star athletes are displayed in one room upstairs. I wanted my house to be a real

home for my son, T.J., not a shrine to me. T.J. plays professional basketball in Israel.

Now, when I walk my dogs, I take along my childhood stickball bat and swing it to stay loose. The bat also reminds me of when I was a kid and how my life could have turned out very differently.

—As told to Marc Myers

**Nancy Lieberman, 60, helped pioneer women's professional basketball as a player and coach, and is a member of the Basketball Hall of Fame. She is head coach of the Power in the men's BIG3 league and founder of Nancy Lieberman Charities.**

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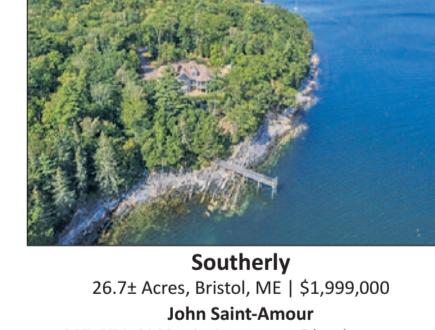


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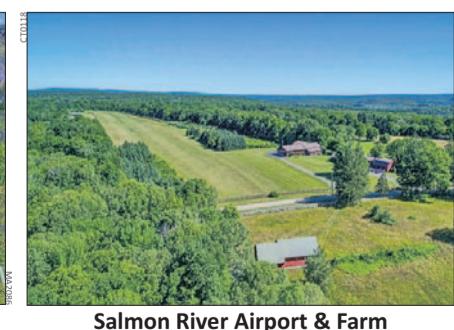


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## MANSION



**BEACHFRONT CONTEMPORARY** Kevin Lee transformed a 1960s bungalow into a modern beachfront home. Mr. Lee, head of the digital advertising firm Didit, was drawn to the island as a vacation spot with his wife and two children, pictured bottom right, because property prices were a relative bargain and few cars meant his kids could 'roam free.' The house is now on sale for \$3.2 million.



## Fire Island's New Wave

Continued from page M1

Island is \$807,125, up about 6% from \$760,000 in 2017 and 19% from \$677,500 in 2012, when Sandy struck, according to data from Fire Island Real Estate.

While the market paused immediately after the storm, "long term, Sandy actually drove prices up," said Abigail Medvin Mago, an agent at Fire Island Real Estate. "The inventory is getting nicer and the clientele coming is getting more and more upscale."

Sandy washed away or severely damaged dozens of homes on Fire Island, and flooded hundreds

more. Many residents who received insurance money for repairs also took the opportunity to make long-postponed upgrades. Others put their homes up for sale, enabling new buyers to demolish or renovate their houses. Roughly 40 homes were condemned to make way for a \$207 million dune and beach restoration project intended to help protect the island from future storms.

The storm "got rid of all the old junky houses," said real-estate broker Carin Roth of Fire Island Real Estate. "We got beautiful houses, because everything was rebuilt."

Only a few hundred feet wide in places and sandwiched between the ocean and the Great South Bay, the 32-mile-long island is mostly National Seashore. The 17 tiny residential communities on the island, with names like Kismet and Lonelyville, are mostly car-free, so visitors travel back and forth by

ferry. Bicycles are the primary mode of transportation, and the "roads" consist of wooden boardwalks emerging from the woods.

With few stores or restaurants, the island has a shoes-optional, Bohemian vibe that has long drawn vacationing beach-lovers. The island gained a reputation for its nightlife, especially in Fire Island Pines, a famed gay vacation destination for decades.

Fire Island home prices have never come close to rivaling those in the Hamptons, its fancier cousin to the east, where the average sales price in the first quarter of 2018 was nearly \$2 million, according to Miller Samuel Real Estate. That is now starting to change, as wealthy buyers turn to the island as a family destination. Architect Eric Schiller said he has a number of clients spending upward of \$3 million to buy, then tear down or overhaul, existing

houses.

The island's highest sale to date was a roughly 4-acre, bay-to-ocean property sold by the estate of Arthur Ortenberg, husband of the late fashion designer Liz Claiborne, which fetched \$5 million in 2016, said Ms. Cahill of Barrier Beach Properties.

"The demographics in Fire Island have changed enormously," she said. "You have to have a certain income."

Buyers must be deep-pocketed enough to handle flood insurance requirements.

New or significantly renovated homes on Fire Island must be elevated several feet above sea level, in accordance with Federal Emergency Management Agency standards. Older homes aren't required to be elevated, but flood insurance premiums are significantly higher for houses that aren't—often several thousand dollars a year, while

premiums for FEMA-compliant homes start at about \$600 annually, says Samuel Wood Jr. of Fire Island One Insurance Services Co. Elevating a home to meet FEMA standards costs about \$60,000 to \$150,000.

Kevin Lee, the current owner of the beachfront home on the market for \$3.2 million, said he was drawn to Fire Island in part because he could buy oceanfront property at a fraction of the cost in the Hamptons. After completing renovations a little over a year ago, the roughly 2,200-square-foot home now has Gaggenau appliances and motorized retractable awnings on the porch.

Mr. Lee, head of the digital advertising firm Didit, said he loves vacationing there with his wife and two children ("You can let your kids roam free," he said). But the family recently moved from Manhattan to Westchester, where



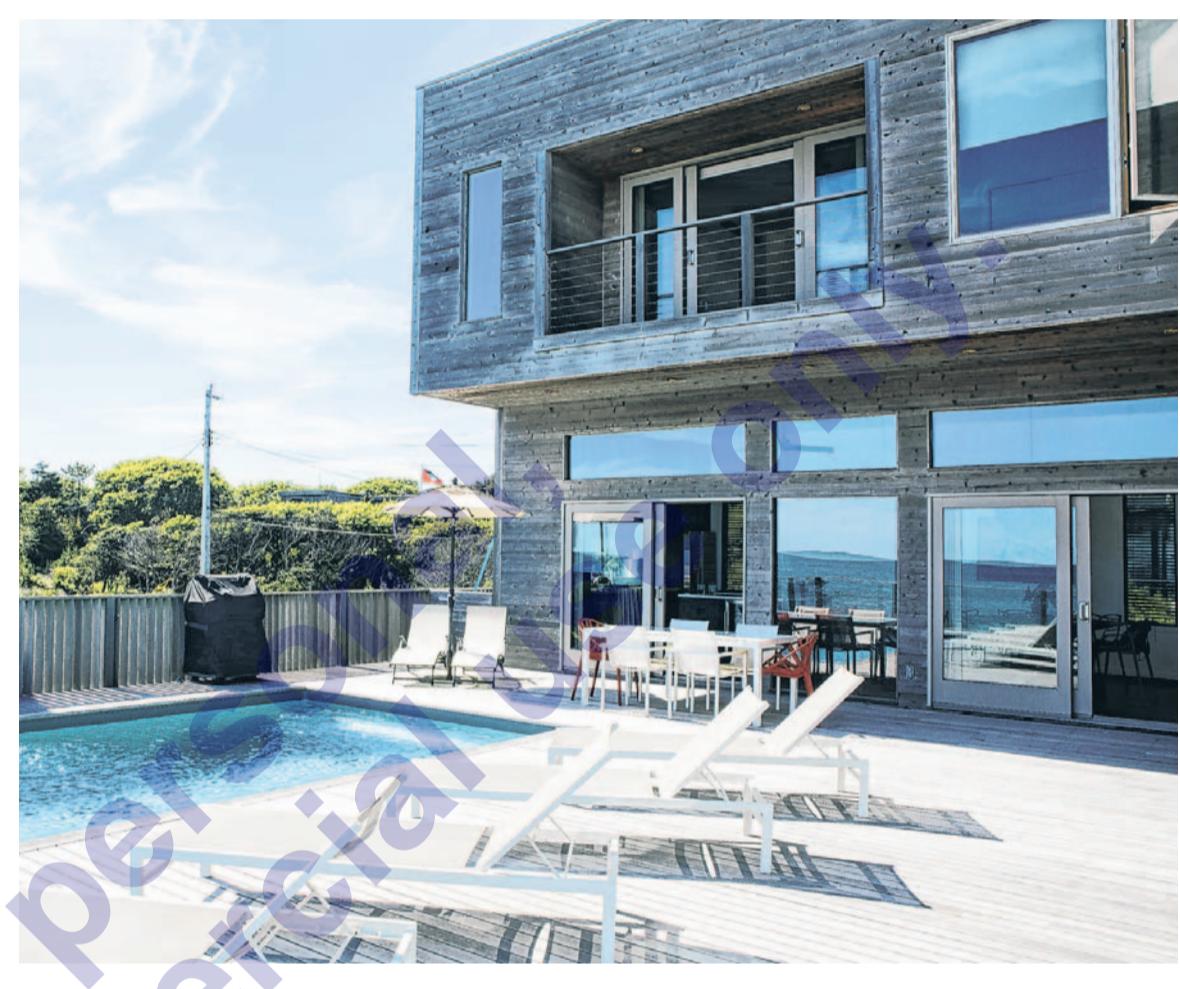
**SUMMER IN THE PINES** In 2013 Eli Milbaur bought this bayfront Fire Island Pines home, which had been owned by the same extended family since it was built in the 1960s, and renovated it. Now it's on the market for \$1.75 million.



## MANSION



**MODERN RETREAT** Donna Stefans visits Fire Island with her children, Amanda and Evan Haber, most summer weekends. She gutted a home she bought for \$610,000 in 2017.



**WATER VIEWS** Eli Milbaur, above on the right, redid an oceanfront house, creating a 'modern, open structure,' with three bedrooms facing the water plus a swimming pool and a deck, where he vacations with his partner, Ryan Cangello.

more of the kids' summer activities are based, so he is selling the Fire Island home. The \$3.2 million asking price makes it one of the most expensive homes for sale on the island.

Donna Stefans, an attorney and financial adviser who lives primarily in Dix Hills on Long Island, heads to Fire Island with her children, ages 10 and 12, nearly every weekend from May to November. "They ride their bikes all over the place," she said.

Ms. Stefans bought her three-bedroom home in Fire Island's Saltaire for \$610,000 in 2017. The home, built in 1964, needed to be totally gutted. She added a half-bathroom, took down walls to create an open floor plan, put in a new kitchen, and lifted the ceiling.

Like most Fire Island buyers, she is keenly aware of the hurricane risk, but it wasn't enough to deter her. Her house was already



raised 3 feet when she bought it and suffered "very little damage in Sandy," she said. Nonetheless, she said, "anytime I hear about a hurricane now I'm on high alert."

In 2013, Eli Milbaur spent \$1.1 million on a modernist home in

the Pines, which had been owned by the same extended family since it was built around 1964. He "fell in love" with the three-bedroom, two-bath house on the bay, but it needed extensive renovations. "It was well-kept but really dated," he

said. "It needed a lot of TLC to bring it into the 21st century."

After spending "a couple of very happy summers there," Mr. Milbaur had the opportunity to buy an oceanfront Pines home, which was "really falling apart." He renovated

the house, creating a "modern, open structure," with three bedrooms facing the ocean, plus a swimming pool and a large deck. After completing it, he and his partner moved in and put the bay-front house on the market. It is now asking \$1.75 million.

Not everyone is happy with all the new construction. The interior designer Malcolm James Kutner, a longtime denizen of the Pines, described some of the new homes there as "suburban monstrosities." Bemoaning the disappearance of Fire Island's traditional cottages, he likened the change to "suburban Long Island comes to the Pines."

Still, many Fire Islanders agree that while the homes are getting fancier, the laid-back vibe remains. "We still run around barefoot," said Doreen Ann Katen of D. Katen Fire Island Properties, "but we don't get as many splinters."



**SUMMER SURF** Only a few hundred feet wide in places and sandwiched between the ocean and the Great South Bay, New York's 32-mile-long Fire Island is mostly National Seashore.

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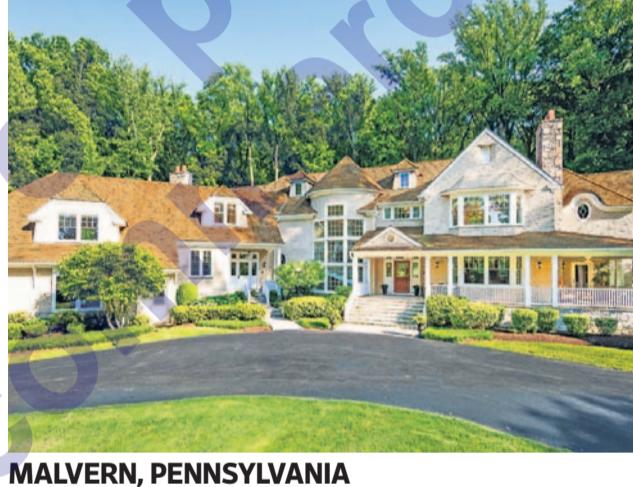
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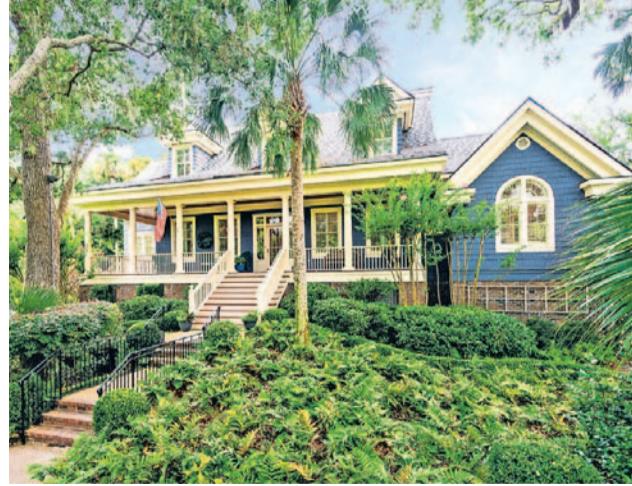
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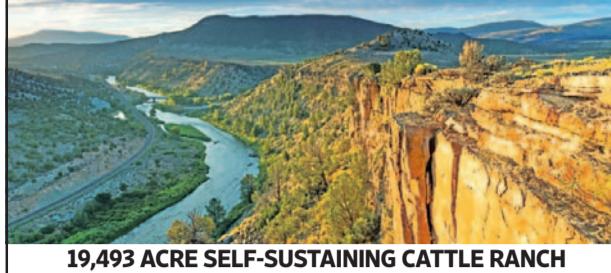
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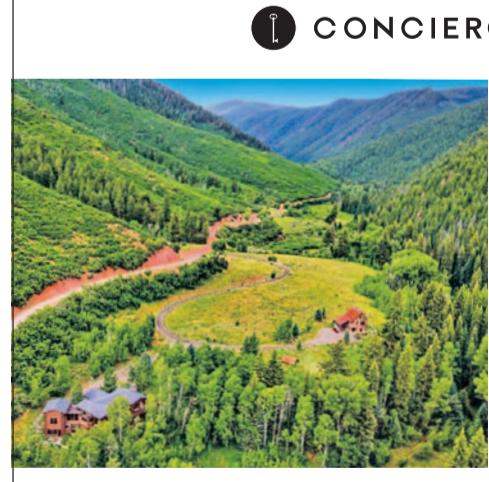
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## MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

# Mario Lemieux Lists Québec Castle

Pittsburgh Penguins owner and famed hockey player Mario Lemieux is listing his château-style home in Québec for almost \$22 million, according to his real-estate agent.

The exact asking price for the property is \$21,999,066, to reflect Mr. Lemieux's jersey number 66, said listing agent Michel Naud of Engel & Völkers.

The property, which is named Fleur de Lys, is on the flank of Canada's Mont Tremblant, a ski resort, and overlooks Lake Tremblant. The house is about 17,000 square feet with 50 rooms, Mr. Naud said. It has 17 fireplaces, a home theater, a pool and spa, a paddle tennis court, a gym, a wine cellar and a two-bedroom guesthouse. A large outdoor terrace overlooks the lake.

Mr. Lemieux and his wife, Nathalie,

purchased the land around 2007, and moved into the home in 2012, according to Mr. Naud. Mr. Lemieux's main residence is in Pittsburgh, the agent said. Mr. Lemieux wasn't available for comment.

Known as "Super Mario," Mr. Lemieux arrived in Pittsburgh in the mid-80s and eventually led the team to two Stanley Cup wins. He became an owner of the team in 1999.

Home sales in the Mont Tremblant area were up 39% year-to-year in the second quarter of 2018, according to data from the Québec Federation of Real Estate Boards. The median price of a home in the area was \$265,000.

▶ See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion). Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)



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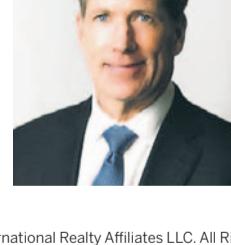
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## FROM MY PERSPECTIVE

### *When Disruption Doesn't Work*

**B**usiness disruptors rule — or so we've been told. And while disruption can pose threats, it can also provide opportunities.

We all know the stories of upstarts such as Lyft, Airbnb, Houzz and Bitcoin. Transportation, hospitality, retail, currency and more: There are disruptors operating in nearly every sector.

But just because there is calculated chaos in any given arena doesn't mean the upstart is destined for success. Legacy organizations have outwitted disruptive rivals regularly, with new products, new services and new business models of their own. There are numerous success stories of companies that defended their turf and even grew in the process.

Remember when MP3 downloads were giving the music industry fits? Steve Jobs connected the technology to his computers via something he dubbed iTunes, throwing a lifeline to the music business and making tidy profits for Apple in the process.

Nestlé designed its Nespresso machines to make quality coffee at home — going directly after Starbucks — and has sold billions of capsules of coffee worldwide.

Another example? Walmart versus Amazon. If you thought the brick-and-mortar behemoth would roll over for the online giant, think again. It is currently matching Amazon blow-by-blow — the latest battle is over home delivery — in a fight that's far from over. The "clash of the retail giants," CNBC calls it. Stay tuned.

This we do know: A slow, non-aggressive approach to disruption can end in disaster. Traditional railroads all but gave up when airlines and highways took their passenger-transport business, rather than giving customers compelling reasons and features to stay on the trains. (Today's high-speed rail is another story, entirely. Airlines fear the rise of those — and even lobby against them.)

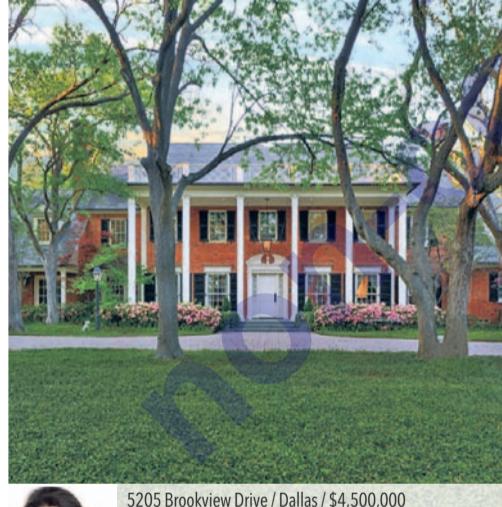
Netflix, Redbox and video-on-demand played roles in Blockbuster's demise. The fact that the popular movie store didn't explore rentals-by-mail or streaming until too late in the game proved to be its death knell.

Clearly, there is no right way to respond to every disruption — and it doesn't spell disaster in every situation. Imagine a disruptor is coming for your business. That's a good way to think — every day.



  
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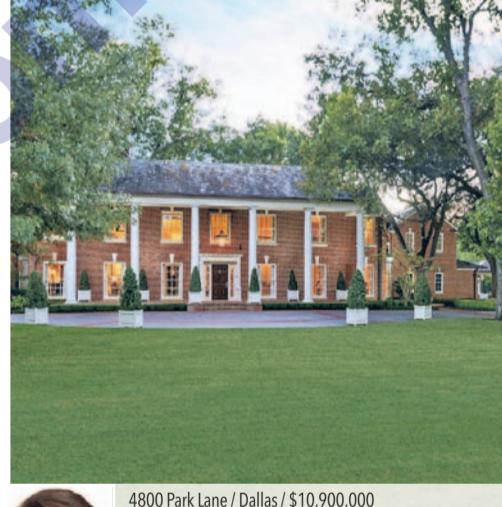
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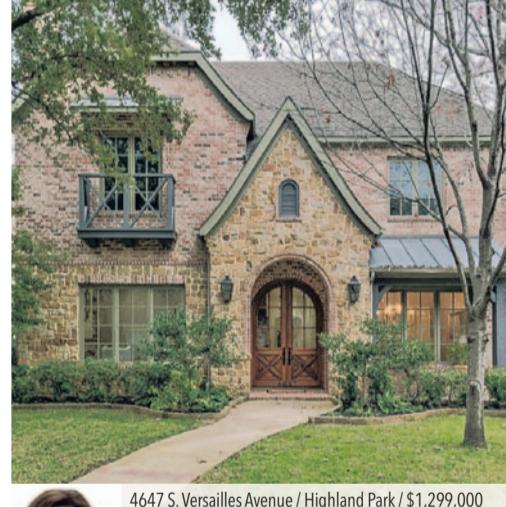
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## MANSION

IN THE TRENCHES

## Close Encounters With Critters

Agents recall wild turkeys that crashed a home showing and a stare-down with a startled moose



DIETER BRAUN

## Q: Have you ever encountered wild animals on the job?

**Sue Cohn Darmon, real-estate agent at William Pitt Sotheby's International Realty in Essex, Conn.**

"I was doing an open house in Old Saybrook when all of a sudden two wild turkeys showed up. Big ones; I don't think I've ever seen them this size. They were scary. They were right in the walkway leading to the front door. I didn't

know what to do. There are people coming, there are people trying to leave—nobody could go anywhere. One of the guys took a stick and started to shoo them away. But these wild turkeys, they spread their wings, they make this noise and they kind of lunge toward you. I said, 'All right, I can't just stand here.' So I went outside. I was making loud noises and clapping trying to get them to move. They scuttled away to the neighbor's, but literally the minute I turned around to go back in, they started chasing me. Here I am embarrass-

ing myself in front of all these potential buyers." The house eventually sold, "but the person who bought it didn't come from that open house."

**Tim Murphy, ranch broker at Hall & Hall in Bozeman, Mont.**

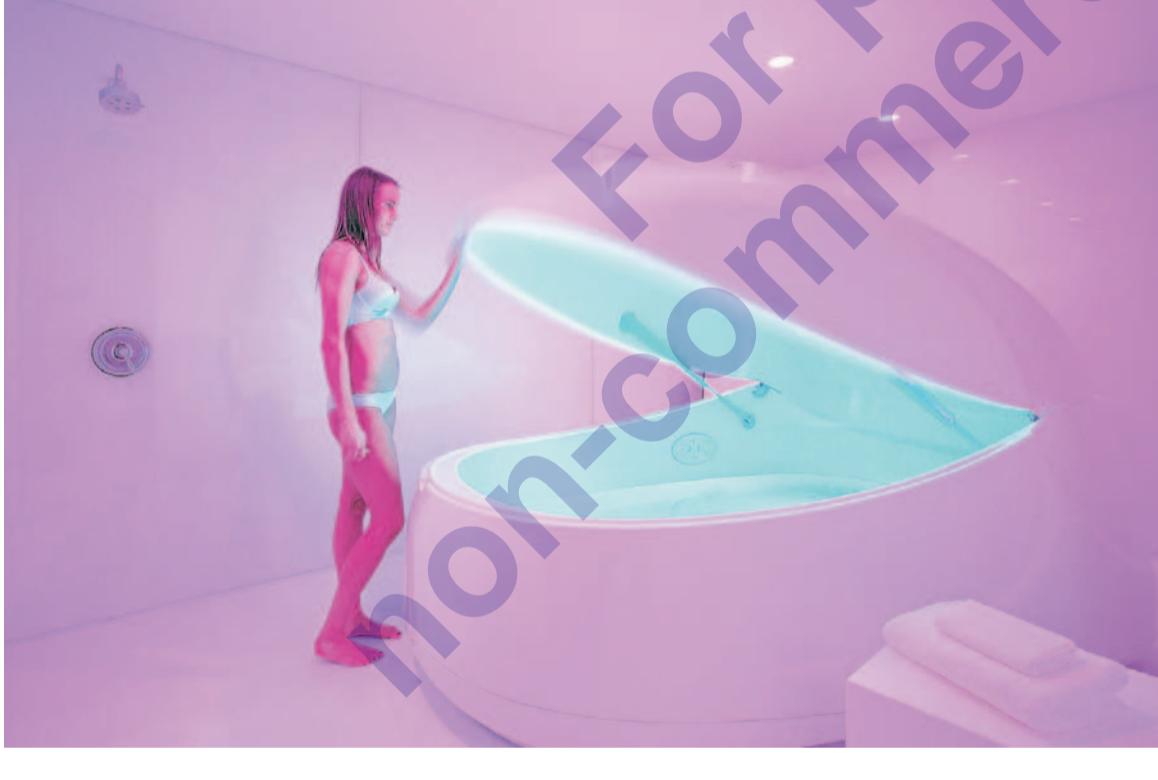
"When I show property to folks, I feel a level of responsibility for their safety. And in areas where there's an abundance of grizzly bears, I pack a pistol along with bear spray, just in case. But more dangerous than bears are moose. They're very aggressive when

they've got a calf. They'll hook you, stomp you, get on their hind legs and windmill-kick you. One started coming at me. I was taking photos [for a listing] on a ranch road. She came around a corner with a calf. We both froze and looked at each other from 30, 40 yards away. I got out my bear spray and started to back up. She came at me and I sprayed her. She turned around and ran with her calf.

"I've had a phobia of rattlesnakes since I was a kid... The Dana Ranch, which we sold a couple of

years ago, has a lot of rattlesnakes on it, and the grass is waist-high so you can't even see the dang things. We had two vehicles with clients and we pull up, everybody's getting out. One of the clients steps out and jumps back into the truck. He almost stepped on a rattlesnake. I could see the grass moving toward me as the snake bolted off. I screamed like a little girl and jumped back in my truck... Anything bigger than a night crawler gives me the heebie-jeebies."

—Edited from interviews by Candace Taylor



**TANKS A LOT** Superior Float Tanks sells the Evolution Float Pod, left and above, for between \$26,000 and \$30,000. Below, Francie and Ali Nilforushan's \$40,000 Zero Gravity Float Room, background, in the spa room of their San Diego home.

imal: "It looks like a dolphin."

Other float aficionados are taking a more budget-savvy approach. This summer, musician Hal Walker installed a used commercial tank made by Samadhi in a large closet behind the master bathroom in his Kent, Ohio, home. Mr. Walker, who is 52, paid \$7,000 for the tank, which retails for around \$14,000, and spent another \$5,000 on installation and upgrades, including a more heat-efficient window. "It's worth it."

Homeowners who don't want the hassle of buying and installing a flotation tank can find them in some luxury developments. The Quincy, a high-end apartment building in downtown Denver, will have two float pods available to residents later this year. Monthly rents at the Quincy range from \$1,600 for a studio to \$10,000 for a penthouse.

In Aspen, Colo., Dancing Bear, a residential club with 19 private units available for fractional ownership, residents have access to two float pods, which were added to the spa after the second building was completed in 2016.

Pamela Ross, the development's director of real estate, says the amenity is an attention getter: "I'm always like, 'No, it's not a spaceship,'" she says.



SUPERIOR FLOAT TANKS (2); MICHAL CZERWONKA FOR THE WALL STREET JOURNAL (BOTTOM)

## How to Lose Your Senses

Continued from page M1  
and underwater sound for meditation.

The Nilforushans purchased their \$40,000 Zero Gravity Float Room from Kevin Johnson, an Austin, Texas-based float-spa manufacturer. Their unit features a door instead of a lid because some clients dislike feeling like they're trapped inside a tank, says Mr. Johnson, who adds that he is working to install four more units in homes this year.

The residential market is still in its infancy, with most sensory-deprivation tanks offered commercially. In 2017 there were 193 centers, up from 170 the previous year, according to data from Float Tank Solutions, a consulting firm and float center in Portland, Ore.

But some manufacturers hope the market for residential versions will take off as more people include home spas in their design plans. Consumers spent \$42.5 billion on bathroom remodels last year, which includes spa areas, up from \$38.5 billion in 2016, according to data from the National Kitchen and Bath

Association.

At Superior Float Tanks in Norfolk, Va., residential units make up 5% of sales, says owner James Ramsey, who started manufacturing tanks four years ago. The \$30,000 egg-shaped Revolution Float Orb is the most popular residential option, he notes.

Installation of the stand-alone unit requires an electrical outlet. A water line and drain make setup and use more convenient. The water, which is about a foot deep, is heated and mixed with about 1,000 pounds of Epsom salt to enable floating. "After three to four minutes, the skin temperature and water temperature will sync up," says Mr. Ramsey.

Saltwater is filtered and can be normally reused for one or two years, he adds.

Even mainstream tub manufacturers are tapping in. Toto USA, based in Atlanta, now offers a Floatation Tub for \$18,800. The unit looks like a traditional, free-standing bathtub but is designed to simulate weightlessness with massaging water jets and an adjustable headrest. It's meant "to put you in to a meditative state," says Bill Strang, the company's president of operations and e-commerce for Toto USA.

Float tanks attract an interna-

tional jet set, says Floataway co-founder Gini Stanwell-Smith, based in Norwich, England. The company has sold residential units to more than a dozen countries. The company offers 11 models ranging from \$15,000 to \$47,000. Buyers can choose from shallow rectangular

pools to an oversize "float-around" pool that accommodates two people. Floataway's Tranquility pod with a remote-controlled door and underwater sound is the most popular residential option, says Ms. Stanwell-Smith. She says users note the pod's likeness to a sea an-