

THE WALL STREET JOURNAL.

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What's News

Business & Finance

The Justice Department is trying to undo AT&T's purchase of Time Warner, appealing the ruling that struck down the government's antitrust challenge. **A1**

◆ **U.S. inflation** hit its highest rate in more than six years, with consumer prices eating away at modest wage gains by American workers. **A1**

◆ **Powell said** a strong economy should keep the Fed's rate plans on track and it was premature to judge how trade actions might alter them. **A2**

◆ **Delta said** it will increase fares and add fewer flights than planned, as airlines face a surge in fuel prices. **B1**

◆ **Walmart is talking** to Capital One about taking over its store credit card, potentially shutting out Synchrony as the retailer's sole issuer. **B1**

◆ **The SEC is investigating** whether Facebook adequately warned investors about lapses involving third-party access to users' data. **B1**

◆ **U.S. stocks rose**, led by surging technology shares. The Nasdaq closed at a record and the Dow gained 224.44 points to 24924.89. **B1**

◆ **Activist investors** are launching campaigns to pressure companies at a record pace, even as stock prices make big strides. **B1**

◆ **The U.K. government** said it won't oppose a bid by Fox to consolidate ownership of Sky, as the company battles it out with Comcast. **B3**

◆ **J&J was ordered** by a jury to pay \$4.7 billion to 22 women and their families who blamed cancer cases on asbestos in its baby powder. **B3**

World-Wide

◆ **Trump jolted** U.S. allies with fresh demands to boost military spending swiftly, prompting some NATO members to worry that his critical approach was undermining the alliance. **A1**

◆ **The president warned** the U.K.'s May that the Brexit plan her government outlined Thursday could "kill" chances for a bilateral trade deal with the U.S. **A5**

◆ **An FBI agent** whose anti-Trump text messages drew fire told Congress he never permitted his biases to affect his official actions, a claim GOP lawmakers derided. **A4**

◆ **Trump administration** officials said they had re-united all eligible migrant children younger than 5 years old with their families. **A3**

◆ **China is easing** its drive to keep a lid on debt growth as it faces a softening domestic economy and rising trade tensions with the U.S. **A7**

◆ **The U.S. asked** a U.N. panel to ban oil-product sales to North Korea for the rest of 2018, calling out China and Russia over their exports. **A7**

◆ **Commerce's Ross agreed** to sell all his equity investments after acknowledging that he failed to divest some holdings as required. **A3**

◆ **Corporations taking** advantage of new, lower tax rates reduced their payments to the federal government last month. **A4**

◆ **Astronomers** for the first time traced a burst of powerful cosmic particles called neutrinos to a galaxy-destroying black hole. **A3**

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FBI Agent, Lawmakers Clash at House Hearing



FBI Agent Peter Strzok

'We don't want to read text message after text message dripping with bias against one of the two presidential candidates.'

Rep. Bob Goodlatte (R., Va.), House Judiciary Committee chairman

JIM LO SCALZO/EPA/SHUTTERSTOCK, EVAN VUCCI/ASSOCIATED PRESS

STERN REVIEW: Peter Strzok, the FBI agent whose anti-Trump text messages prompted criticism over his handling of two politically charged investigations, testified before Congress on Thursday. **A4**

Surging Prices Chip Away At Wage Gains by Workers

By PAUL KIERNAN

WASHINGTON—U.S. inflation hit its highest rate in more than six years, with consumer prices eating away at modest wage gains by American workers and underscoring questions about how much they are benefiting from an economy that by many other measures is booming.

The consumer-price index, which gauges what Americans

pay for everything from veterinarian services to baby clothes, rose a seasonally adjusted 0.1% in June from the prior month, the Labor Department said Thursday. Excluding volatile food and energy components, so-called core prices increased 0.2%. Economists surveyed by The Wall Street Journal had expected a 0.2% uptick from May for both the overall index and core inflation.

Prices rose 2.9% in June from a year earlier, the fastest pace since February 2012. Core inflation ticked up to 2.3% over the past 12 months, the highest rate since January 2017.

In June, for a second month Please turn to page A2

◆ Fed chief sees rate increases on track..... A2

◆ Heard on the Street: Inflation puts U.S. firms in bind..... B12

Chateau Margaux for Seat 2A: Emirates Rewrites Airline Rules

Carrier bets profit margin from first-class tickets beats discount travelers

By ROBERT WALL AND NICOLAS PARASIE

DUBAI—In a world buzzing with budget carriers, Emirates Airline is flying in the opposite direction.

Other full-service airlines have tried in recent years to match the prices and passenger growth of discount carriers, which now fly almost everywhere. Emirates is doubling down on a very different strategy.

It has revved up the glitz by pouring billions of dollars into its fleet of planes, in-flight entertainment, wine lists and seats in order to hold on to a relatively small but fiercely loyal group of the world's biggest-spending travelers.

In November, Emirates rolled out private suites on its newest Boeing 777 jets—three of the 40-square-foot single-seat cabins fit across

the width of the airliner. It has upgraded its fleet of chauffeured cars that whisk upmarket fliers to and from the airport, replacing Volvos with BMWs equipped with Wi-Fi hot spots. It spent \$6.7 million building a lavish lounge at Boston's Logan airport, part of a global makeover that included upgrades for lounges in Singapore and Bangkok.

Last year, Emirates spent \$56 million on its collection of fine French wines alone. It has splashed out \$780 million on the stuff since 2006 and owns its own wine cellars in France. On a recent flight, cabin crew poured a \$566 bottle of 1998 Chateau Margaux for its first-class passengers. On some routes, the airline regularly offers the exclusive Hennessy Paradis Imperial cognac, which retails for more than \$1,000 a bot-

Please turn to page A9

Netflix Rolls Over HBO in Emmy Nominations



BRAGGING RIGHTS: Netflix scored 112 Emmy nominations Thursday, more than any other television network and breaking HBO's streak. The Netflix nominees included 'Stranger Things,' above. **A12**

It's Finders Keepers, Losers Weepers on Venmo

* * *

Users can transfer cash accidentally. 'Swindler, return my money'

By TELIS DEMOS

Anthony MacDonald was perplexed when \$16 and a hamburger emoji showed up in his Venmo account from Zach Brown. The name didn't ring a bell.

More money followed: a \$35 payment, then \$19. Another \$15 arrived with a mysterious message: "Meatbal

shop without gada."

That's when the 27-year-old, who works in youth ministry at a church in Delaware, decided he should stop taking Mr. Brown's lunch money.

With the rise of money-transfer apps such as PayPal Holdings Inc.'s Venmo, it's never been easier for people to send money to their friends. It's also never been easier to

accidentally send money to a total stranger.

Getting the money back is often far more difficult: Many digital payments are irreversible.

For the recipient, it's the equivalent of finding cash on the sidewalk—except it comes with a moral quandary.

At first, Mr. Brown's errant

Please turn to page A9

U.S. NEWS

Fed Chief Sees Rate Increases on Track

By NICK TIMIRAO

Federal Reserve Chairman Jerome Powell said a strong economy should allow the central bank to keep raising interest rates gradually and it was premature to judge how recent trade policy actions could alter those plans.

Mr. Powell spoke in an interview on the radio program Marketplace, which is broadcast nationally. He is scheduled to testify on Capitol Hill next week in semiannual congressional hearings.

"I sleep pretty well on the economy right now," Mr. Powell said. "If it

ell said in the interview, according to a transcript posted online Thursday.

Mr. Powell pointed to considerable uncertainty around the range of possible economic effects of recent trade measures and how they might influence the Fed's plans for raising short-term interest rates. "We don't know. It's very hard to sit here today and say which way that's going," he said.

If the Trump administration is successful over time in lowering trade tariffs, "then that'll be a good thing for our economy," Mr. Powell said. "If it

works out other ways, so that we wind up having high tariffs on a lot of products...and that they become sustained for a long period of time, then yes, that could be a negative for our economy."

In his most direct comments on the issue to date, Mr. Powell highlighted a worse-case scenario, of sorts, for the Fed. "You can imagine situations which would be very challenging, where inflation is going up and the economy is weakening," he said.

The Trump administration on Tuesday announced a third round of tariffs on \$200 billion

of Chinese products, which could provoke new retaliation from Beijing. The administration has also imposed tariffs on imported steel and aluminum from the European Union, Canada and Mexico, leading those countries to set their own tariffs on U.S. exports.

Mr. Powell has largely refrained from commenting on trade policy because he has said it isn't part of the Fed's responsibilities. "When we don't make policy, we don't praise it; we don't criticize it," he said Thursday, explaining his hands-off approach.

Strong economic growth,

low unemployment and stable price pressures have made it easier for Fed officials to agree on a policy of gradually lifting rates to a level they consider neutral, meaning they will seek to neither spur nor slow growth.

The Fed's mandate from Congress is to maximize sustainable employment and ensure prices are stable, which the central bank defines as meeting a 2% inflation target.

The Fed is closer to meeting those goals than at any point in the past decade.

"We're really close to our target. I wouldn't say we've

fully achieved it yet," Mr. Powell said.

Fed chairs have traditionally done such on-the-record interviews only sparingly, and Thursday's appearance offers the latest example of Mr. Powell's desire to demystify what the central bank is doing and why. Mr. Powell, who began a four-year term as chairman in February, said last month he would double the frequency of his regular news conferences next year. He will take questions from the media after every meeting of the Fed's rate-setting committee, rather than at every other meeting.

Cape Canaveral Launch Towers Demolished in Florida



SPACE FOR REDEVELOPMENT: Launch Complex 17, used for military projects and weather and GPS satellites, was brought down Thursday in a controlled explosion. A private company, Moon Express, will use the site to develop a commercial lunar lander.

Inflation Erodes Pay Gains

Continued from Page One
in a row, annual inflation fully offset average hourly wage growth over the previous year. That left workers' real hourly earnings flat over the 12-month period despite falling unemployment and a strong economy even as workers made up for higher prices by clocking slightly more hours a week in June.

Production and nonsupervisory employees, a category that includes blue-collar workers, saw their real average hourly wages fall 0.2% in June from a year earlier after a similar slip in May.

"It's the boiling-frog metaphor," said Marc Hall, a 58-year-old writer and corporate-communications specialist at a software firm in Rockville, Md. "You notice it a little at a time, here and there, and then at the end of the year, you say, 'Yeah, things went up a lot, didn't they?'"

Mr. Hall said he received a 2% pay raise in the past year, but he senses his earnings haven't kept up with the cost of living, adding, "It's a net loss."

Economists estimate gross domestic product grew in the second quarter at one of the

fastest clips measured since the recession, while corporate tax cuts enacted at the end of 2017 likely fueled record earnings by publicly traded U.S. companies, analysts say.

"Wage growth remains surprisingly weak," said David Kelly, chief global strategist at J.P. Morgan Asset Management, in a note to clients this week. "The remarkable ability of firms to lure more workers back into the labor force and get stronger productivity gains from them without raising wages is a clear positive for profits."

The absence of real wage growth over the past year contrasts with the norm earlier in the expansion, when significantly lower inflation rates meant that even a modest raise afforded workers real wage gains. During most of 2015, real hourly wages rose 2% or more in annual terms while a collapse in commodity prices depressed inflation.

The year-over-year rise in prices last month was led by energy commodities on the heels of a sharp increase in oil prices earlier in the spring. Gasoline prices rose a seasonally adjusted 0.5% in June from May and 24% from a year earlier, the CPI report showed. Separate data from the U.S. Energy Information Administration showed the average price for a gallon of regular gasoline rose to \$2.89 last month, the highest price for June since 2014.

In a sign of how higher en-

Losing Ground

Inflation has caught up with wage growth in the past year, causing workers' real earnings to stagnate.

Change from a year earlier



*Seasonally adjusted, private-sector workers
Source: Labor Department

THE WALL STREET JOURNAL

ergy prices may ripple across other sectors in coming months, Delta Air Lines Inc. said it would raise fares and add fewer flights than planned. While the carrier posted record sales in the second quarter and increased its dividend by 15%, it also signaled that fuel costs are likely to weigh on profit for the rest of the year.

"With higher fuel prices you're going to expect to see ticket prices go up as well," said Chief Executive Ed Bastian in an earnings call.

Prices for other goods and services also increased.

Shelter and rent costs,

which account for about a

third of overall consumer spending, rose 0.1% in June from May and were up 3.4% from a year earlier. Prices for medical-care services rose 0.5% from May and 2.5% from June 2017. And food prices rose 0.2% last month from May, though the annual increase in this category was more muted at 1.4%.

For many economists, accelerating inflation suggests the economy is behaving more or less as it should after years of fitful expansion that has brought the jobless rate near its lowest levels since the 1960s.

A separate inflation measure favored by the Federal Reserve, the personal-consumption expenditures price index, showed consumer prices rose 2.3% in May from a year earlier, and core prices rose 2%. Fed officials seek 2% inflation because they think that pace is consistent with a healthy economy.

Firming inflation and low unemployment have bolstered Fed officials' case for gradually raising short-term interest rates to keep the economy from overheating. They have lifted rates twice this year and penciled in two more increases by year's end.

Economists said Thursday's data generally supported their view that inflationary pressures are gradually picking up.

But one important question, they say, is how far the Trump administration will take its escalating trade disputes with other countries.

The White House, which imposed tariffs on \$34 billion of Chinese exports of industrial goods like auto parts and electronic components, said this week it would assess 10% tariffs on an additional \$200 billion in Chinese consumer goods. The administration also has imposed tariffs on imported steel and aluminum from the European Union, Canada and Mexico, leading those countries to set their own tariffs on U.S. exports.

The impact of such tariffs, wouldn't be negligible, economists say.

Ian Shepherdson, chief economist at Pantheon Macroeconomics, said the Chinese goods subject to the newly proposed tariffs account for almost 6% of the core CPI, meaning that a 10% levy would lift the index by up to 0.6 percentage point.

—Alison Sider

contributed to this article.

The Fed has raised rates twice already in 2018.

Increasing confidence in the Fed's plans for tightening policy come as measures of price growth for both U.S. consumers and businesses rise at their fastest pace in years. A Labor Department report Thursday showed the consumer-price index rose 2.9% from a year earlier in June, the strongest growth since February 2012, and 2.3% when excluding volatile categories like energy and food. A separate gauge of U.S. business prices rose at the strongest pace since 2011.

Mounting expectations are already rippling through global markets. The U.S. dollar has jumped 0.8% against a basket of major peers over the past two trading sessions, reviving pressure on the currencies, stocks and bonds of emerging markets. U.S. stocks were also

rattled this week by White House plans announced Tuesday to impose tariffs on another \$200 billion in Chinese goods, though the S&P 500 rebounded 0.9% on Thursday.

"Trade wars are unambiguously going to lift inflation," said Torsten Slok, chief international economist at Deutsche Bank. "We already have inflation at the Fed's target. That is an incredible headache for the Fed."

The recent firming in inflation comes after a long period of tepid growth that had confounded investors and policy makers.

The Fed is tasked with keeping inflation stable, and some investors believe a "price shock" sparked by tariffs could lead the central bank to ramp up policy-tightening after following a slow-and-steady approach since 2015.

—Chelsey Dulaney

and Ben Eisen

U.S. WATCH

STORMY DANIELS

Charges Dropped After Arrest in Ohio

Columbus, Ohio, prosecutors dropped criminal charges against former adult-film star Stephanie Clifford, who was arrested hours earlier for allegedly touching three undercover police officers during a performance at a strip club.

Ms. Clifford, known professionally as Stormy Daniels, had been charged with three first-degree misdemeanor counts of violating a state law that prohibits exotic dancers from touching patrons who aren't family members. Each count carried a maximum sentence of six months in jail or a \$1,000 fine.

The deputy chief prosecutor for Columbus filed papers saying that his office lacked probable cause to proceed with the case.

Ms. Clifford, who was paid to keep quiet about an alleged sexual encounter with President Donald Trump in 2006, earlier this year launched a nationwide "Make America Horny Again" strip club tour.

—Joe Palazzolo

ECONOMY

Survey: Jobless Rate To Hit a 50-Year Low

Economists expect the low U.S. unemployment rate to go even lower over the next year, reaching levels not seen in a half-century.

Private-sector economic forecasters surveyed in recent days by The Wall Street Journal on average saw the jobless rate—4% in June after touching 3.8% in May—falling to 3.7% by the end of 2018 and 3.6% by mid-2019.

"Right now, the drivers for the labor market are for a lower unemployment rate," said Gus Faucher, chief economist at PNC Financial Services Group. "We will see a bit stronger demand because of tax cuts and federal spending increases this year and into 2019, so businesses will be hiring," he said.

May's 3.8% jobless rate was the lowest since April 2000, when the rate was also 3.8%.

—Ben Leubsdorf

Associated Press

CALIFORNIA

Thunderstorms Bring Flash-Flood Warning

Thunderstorms dumped heavy rain Thursday on mountain and desert areas of Southern California, unleashing flash flooding and debris flows that stranded vehicles and covered roadways, authorities said.

Numerous vehicles were stranded in Lucerne Valley because of a significant flow of water and debris on State Route 18, the San Bernardino County Fire Department tweeted. Mud and rocks closed Valley of the Falls Drive in San Bernardino National Forest.

Warnings for severe thunderstorm and flash flooding were in effect through the afternoon.

The storms followed a record-setting heat wave and shattered some rainfall records this week.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Sen. Heidi Heitkamp is a Democrat who represents North Dakota. A U.S. News article on Thursday about the timing of hearings for Judge Brett Kavanaugh's nomination for the Supreme Court incorrectly said South Dakota.

The U.S. and China levied tariffs on \$34 billion of each others' goods last Friday. A Markets graphic on Monday mapping damage from the trade battle incorrectly said

they imposed \$34 billion in tariffs on each other.

Two charts with a Markets article on Wednesday about trade showed emerging markets' exports of goods subject to tariffs in billions of dollars. The charts omitted the unit of measurement.

The Gallipoli campaign lasted from 1915 to 1916. The June 30 Historically Speaking column said only 1916.

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

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U.S. NEWS

Youngest Migrants Returned To Families

BY SADIE GURMAN
AND ARIAN CAMPO-FLORES

Trump administration officials said Thursday they had reunited all eligible migrant children younger than 5 years old with their families, two days after a court-imposed deadline, and were turning to the far more arduous task of reuniting hundreds more older minors who were separated from their parents while illegally crossing the border.

Of the 103 infants and toddlers in government care, the administration said it had identified just 57 who were eligible for reunions. Those children were returned to their relatives by early Thursday morning, the administration said.

Officials said 46 other children weren't immediately reunited because they were deemed ineligible. For 22 of them, the adults seeking to rejoin them posed safety concerns, including charges or convictions for child cruelty and domestic violence, according to officials. Seven of the cases involved adults found not to be a parent.

In other cases, officials were trying to contact parents who had been deported. Others were in federal or state custody. In one case, a parent's location has been unknown for more than a year, officials said.

"Each step of our process is necessary to protect children," said Chris Meekins, chief of staff at the Office of the Assistant Secretary for Preparedness and Response. "Eliminating any one of these steps will endanger children."

U.S. District Judge Dana Sabraw in San Diego had ordered the government to quickly reunite the youngest children with their families as part of a lawsuit brought by the American Civil Liberties Union.

Authorities will now move to reunite the more than 2,000 older minors who remain apart from their relatives, a process a judge has said must be completed by the end of the month.

—Melanie Grayce West contributed to this article.

Ross to Sell Investments, Cites Errors

BY DAVE MICHAELS

WASHINGTON -- Commerce Secretary Wilbur Ross agreed Thursday to sell all of his equity investments after acknowledging that he failed to sell some holdings as required by ethics agreements.

Mr. Ross said he made "inadvertent errors" due to a "complex" portfolio stemming from his long career as a private-equity investor. The government's top ethics watchdog, the Office of Government Ethics, had told him that the errors undermined public trust and that some transactions could have placed him "in a position to run afoul of the primary criminal conflict of interest law."

Mr. Ross, who sold his company to Invesco Ltd. in 2006, maintained Invesco stock that was worth between \$10 million and \$50 million when he sold it in December, despite indicating earlier that he would sell those shares, the ethics watchdog wrote. Mr. Ross wrote on ethics forms that his continued ownership of Invesco was a mistake. He thought he had sold all of his shares before becoming commerce secretary but hadn't.

The commerce secretary said he would divest himself of all of his stock holdings and invest the proceeds in U.S. Treasury bonds.

Mr. Ross also last year sold short the shares of at least two companies, Navigator Holdings Ltd. and Sun Bancorp Inc., according to ethics forms.

"My investments were complex and included hundreds of items," Mr. Ross said in a statement late Thursday. "I self-reported each error, and worked diligently with my department's ethics officials to make sure I avoided any conflicts of interest."

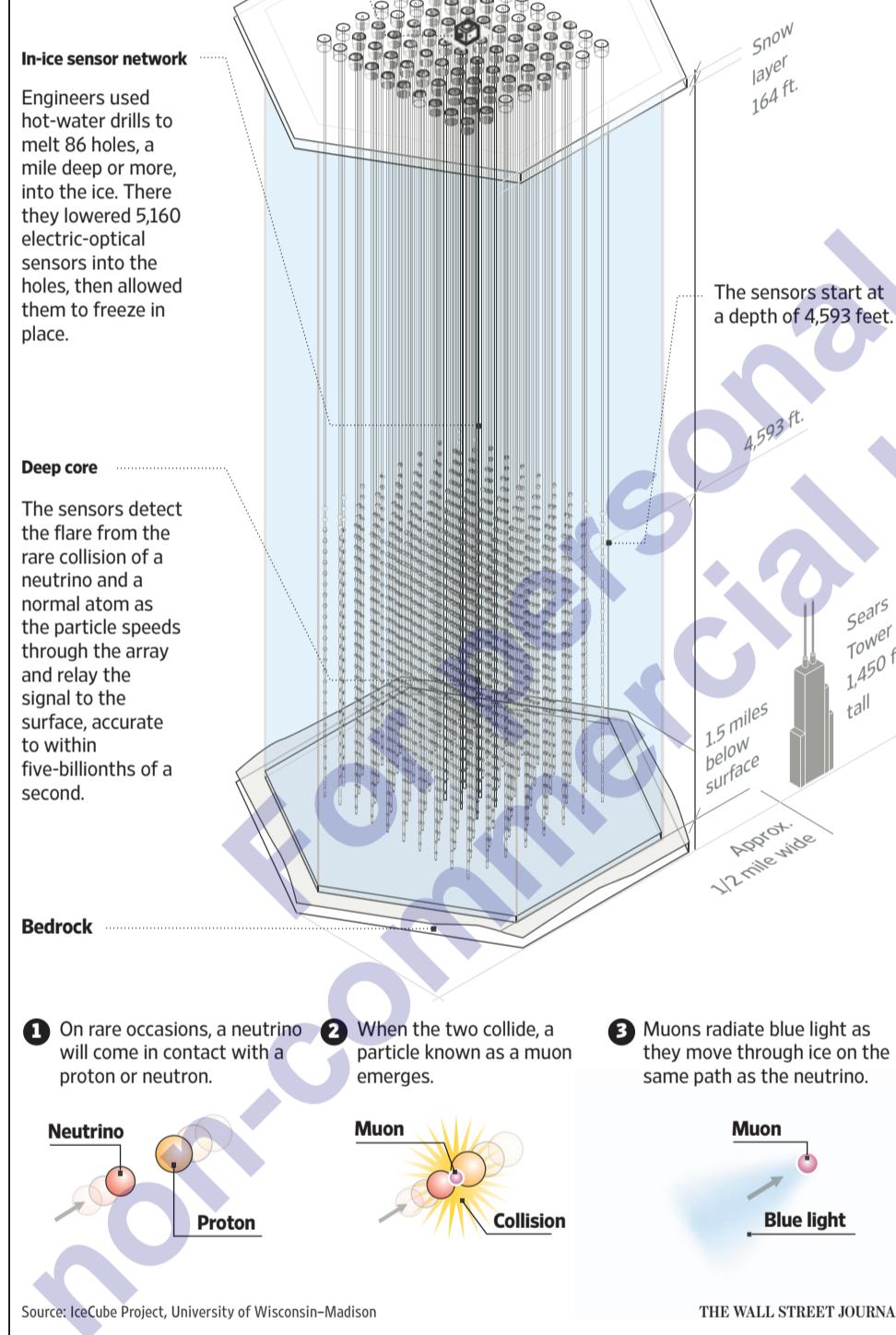


The IceCube Neutrino Observatory at the U.S. Amundsen-Scott South Pole Station is the largest astronomy project yet undertaken on the southernmost continent.

Ghost Particle's Birthplace Found

Ice-Fishing for Neutrinos

Under the ice of the South Pole, researchers constructed a \$274 million observatory to map the universe using neutrinos. These unusual subatomic particles are almost impossible to detect because they usually are unaffected by normal matter, radiation or gravity.



Source: IceCube Project, University of Wisconsin-Madison

By ROBERT LEE HOTZ

Astronomers for the first time traced a burst of powerful cosmic particles called neutrinos to a black hole firing like a ray gun aimed at Earth, by using an unusual observatory buried in a billion tons of ice under the South Pole.

The international research team said it believes the discovery, announced Thursday at the National Science Foundation in Washington, D.C., may pinpoint the first known source of high-energy cosmic rays, putting to rest a mystery that has bedeviled astrophysicists for decades.

Unaffected by normal matter, radiation or gravity, ghostly neutrinos are the most abundant, energetic and least-understood particles in the universe, hurtling through space rarely interacting with ordinary stuff. Always traveling in an inflexible straight line, though, they lead unerringly back to the point where they were created—a likely source of the high-energy cosmic rays that shower Earth, the scientists said.

Scientists are eager to learn all they can about cosmic rays because they produce cascades of subatomic particles, X-rays and other electromagnetic radiation when they hit Earth's atmosphere.

"This is one of the oldest problems in astronomy," said Francis Halzen, a physicist at the University of Wisconsin-Madison and lead scientist for the IceCube Neutrino Observatory in Antarctica. "By identifying the source of these neutrinos, we identified a source of cosmic rays."

By their reckoning, one of the most luminous objects in the known universe hurls these high-energy neutrinos toward Earth—a galaxy called a blazar located in the constellation Orion about four billion light years away. This cloud of stars is being devoured by a black hole—a maw with the mass of a million suns compressed into a space no larger than our own solar system, said physicist Kam-Biu Luk at the University

of California, Berkeley, who wasn't part of the project.

In its astrophysical agony, the blazar spits a jet of charged cosmic ray particles coupled with neutrinos a million times more energetic than any particle accelerator on Earth could produce.

The find caps almost 20 years of work by the IceCube Collaboration, comprising more than 300 astrophysicists and astronomers at 48 research centers in a dozen countries, led by scientists at the University of Wisconsin-Madison. Funded by the National Science Foundation, the \$274 million IceCube Observatory at the U.S. Amundsen-Scott South Pole Station is the largest astronomy project ever undertaken on the isolated southernmost continent.

Their initial discovery was confirmed by astronomers at 20 observatories. They spotted flares of gamma rays erupting

Astronomers traced elusive neutrinos to a black hole by using South Pole sensors.

at the same spot in space as the high-energy neutrinos. The astronomers and astrophysicists documented their work in a pair of research papers published in Science on Thursday.

It takes a strange observatory to spot a particle that normally shies away from normal matter. In the hunt, scientists have erected detectors in a South Dakota cavern a mile underground, at the bottom of Lake Baikal in Siberia, under a mountain in Japan, and on the floor of the Mediterranean Sea.

But the largest is the IceCube, created from a cubic kilometer of the purest and most transparent ice in the world. Frozen in place are more than 5,000 basketball-size optical sensors designed to catch a trace of a passing neutrino on the rare occasion one of them interacts with the ice.

New Guide Aims to Help Schools Assess Threats

BY DEL QUENTIN WILBER

The U.S. Secret Service released a step-by-step guide intended to help schools, communities and law-enforcement agencies better assess and respond to students exhibiting troubling behavior before they launch an attack.

The guide was produced by the Secret Service's National Threat Assessment Center, which researches targeted acts of violence and recommends how to address them.

Previous research by the center has shown that in more than 80% of such incidents a bystander had an indication the perpetrator was planning an attack. Secret Service officials said they hope the document released Thursday will assist schools in setting up systems to assess and help such students before they act.

The guidance comes as officials across the country are trying to find better ways to protect students in the wake of high-profile shootings on campuses, including the massacre at a high school in Parkland, Fla., in February that left 17 dead.

Although school safety is

generally the concern of the Education Department and other agencies, the Secret Service has expertise in assessing threats, leading it to produce the new guide, "Enhancing School Safety Using a Threat Assessment Model."

Among early indications of potential trouble are when students become noticeably depressed; start expressing feelings of alienation; or exhibit dramatic mood, appearance and behavior changes, said Lina Alathari, chief of the threat center.

"We want to identify individuals who might be exhibiting this concerning behavior, or are in distress, before they decide to use violence to solve their problems," Ms. Alathari said.

The guidance on school violence is a follow-up to one published in 2002 in conjunction with an in-depth study of school attacks and perpetrators.

The center is conducting another comprehensive inquiry into more recent acts of school violence. That study is expected to be published in March. Ms. Alathari said it was time to re-examine such incidents because so much has changed "in terms of social media and technology."

D.C. Council Weighs Repealing Pay Raise for Tipped Workers

BY MAYA SWEDLER

Washington, D.C.'s council is considering a repeal of a voter-approved initiative that would require businesses to increase pay for tipped workers.

Seven of the council's 13 members co-introduced a bill this week to repeal Initiative 77, which passed in June despite opposition from the restaurant and service industries.

The initiative raises the base minimum wage for tipped workers from \$3.89 to \$15 an hour by 2025 and eliminates the tip credit, which allows businesses to count workers' tips toward their wages.

Proponents hailed the measure as a necessary step toward preventing wage theft and reducing racial bias, while opponents said increasing labor costs would force businesses to limit hours or lay off employees.

Several council members, as well as District of Columbia Mayor Muriel Bowser, came out against the initiative before it was put to the vote. The council enters a two-month recess on Friday, so the

bill to repeal the initiative won't advance to a vote until September at the earliest.

The move has drawn criticism from people who accuse the council of subverting the democratic process. The Restaurant Opportunities Centers United, a national nonprofit that advocates for higher wages and benefits for restaurant workers, has said tipped

\$15
Wage for tipped workers set by an initiative passed by voters

workers in the District of Columbia are disproportionately people of color, who face significant economic uncertainty because of a reliance on tips.

"It would be deeply undemocratic for council to overturn the will of the people," said Diana Ramirez, a spokeswoman for the pro-initiative campaign One Fair Wage DC.

Co-sponsors defended the repeal. "I understand that the voters passed initiative 77, and I do not take this lightly. However, I believe that a policy shift of this magnitude requires deliberation that is more nuanced than a simple 'yes' or 'no' vote on a misleading initiative," council member Brandon Todd said in a statement posted on Twitter.

The council has previously, but infrequently, overturned ballot initiatives. It did so most recently in 2001, when the body unanimously voted to strike down a 1994 ballot measure imposing term limits on the city's mayor, council members and school-board members.

Currently, 21 states allow citizens to propose laws via initiatives. Of those, only California and Arizona require voter approval on any amendments or repeals of citizen-initiated statutes. Eleven states, plus the District of Columbia, have no such restrictions, so the legislature may amend or overturn citizen initiatives with simple majority or supermajority votes.

U.S. NEWS

FBI's Strzok Denies Bias Amid Clashes

By ARUNA VISWANATHA
AND DEL QUENTIN WILBER

WASHINGTON—An FBI agent whose anti-Trump text messages prompted sharp criticism over his handling of two politically charged investigations, told Congress he never permitted his views to affect his official actions, a claim GOP lawmakers derided.

Peter Strzok's testimony at a joint House committee hearing repeatedly devolved into partisan discord, with Republicans at one point threatening to hold him in contempt for refusing to answer some questions Mr. Strzok said the Federal Bureau of Investigation had told him not to answer. The FBI declined to comment.

"Let me be clear, unequivocally and under oath: Not once in my 26 years of defending my nation did my personal opinions impact any official action I took," Mr. Strzok said. He added that he understood why supporters of President Donald Trump would have concerns about the nature of his messages.

Mr. Strzok was the lead agent on the FBI probe into Hillary Clinton's use of a private email server as secretary of state. He later served as the lead agent in the early days of special counsel Robert Mueller's inquiry into Russian interference in the 2016 election. Mr. Mueller removed him from the probe a year ago, after the Justice Department inspector general uncovered Mr. Strzok's exchange of tens of thousands of text messages from 2015 through 2017 with a former FBI lawyer, Lisa Page, with whom he was having an affair.

"We want the FBI and DOJ to be off the front pages and to return to doing what they are best at—battling crime, terrorism and espionage," said Judiciary Committee Chairman Bob Goodlatte (R., Va.). "We don't want to read text message after text message dripping with bias against one of



The FBI's Peter Strzok, center, testified Thursday on Capitol Hill about texts he wrote during the 2016 campaign that were critical of then-candidate Donald Trump.

the two presidential candidates," he said.

Mr. Goodlatte added, "Imagine if you were under investigation and the investigator hated you, disparaged you in all manner of ways, and fraternized with another employee working on the case who also hated you."

Mr. Strzok noted that he criticized a variety of figures besides the Republican Mr. Trump—including his Democratic rival in the 2016 campaign, Mrs. Clinton—in the text messages. He saved his sharpest barbs for Mr. Trump, though, whom he referred to as an "idiot" and a "douche."

"Like many people, I had and expressed personal politi-

cal opinions during an extraordinary presidential election," Mr. Strzok said. "Many contained expressions of concern for the security of our country—opinions that were not always expressed in terms I am proud of."

Some of the agent's sharpest exchanges in the all-day hearing came with Rep. Trey Gowdy (R., S.C.), the chairman of the House Oversight and Government Reform Committee. The lawmaker pressed Mr. Strzok on several of the most controversial messages, including one in which he told Ms. Page, who was concerned about the prospect of a Trump presidency: "we'll stop it."

"I don't care when it was

written. I don't care whether it was longhand, cursive...I want to know what 'it' meant, Agent Strzok," Mr. Gowdy said.

In a report last month, the FBI's inspector general chastised Mr. Strzok for sending the messages and said it "cast a cloud" over the FBI and "sowed doubts" about its work. But it didn't find evidence that political bias affected the outcome of the Clinton probe, which concluded that no criminal charges were warranted.

Democrats sided with Mr. Strzok, noting that many mainstream Republicans expressed harsh opinions about Mr. Trump during the 2016 campaign, particularly after an

audio tape emerged with him boasting about groping women.

They asked Mr. Strzok why he was so concerned about Russia's efforts to interfere in the election. Mr. Strzok, a former counterintelligence agent, said he agreed Russia was a nefarious actor and meddling in the election was "a direct attack by a foreign adversary—and it is no less so simply because it was launched against our democratic process rather than against a military base."

Russia has denied meddling in the election, and Mr. Trump has denied that members of his campaign colluded with Russia.

Mr. Trump and his supporters have cited the texts as evidence of political bias in the FBI investigation into Mrs. Clinton's use of the private email server, as well as the bureau's probe of Russian interference in the election and whether there was any coordination between the Kremlin and the Trump campaign.

On Wednesday, Mr. Trump tweeted: "How can the Rigged Witch Hunt proceed when it was started, influenced and worked on, for an extended period of time, by former FBI Agent/Lover Peter Strzok? Read his hate filled and totally biased emails and the answer is clear!"

President's Lawyer Reshapes Courts

By PETER NICHOLAS
AND BRENT KENDALL

WASHINGTON—As Judge Brett Kavanaugh makes the rounds on Capitol Hill to meet senators, he is being shadowed by Donald McGahn, the White House lawyer who is reshaping some of the most influential courts across the country, including the Supreme Court.

The procession around the halls of Congress marks what may be a swan song for Mr. McGahn as White House counsel, a post he has held since the start of the Trump administration after serving as President Donald Trump's campaign counsel in the 2016 election.

Colleagues say they have expected Mr. McGahn to resign for months after a tumultuous first year of the administration. But Mr. McGahn, 50 years old, once told Steve Bannon, formerly White House chief strategist, that his aim was to get two justices confirmed to the Supreme Court, a person familiar with the matter said.

That is as many justices as Presidents Barack Obama and George W. Bush each installed in the span of their eight-year presidencies. Confirmation of Judge Kavanaugh would accomplish that goal, following last year's appointment of Justice Neil Gorsuch.

Kellyanne Conway, counselor to the president, keeps in her West Wing office a photo of various senior White House officials, including herself and Mr. McGahn, being sworn-in in late



White House counsel Donald McGahn visits the Senate to build support for Judge Brett Kavanaugh.

January 2017. Most of the people in the photo are gone.

"When he comes into my office with that somber look on his face, I say, 'Do you have a matter to discuss, or do you have an announcement?'" Ms. Conway said. "I always hope it is the former."

Mr. McGahn came from the law firm Jones Day, where he earned \$2.4 million as a partner. He also served on the Federal Election Commission for five years, having been nominated by Mr. Bush in 2008.

He embraces the view that judges should interpret the law by focusing closely on actual le-

gal text as it was written by Congress as opposed to the supposed purpose lawmakers had in mind—a hallmark of judicial conservatism.

Mr. Trump has at times complained about Mr. McGahn in conversations with aides and talked about replacing him, saying he doesn't like his legal advice, one person close to the White House said.

And Mr. McGahn, too, has mused about stepping down, after a year and a half in the crucible of the Russia investigation, the legal challenges to the travel-ban executive order and other White House controver-

sies, people familiar with the matter said.

Whatever their differences, Messrs. Trump and McGahn forged a partnership when it comes to shaping the judiciary. They have benefited from a partner in Senate Majority Leader Mitch McConnell of Kentucky.

Apart from the two Supreme Court picks, Mr. McGahn has influenced the nominations for the 12 regional U.S. appeals courts. Mr. Trump placed 12 judges on those influential courts in his first year—a record—and already has added an additional 10 appointees in 2018.

Corporate Tax Cut Hits U.S. Revenues

By BEN LEUBSDORF
AND RICHARD RUBIN

WASHINGTON—Corporations taking advantage of new, lower tax rates reduced their payments to the federal government last month.

The Treasury Department on Thursday said government receipts fell 7% in June compared with June 2017, including a 33% drop in gross corporate taxes. Individual withheld and payroll taxes were down 5% from June 2017, while non-withheld individual taxes rose by 7%.

Even though revenues fell,

the budget deficit narrowed

to \$74.86 billion in June,

compared with \$90.23 billion in June 2017, because of a 9%

drop in government outlays.

The spending decline largely

reflected some accounting

shifts and not actual spending

changes. For instance, the Education Department revised

estimates for the net costs of

past loans and loan guarantees,

according to a Congressional

Budget Office analysis.

More broadly, the federal

deficit is swelling as govern-

ment spending outpaces rev-

enues. The budget gap totaled

\$607.1 billion in the first nine

months of the 2018 fiscal

year, 16% larger than the

same point a year earlier.

So far in the current fiscal year,

which will end Sept. 30, total

spending rose 4% compared

with the year-earlier period

and total revenues rose 1%.

Many individuals and cor-

porations both had estimated-

tax payments due in June,

making the month an impor-

tant indicator of the revenue

effects of the new tax law.

The legislation, which re-

duced individual and corpo-

rate tax rates, was enacted in

December and mostly took ef-

fect Jan. 1.

Corporations, which re-

ceived a tax rate cut to 21%

from 35%, captured many of

the benefits quickly.

"One thing that's pretty

clear is 35 to 21," said Gordon

Gray, director of fiscal policy

at the conservative-leaning

American Action Forum. "And

that's going to be the big le-

ver in corporate tax pay-

ments, so we're seeing those come down."

Lower withholding from worker paychecks kicked in for many Americans in February, increasing their take-home pay and reducing what they send to the federal government.

For high-income individuals, especially business owners, paycheck withholding is less important than their periodic payments to the government. Estimated-tax payments from individuals typically come from so-called pass-through businesses.

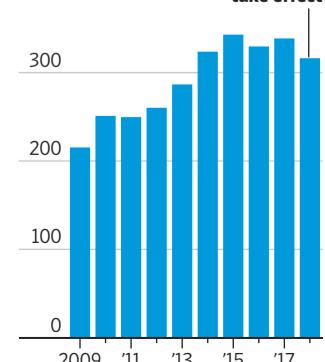
Those are partnerships, sole proprietorships, limited liability companies and S corporations, and their owners pay their business taxes through their individual tax returns.

The tax break for pass-through firms came in the form of a new 20% deduction, which is limited for businesses in certain service industries and for businesses that don't pay significant wages or have physical assets.

The Treasury Department hasn't yet released rules that would help taxpayers interpret that deduction, and many tax advisers have been urging their clients not to dramatically lower their estimated tax payments until they have more clarity on how the new break will work.

Less Collection

Total U.S. government receipts during June



Source: Treasury Department

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WASHINGTON WIRE

APPOINTMENT

Trump Has New Top Liaison to Congress

President Donald Trump named Shahira Knight as his top liaison to Capitol Hill as the White House pushes to confirm Supreme Court nominee Brett Kavanaugh before the midterm elections in November.

Ms. Knight had most recently been deputy director of the National Economic Council, and played a central role writing the president's tax plan, which was signed into law last year and remains the administration's top

legislative accomplishment.

Ms. Knight was set to leave the White House for the private sector. But White House chief of staff John Kelly reached out to her last month about taking the new job after Marc Short, the current legislative affairs director, said he planned to leave the post this summer.

Mr. Short's exit was hastened when the president deputized White House counsel Don McGahn, instead of Mr. Short, as the administration's point person on the confirmation of Judge Kavanaugh, White House officials said.

Mr. Short—who is leaving the

White House to join Guidepost Strategies consulting firm and will also be a senior fellow at the Miller Center for Public Affairs at the University of Virginia—didn't return a call seeking comment.

—Michael C. Bender

CAPITOL HILL

Tax Break for Fitness Costs Moves Ahead

Taxpayers would be able to claim new breaks for gym memberships, exercise classes and other fitness expenses under a bipartisan bill advanced Thursday in the House.

The bill would consider those costs as medical expenses for tax purposes, enabling people to use tax-advantaged health-savings accounts and flexible spending accounts to pay for them. The break would be capped at \$500 a year for individuals and \$1,000 for joint filers. It would reduce federal revenue by an estimated \$3.5 billion over a decade.

—Richard Rubin

"It's about a fundamental shift to our approach to health care, to focus on healthy living," Rep. Jason Smith (R., Mo.), said before the House Ways and Means Committee approved the bill 28-7.

—Richard Rubin

WORLD NEWS

Trump Warns May on Trade Deal

President says new plan on future ties to EU could 'kill' chances for U.S.-U.K. accord

By REBECCA BALLHAUS
AND JENNY GROSS

LONDON—President Donald Trump warned U.K. Prime Minister Theresa May that a plan her government released Thursday outlining its future economic relationship with the European Union, if implemented, could "kill" the nation's chances of striking a bilateral trade deal with the U.S.

The public rebuke of Mrs. May, published hours after Mr. Trump arrived in the U.K., marks a fresh blow to the British leader, already in turmoil over her approach to exiting the EU bloc in March.

"If they do a deal like that, we would be dealing with the European Union instead of dealing with the U.K., so it will probably kill the deal," Mr. Trump said in an interview with the U.K. paper the Sun, referring to the British government document. "If they do that, then their trade deal

with the U.S. will probably not be made."

In the Sun interview, Mr. Trump said the plan "will definitely affect trade with the United States, unfortunately in a negative way." The Sun and The Wall Street Journal are both owned by News Corp.

Mr. Trump said he recommended a different approach on Brexit to Mrs. May, but "she didn't agree, she didn't listen to me."

One of Mrs. May's key aims of the visit was to secure support from Mr. Trump for a trade deal, which would have given credibility to her plan and represented a major boost for the U.K. as it prepares to leave the EU. After the EU, where nearly half of British exports go, the U.S. is the U.K.'s biggest overseas market. Pro-Brexit lawmakers say the U.K. will prosper after Brexit by increasing trade with countries outside the EU.

In the interview, Mr. Trump jabbed at Mrs. May on multiple fronts. He said Boris Johnson, the former foreign secretary who resigned earlier this week, would "make a great prime minister."

Mr. Trump's comments are a fresh blow to Mrs. May and



Prime Minister Theresa May hosted a gala dinner at Blenheim Palace.

NIKLAS HALLE'N/AGENCE FRANCE PRESSE/GETTY IMAGES

likely to inflame intense criticism of the British leader from a powerful faction of pro-Brexit lawmakers, who have slammed her Brexit plans as too weak. Her premiership is hanging in balance after two senior ministers resigned from her cabinet this week over her proposals for Britain's future economic partnership with the EU, published in detail on Thursday.

The plan outlines an ambitious free-trade area between the U.K. and the EU after Brexit, effectively committing the U.K. to mirroring EU product regulations to preserve cross-border trade in goods, while seeking a freer hand on services—a move London acknowledged will inevitably mean less business for

trade in goods, while seeking a freer hand on services.

Mr. Trump also took a swipe at European immigration policy. "Allowing the immigration to take place in Europe is a shame," he said. "I think it changed the fabric of Europe and, unless you act very quickly, it's never going to be what it was—and I don't mean that in a positive way."

The president's comments came on the fourth day of what has so far been a contentious swing through Europe, where he clashed with North Atlantic Treaty Organization allies. His

public criticism of Mrs. May on his first evening in the U.K. indicated he plans to continue his aggressive approach.

Earlier in the day, Mr. Trump publicly questioned the British government's approach to Brexit. "The people voted to break it up, so I would imagine that's what they'll do. But maybe they're taking a little bit of a different route," he said at a news conference in Brussels. "So I don't know if that's what they voted for."

Mrs. May issued a sharp rebuttal to those remarks. "We have come to an agreement at the proposal we're putting to the European Union, which absolutely delivers on the Brexit people voted for," she said in a statement. "They voted for us to take back control of our money, our law and our borders and that's exactly what we will do."

The two leaders met Thursday evening at a gala dinner at Blenheim Palace. On Friday, they are set to hold talks and a joint news conference at Chequers, the prime minister's country house, before meeting Queen Elizabeth II at Windsor Castle.

A Downing Street spokeswoman said there was no response to the interview.

President Calls Putin Talks His 'Easiest'

By REBECCA BALLHAUS

BRUSSELS—President Donald Trump struck a conciliatory tone ahead of Monday's summit with Russian President Vladimir Putin, as he concluded testy NATO talks that left some U.S. allies concerned the alliance was projecting a message of discord to Moscow.

"Maybe we will get along with Russia," Mr. Trump said Thursday. "I think we probably will be able to."

Mr. Trump's remarks underscored the administration's willingness to turn the page on strained relations with Moscow, a stance that has allies worried over a possible erosion of Western powers' efforts to isolate Russia.

Describing Mr. Putin as a competitor rather than a foe, Mr. Trump said the meeting would be the "easiest" part of his trip to Europe, which in addition to meetings with North Atlantic Treaty Organization allies will include a meeting with Queen Elizabeth.

"Is he a friend? No, I don't know him well enough," he said. "But the couple times I've gotten to meet him, we've gotten along very well."

Mr. Trump's comments on his summit with Mr. Putin in Helsinki came after he joined other NATO leaders in signing a declaration focusing largely on the alliance's role as a defense against Russia's "aggressive actions," and also criticized Germany for its natural-gas imports from Russia.

In Washington, Mr. Trump's comments about the Russian president were quickly repudiated by lawmakers in both parties. "Putin is not America's friend, nor merely a competitor. Putin is America's enemy—not because we wish it so, but because he has chosen to be," Sen. John McCain (R., Ariz.) said in a statement. "It is up to President Trump to hold Putin accountable for his actions during the meeting in Helsinki."

In their joint declaration Wednesday, NATO leaders said while they "remain open to a periodic, focused and meaningful dialogue" with Russia, there could be "no return to 'business as usual' until there is a clear, constructive change in Russia's actions."

Mr. Trump said Thursday he and Mr. Putin would discuss Syria, where the U.S. president is seeking Moscow's help in scaling back Iran's military presence, as well as Ukraine.

—Paul Vieira contributed to this article.

U.K. Proposal Trims Bank Ties to Europe

By JASON DOUGLAS

LONDON—The British government published in detail the long-awaited plan for its future economic relationship with the European Union, including proposals that have disappointed the financial-services industry because they accept a major reduction in the sector's access to Europe.

The contents of the 98-page document have already torpedoed a fragile truce between warring factions in Prime Minister Theresa May's ruling Conservatives over how close the U.K.'s economic ties to the EU should be after the country's departure from the bloc in March. Two cabinet ministers resigned this week when details of the plan were finalized.

The government hopes the proposal will inject fresh momentum into Brexit talks with less than nine months to go until Britain's planned withdrawal. Yet Mrs. May now faces the twin challenges of steering her plan through Parliament and persuading a skeptical EU to sign up to it before the time for negotiations runs out.

The so-called white paper, published on Thursday, proposes an ambitious free-trade area between the U.K. and the EU after Brexit. It suggests



The British government hopes its new plan will bring fresh momentum to negotiations on Brexit. Above, construction workers replace panes of glass in the clock face of Big Ben.

customs arrangement," the proposal would allow the U.K. to set its own tariffs on goods while preserving cross-border supply chains with the EU, the paper said. That would allow the U.K. to negotiate its own bilateral free-trade accords.

The paper proposed a "common rulebook" for product standards and state aid rules, which critics say would effectively require the U.K. as the junior partner to follow EU rules.

It said the U.K. will seek to participate in European regulatory agencies including for chemicals, aviation and medicines, and pursue close cooperation in areas including cross-border energy supply and transportation.

The paper also touched on immigration, a touchstone issue for many Brexit supporters. The U.K. said it wants visa-free travel for tourists and business visitors and easy access for students. But it said total freedom of movement between the U.K. and other EU countries must come to an end.

Michel Barnier, the EU's chief Brexit negotiator, said in a message on his official Twitter account that Brussels would analyze the U.K.'s proposals and looks forward to fresh negotiations next week.

◆ Brexit plan is disappointment for U.S. banks B5

new institutional arrangements to oversee the partnership and resolve disputes, citing international precedents such as the North American Free Trade Agreement.

The paper effectively commits the U.K. to mirroring EU product regulations to preserve cross-border trade in goods, while seeking a freer hand on services—a move London acknowledged will inevitably mean less business for

sector rules. It acknowledged such an approach "means that the U.K. and the EU will not have current levels of access to each other's markets."

The proposals published Thursday detail a complex and untested customs arrangement in which the U.K. would collect one set of tariffs for goods entering Britain for sale in its own market and another set for products in transit to the EU.

Described as a "facilitated

clear," said NATO Secretary-General Jens Stoltenberg in closing remarks. "There's a new sense of urgency thanks to President Trump's strong leadership on spending."

Despite the pledges, there were no immediate tangible results.

Mr. Trump demanded on Wednesday that allies "immediately" spend 2% of their GDP on defense rather than meet that threshold by 2024 as planned. He also sought a 4% commitment from allies. NATO leaders thought the issue was resolved after Wednesday's communiqué confirmed earlier spending targets.

French and Italian leaders said on Thursday they would stick to existing spending plans.

"It's not realistic to believe that we will reach 2% next year," said Charles Michel, prime minister of Belgium.

Leaders pledged to redouble efforts to win backing for increased spending when they return to their capitals.

Mr. Trump's tone in tweets and meetings—described by Danish Prime Minister Lars Lokke Rasmussen as "bombastic"—has worn on many allied officials, who answer to constituents that in many cases hold Mr. Trump in low regard.

"Sometimes the sideline comments are taking on greater importance than the final declarations, even for the leaders," President Emmanuel Macron of France said.

Leaders avoided directly criticizing Mr. Trump. One recalled that last month he withdrew support for a Group of Seven communiqué in a tweet

sent from Air Force One after he departed.

"He has Wi-Fi on the plane, so we will have to see in the end," said Luxembourg Prime Minister Xavier Bettel on Thursday morning.

Given the acrimonious ending to the G-7, many participants feared on Wednesday more rancor after Mr. Trump at a breakfast meeting with Mr. Stoltenberg attacked European governments over spending and called Germany a "captive" of Russia because of natural-gas purchases.

"It seems that there's no sin-

gle conflict or even difference among us," he told the gathering.

"Enjoy this moment. And let it last also tomorrow and the day after tomorrow."

It didn't last. Early Thursday morning, Mr. Trump launched a string of tweets once again attacking European spending.

European leaders avoided hot-button issues, which bothered at least one attendee. European Council President Donald Tusk, a former Polish prime minister who has repeatedly criticized Mr. Trump's attitude to Europe, laced his dinner address with sarcasm.

"It seems that there's no sin-

citing various ways they contribute to NATO. Denmark's Mr. Rasmussen rejected measuring efforts only by spending, according to a person familiar with the discussions.

Danish casualties in Afghanistan are proportional to U.S. casualties there, Mr. Rasmussen told Mr. Trump, this person said.

"We can't look the families of those people in the eye if we look at NATO only in terms of money," Mr. Rasmussen said, according to the person.

Mr. Trump responded, "good point," the person said.

Trump Roils Allies In NATO

Continued from Page One

by Russia and other rivals. U.S. leaders have tried in vain for years to persuade allies to raise military spending.

But some officials warned that the public bluntness of Mr. Trump's critiques and hints that the U.S. could walk away if its demands aren't met have damaged trust within the 29-nation alliance and risk undermining its effectiveness as a deterrent force by raising doubts about Washington's commitment to its partners.

Many Europeans, wary of threats from Moscow, also are concerned about Mr. Trump's meeting with President Vladimir Putin of Russia on Monday in Finland. Mr. Trump has repeatedly spoken favorably of Mr. Putin and said on Thursday he is "a competitor," not an enemy. "Hopefully, some day, maybe he'll be a friend. It could happen," Mr. Trump said.

In the summit declaration, members committed to new measures to further strengthen the alliance and deter Russia—such as speeding the ability to move troops and equipment to Russia's neighbors—an initiative advocated by the U.S. Washington has already raised its own military spending commitment to Europe.

"All allies have heard

Trump's message loud and



Mr. Trump said at a news conference the U.S. was committed to NATO after participating in an alliance summit in Brussels on Thursday.

YVES HERMAN/REUTERS

THE WALL STREET JOURNAL.

GLOBAL FOOD FORUM

Explore key risks and opportunities
shaping the global business of food

SEPTEMBER 27, 2018 | NEW YORK, NY

On September 27, The Wall Street Journal will bring together leaders in agribusiness, food production, consumer products, economics and government to focus on how changing consumer tastes, new technology, global competition and other forces are transforming this critical sector of the economy. Join our Global Food Forum audience and leaders from the top companies in the sector. The organizations below are just a sampling of our 2016 and 2017 participants.

915 Labs | Accenture | AeroFarms | AgFirst Farm Credit Bank | AgriCapital | Agrivida | Agrocobán | AgroFresh | AgTech Accelerator | Ahold Delhaize | AIB International | Alantra | Algenol Biotech | Alico | American Farm Bureau Federation | AMERRA Capital Management | Analog Devices | Animal Agriculture Alliance | Anterra Capital | Apio | Applied Invention | Aqua Spark | Archer Daniels Midland | Arrell Food Institute at the University of Guelph | Arrowhead Beef | ASPIRE Beverage Company | Australia and New Zealand Banking Group | Australis Aquaculture | Bank of America | Barclays | Beaver Creek Ranch | Bellisio Foods | Berjé | Beyond Meat | Bimbo Bakeries USA | Biotechnology Innovation Organization | BiOWiSH Technologies | Blackland Capital Partners | BMO Harris Bank | Bojangles' Restaurants | Bunge | Calysta | Campbell Soup | Cargill | The Center for Food Integrity | Chew | Chobani | CHS | Clara Foods | Clear Creek Farm | Clear Labs | The Climate Corporation | Closed Loop Capital | CoBank | Conagra Brands | Corn Refiners Association | Country Partners Cooperative | Cultivating New Frontiers in Agriculture | Dairy Farmers of America | DBL Partners | Deloitte | Devault Foods | Dietz and Watson | District Ventures Capital | Diversigen | DLA Piper | DowDuPont | DuPont | Earthgreen Products | Edlong Dairy Technologies | eMeals | Environmental Defense Fund | The Equity | EY | fairlife | FamilyFarms Group | Farmers Pride | Farmland Partners | Farmstead | Federal Agricultural Mortgage Corporation | Federal Farm Credit Banks Funding Corporation | Feeding America | Finke Farms | Firmenich | Floratine Products Group | FMC | Food Future | Food Marketing Institute | Foster Farms | Foundation for Food and Agriculture Research | Freshly | FultonFishMarket.com | Gelson's Markets | General Mills | GEOSYS Intl | Givaudan Flavors | Glanbia | Golden State Foods | The Good Food Institute | Grain Craft | Griffith Foods | Grocery Manufacturers Association | Guckenheimer | The Hain Celestial Group | Hancock Agricultural Investment Group | HarvestPlus | The HAVI Group | HEB Grocery | Hershey | Highland Family Farms | Hormel Foods | The Humane Society of the U.S. | Illinois Farm Bureau | Ingredion | Innovation Center for U.S. Dairy | International Farming | International Food Information Council | J.S. Ferraro | KEEN Growth Capital | Ketchum | Kroger | Kuli Kuli | Lamb Weston | Land O'Frost | Land O'Lakes | Larsen & Toubro | LG Corporation | Local Roots Farms | Lopez Foods | Louis Dreyfus | LT Foods Americas | Mars | The Maschhoffs | McDonald's | McKinsey | Memphis Meats | Merck | Michigan Department of Agriculture | Mission Foods U.S. | Mitsui | Modern Meadow | Mosa Meat | Munchery | Mutima Capital | National Aquarium | National Association of State Departments of Agriculture | National Pork Board | Nestlé | Newman's Own | NGEN Partners | Nima | Nomura Securities | Noosa Yoghurt | North American Meat Institute | North Castle Partners | NSF International | Olam International | Orange County Produce | Oregon Farm Bureau | Paine Schwartz Partners | Panera Bread | PAR Technology | Peapod | Pennsylvania Department of Agriculture | PepsiCo | Perdue Farms | Peri & Sons Farm | Pete and Gerry's Organics | Phibro Animal Health | Pinnacle Foods | Piper Jaffray | PMMI | Quirch Foods Company | Rabobank | RBC Capital Markets | Ready Pac Foods | Reily Foods | Reiter Affiliated | ReposiTrak | Retail Ready Foods | S2G Ventures | Sample6 | Sapient Global Markets | Sargent Foods | Schwan's | Scoular | Sensient Technologies | Shanghai Farms | Siggi's Dairy | Simple Mills | Smithfield Foods | Social Capital | Soft Robotics | South Carolina Department of Agriculture | Southeastern Grain | Spoon University | Starbucks | Strassburger Steaks | Sun Capital Partners | Sustainable Insight Capital | Swander Pace Capital | Teays River Investments | Tecumseh Poultry | Thomas Foods Intl | Tilia Holdings | Trace Genomics | Trader Joe's | Tyson Foods | U.S. Bank | U.S. Department of Agriculture | U.S. Farmers & Ranchers Alliance | U.S. Food and Drug Administration | U.S. Trade Representative | Unilever | Valent BioSciences | Virox Technologies | Walmart | Waycrosse | Weber Shandwick | West Liberty Foods | White Oak Pastures | Wish Farms | World Economic Forum | The Yield Lab | Zoetis | Zume Pizza

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WORLD NEWS

Beijing's Bid to Control Debt Loses Steam

Trade fight with U.S. and slowing growth make keeping a lid on lending less of a priority

BY CHAO DENG
AND LINGLING WEI

BEIJING—China is letting up on its drive to keep a lid on debt growth as it faces a softening economy at home and escalating trade tensions with the U.S.

Senior Chinese leaders led by President Xi Jinping have been sending unmistakable signals that the campaign to rein in financial risk isn't the overriding priority it has been.

Financial regulators are delaying the release of rules to curtail risky lending by banks and other institutions out of concern that the regulations would choke off a source of funding and rattle financial markets already shaken by worries over trade and the economy, people familiar with the decision said.

In a turnaround, the State Council, China's cabinet, stopped hectoring city halls and townships to restrain spending and instead last week launched an inspection to urge them to speed up already approved investment projects to re-energize growth. The central government often uses inspections as a way to evaluate local officials and get top-level directives across.

An April meeting of the Politburo, the inner sanctum of power, offered an initial sign of the shift. Mr. Xi, who presided over the meeting, called for expanding domestic demand as authorities continued to contain financial risks. Such pro-growth emphasis had been absent in Politburo meetings since 2015.

China's economic growth has been on a controlled descent for most of this decade, propped up at times by shots



A trade fight with the U.S. brings new challenges for China's policy makers. Above, a woman hails a cab in Beijing's central business district.

of easy credit that have helped make debt a long-term threat for the world's second-largest economy. With growth above the government's 6.5% target, Mr. Xi has taken aim at debt and other financial risks the past two years to put the economy on sounder footing.

Now, that campaign is taking its toll. Signs are building that the economic expansion is losing steam—from weakening investment in factories to anemic household consumption and rising corporate defaults.

The trade fight with the U.S. puts growth further at risk, making Mr. Xi's initiative look unsustainable, government advisers said.

"There is a feeling that the

deleveraging campaign has gone a bit too far this year," said a government adviser, pointing to recent drops in total credit growth and anemic investments in factories, highways and other fixed assets. "Now we're going to see some policy adjustments."

The central bank in April began freeing up more funds for banks to make loans. The Chinese leadership is expected to further loosen China's fiscal and monetary stance at a meeting this month of the Politburo, government advisers and economists said.

"The deleveraging effort should be let up somewhat," said Sheng Songcheng, a senior adviser at the People's

Bank of China.

Shoring up growth to employ a huge workforce and meet expectations for rising standards of living is always a priority for China's leadership.

Trade conflict with the U.S. raises the stakes. Strong exports, especially those to the U.S. and other developed nations, have buoyed China's economy, but exports are expected to take a hit from the intensifying trade fight.

Debt levels, especially for companies and local governments, have soared since China unleashed a massive financial stimulus to ward off the 2008 financial crisis. Debt stood at 242% of economic activity at the end of 2017, according to

Macquarie Group. While analysts said the ratio isn't rising as in the past, they don't expect a decline soon. A less determined approach to tackling debt, some said, would allow risks to accumulate further.

"If China has an across-the-board loosening up again, borrowing by state-owned enterprises might get more relentless," said Zhu Chaoping, a market strategist at JP Morgan Asset Management.

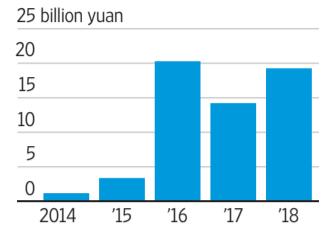
Defaults in the corporate bond market—a barometer of business conditions—ticked up before the first major round of trade tariffs hit this month.

Smaller banks have been feeling the stress. A rural bank in Guizhou province saw its bad

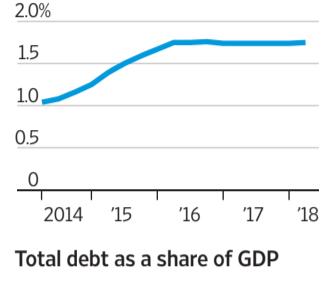
Lending Lag

China faces financial risks including borrowers struggling to repay loans and banks shouldering bad debt.

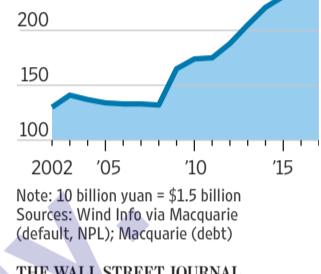
Corporate bond defaults, 1H



Banks' nonperforming loan ratio, quarterly



Total debt as a share of GDP



Note: 10 billion yuan = \$1.5 billion
Sources: Wind Info via Macquarie (default, NPL); Macquarie (debt)

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loans surge by fourfold to 20% after, acting on requests from regulators, it classified loans overdue for more than 90 days as nonperforming. Commercial banks' bad-debt ratio—currently less than 2% overall according to official data—would be much higher if regulators pressed banks harder to come clean, according to analysts.

◆ Chinese bonds march to a different drum..... B12

U.S. Calls Out China, Russia on North Korea Energy

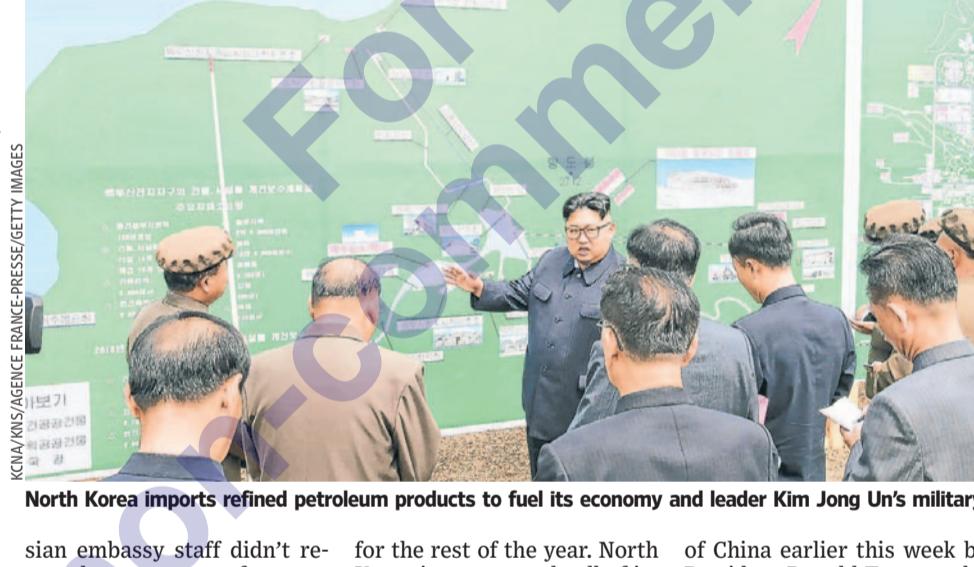
BY IAN TALLEY

WASHINGTON—The Trump administration asked a United Nations panel this week to ban oil-product sales to North Korea for the rest of the year, calling out China and Russia for exports Washington alleges have often been in violation of the international body's sanctions against Pyongyang, according to people familiar with the matter.

Chinese and Russian firms continue to help the pariah nation import oil products in excess of U.N.-mandated caps, including through previously sanctioned tankers, according to U.S. and U.N. officials and a declassified intelligence briefing prepared for the U.N.'s committee on North Korea sanctions and reviewed by The Wall Street Journal.

Those alleged efforts undermine the U.S. and U.N. campaign to persuade Pyongyang to give up its nuclear weapons program by relieving the sanctions pressure U.S. officials believe has helped bring the country to negotiate denuclearization with Washington.

A representative at the Chinese embassy in Washington said China faithfully fulfills its international obligations. "China always implements all DPRK-related resolutions adopted by the U.N. Security Council in a serious and strict manner," the person said. Rus-



North Korea imports refined petroleum products to fuel its economy and leader Kim Jong Un's military.

sian embassy staff didn't respond to a request for comment.

The U.S. petition for the U.N. sanctions panel to issue a special order for all U.N. member states, notably China and Russia, to immediately halt all transfers of refined petroleum products to North Korea will likely face pushback from Beijing and Moscow, the people familiar with the matter said.

If the U.N. panel that oversees the sanctions backs the U.S. petition and findings, the U.N. could ban member states from exporting refined petroleum products to the country

for the rest of the year. North Korea imports nearly all of its refined petroleum products to fuel its struggling economy and leader Kim Jong Un's military. A total ban, therefore, would cripple the economy and could dramatically escalate the internal pressure on Mr. Kim amid nuclear negotiations with the U.S.

But Washington's action stands a good chance of being mothballed, as anyone on the committee, whose membership reflects the composition of the U.N. Security Council, can block the effort.

The action follows criticism

of China earlier this week by President Donald Trump, who blamed China for undermining negotiations with North Korea a day after Secretary of State Mike Pompeo's visit to Pyongyang left talks uncertain.

Mr. Pompeo said his latest negotiations were productive. But an expansion of North Korean missile facilities and further development of a nuclear research site raised questions about Pyongyang's commitment to denuclearize.

The U.S. effort targeting oil products through the U.N. affirms in action Trump administration promises that it

Trump Releases Letter From Kim

President Donald Trump took the unusual step Thursday of releasing a letter he received last week from North Korean leader Kim Jong Un that hailed their summit in Singapore as the "start of a meaningful journey" and called for "practical actions" on both sides.

The letter illustrated Mr. Kim's apparent calculation that negotiations to denuclearize the Korean Peninsula can best be advanced by appealing directly to Mr. Trump rather than the U.S. president's subordinates, who are pressing North Korea

would continue to exert financial pressure on North Korea until it denuclearizes.

Since the talks started, Mr. Trump has held off on new sanctions against the country, saying he no longer wanted to call U.S. policy a "maximum pressure" campaign. Some U.S. analysts and policy makers feared the administration might ease the sanctions pressure as Pyongyang showed signs of cooperation—a policy change that has haunted past U.S. administrations after North Korea quickly returned to nuclear weapons development once it won concessions

from the U.S.

The U.S. earlier this year praised China for doing more than it ever had to enforce international sanctions that stemmed the flow of trade and money across its borders to its ally North Korea. But U.S. officials say China has relaxed its enforcement efforts of late.

Meanwhile, U.S. and U.N. officials have cited Russian firms and individuals for abetting North Korea, activities that those officials say are to some extent allowed by Moscow as part of continuing confrontation with the U.S. through proxies.

EU Cuts Growth Outlook for 2018

The European Union cut its 2018 eurozone growth forecast, as the bloc's nascent trade conflict with the U.S. and political upheavals within the EU threaten to derail the common-currency area's economic momentum.

Gross domestic product in the 19-member eurozone is set to grow 2.1% this year, the EU said in its quarterly report, cutting its 2.3% forecast from May. The rate is expected to ease to 2.0% in 2019, in line with previous expectations.

The downward revision highlights the fallout from mounting trade tensions between the EU and U.S.

—Emre Peker

GREECE

Germany Delays Final Bailout Payment

Germany held up the final bailout disbursement for Greece. Eurozone finance ministers approved the €15 billion (\$17.5 billion) aid payment at a meeting in Brussels, but Germany declined to sign off on the deal.

The setback came after Greek Prime Minister Alexis Tsipras said in late June he would postpone a value-added tax increase, scheduled for this summer, on five Aegean islands that have been hit by the migration crisis.

Germany said Greece should fill the €28 million budget hole with other spending cuts, mainly from its defense budget.

—Nektaria Stamouli

WORLD WATCH



INUNDATION: A big wave from Typhoon Maria strikes a gasoline station on the beach in east China's Zhejiang province.

EUROPEAN UNION

Governments Fail to Reach Migrants Deal

European governments failed to reach an agreement on redistributing migrants across the bloc, one of the thorniest issues facing the continent as a popular backlash against refugees gathers pace.

German Interior Minister Horst Seehofer had hoped to use a meeting on Thursday of EU counterparts in the Austrian Alps to persuade his Italian counterpart, Matteo Salvini, to take back migrants who reach Germany via Italy.

But Mr. Salvini, leader of the anti-immigration League party that rose to power when voters turned against establish-

ment groupings in March, said he had declined and would instead focus on reducing the number of migrants in Italy.

Arrivals to Europe have dropped sharply since last year, but the challenge of integrating the more than two million who reached the continent since 2015 has boosted anti-immigration parties and put liberal governments on the defensive.

The strain has been particularly severe in Italy, which has been one of the main ports of arrivals for migrants crossing the Mediterranean, and in Germany, where most of the largely African and Middle Eastern asylum seekers who arrived in 2015 and 2016 have settled.

—Giovanni Legorano and Andrea Thomas

EUROZONE

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WORLD NEWS

Ex-Rebel Havens Endure Return Of Syrian Rule

Assad regime reasserts control with an iron fist in suburb of Damascus; police state rises again

By RAJA ABDULRAHIM

President Bashar al-Assad's forces are maintaining pressure on Eastern Ghouta with arrests, military conscriptions and restricted food supplies months after the capture of the Damascus suburb in order to assert the government's grip over the former rebel stronghold.

The Syrian regime and its ally Russia had launched an all-out air assault on Ghouta in February to force antigovernment rebels to surrender. Hundreds of civilians were killed and the offensive drove most people to shelter underground. Rebels fired mortars on Damascus, killing and injuring dozens of people. By early April, in the wake of a suspected chemical-weapons attack, the last of the rebels surrendered and withdrew.

Now, photos of Mr. Assad are plastered on walls of Ghouta buildings and closed shops. The few open shops have painted the colors of the national flag on their storefronts. The photos and flags are the most visible signs of Mr. Assad's rule returning here, but less-conspicuous traits of a po-

lice state—security surveillance and pervasive fear of arrest—are present once again, too.

When one woman in the Ghouta city of Douma was asked about local living conditions, she responded, unprompted: "May God protect President Bashar."

The moves speak to the regime's pattern of reasserting control over rebel strongholds—not through reconciliation, as the government characterizes its consolidation of power, but with an iron fist.

The latest such move came on Thursday when rebels ceded control of Daraa city in south Syria, one of the last remaining antiregime strongholds. The loss of Daraa carries symbolic weight for the opposition, because it was where the 2011 revolt erupted.

The rebels agreed to hand over midsize and heavy weapons in return for safe passage to the north, Syrian pro-regime media reported. Meanwhile, opposition activists said the regime had allowed just 1,000 people to evacuate. After the rebels conceded, Russian military police accompanied Syrian government forces into the city.

The complete capture of Daraa city is part of the latest step in Mr. Assad's vow to retake every inch of Syria. In June, his forces, along with its main military allies Russia and



The Syrian national flag flew in an opposition-held part of Daraa on Thursday, when the army entered rebel-held parts of the city.

Iran, launched an assault on one of the last opposition pockets in the country's southwest, which includes Daraa city. In addition, they have secured surrender deals from rebels who hope to avoid the destruction that has unfolded in Ghouta, Aleppo and elsewhere.

The government says it is planning to help rebuild Ghouta, after bombardment of the area destroyed much of the infrastructure. Damascus's deputy governor, Rateb Adas, said the government has allocated nearly \$6 million for reconstruction, state media reported. The government said it is clearing roads and restoring services to allow people to return home.

Yet the regime is also arresting some of those who stayed behind. They include former members of local town councils who are seen as affiliated with the opposition, according to the U.K.-based Syrian Observatory for Human Rights. The arrests run counter to guarantees Russia made when it negotiated the surrender deals.

Syrian government officials didn't respond to requests to comment.

Intelligence vehicles now patrol Ghouta's streets with surveillance equipment, said Firas Abdullah, a journalist who had reported from Ghouta and still communicates with friends and family who fear being arrested.

"I can't speak to them

about anything that relates to the situation going on there," Mr. Abdullah said. "The country has returned to what it was seven years ago, the same state we were living in before the revolution."

Human Rights Watch has warned of the risk of executions by the Syrian government in Eastern Ghouta and other areas that come under its control.

Meanwhile, thousands of young men have been forced to join the regime's forces after being told it was the only way they would be allowed to leave camps for internally displaced people and permitted to see their families, the observatory said.

A partial siege remains in

place on Ghouta—preventing an estimated 200,000 civilians still living in the area from leaving and limiting what aid and commerce is allowed in. After years under siege, Ghouta's adults look decades older than they are. Children, many of them still with skinny bodies and gaunt faces, play in the rubble.

In June, the United Nations Syria Commission released its report on the Ghouta battle, calling it the "longest-running siege in modern history." In the past three months, the U.N. along with the Syrian Arab Red Crescent have carried out just two aid convoys for 60,000 people, said Linda Tom, a U.N. spokeswoman. "Needs are very high in East Ghouta," she said.

Women Flex New Muscle on Mexican Political Scene

Female candidates make big electoral gains as López Obrador's landslide win in presidential vote buoys equality efforts

By ROBBIE WHELAN

MEXICO CITY—Female candidates made major gains in Mexico's election this month, fueling significant shifts in a political landscape women long have lamented suffers from machismo.

Women secured 49.2% of Mexico's 128-member Senate—a 50% rise—and 47.8% of the lower house of Congress, both the nation's highest-ever levels of female representation. In Mexico City, voters among the capital's 8.9 million inhabitants elected their first female mayor.

The results make Mexico's Senate the upper legislative chamber with the second-largest female representation in the world after Belgium, according to a United Nations study. Mexico's lower house now has the world's fourth-highest percentage of female representatives after Rwanda, Bolivia and Cuba, the U.N. study says. By contrast, the U.S. Senate is 23% female and the House 19.3%.

Women were buoyed by the landslide victory on July 1 of President-elect Andrés Manuel López Obrador, whose platform included positions women's groups considered favorable. Mr. López



Claudia Sheinbaum, a 56-year-old environmental engineer, won Mexico City's mayoralty by a landslide.

Obrador, who takes office on Dec. 1, has appointed an unprecedented eight women to top ministerial roles, including to head the interior, economy and energy ministries.

"This was a historic victory for Mexican women," said Ximena Andión, director of the Simone de Beauvoir Institute, a Mexican women's rights advocacy group. "Mexico is a very machista country that puts major barriers in front of women who want to participate in political life."

"This is a party that cam-

paigned on the basis of limit-

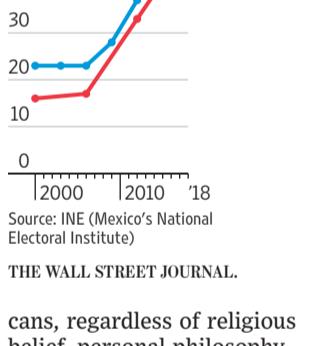
ing women's rights and proposing a referendum on abortion rights," said Denise Dresser, a prominent Mexican political analyst. "López Obrador, in an effort to build a multi-class, ideologically diverse and pragmatic coalition, basically allied himself with the devil on women's issues."

Mr. López Obrador's campaign coordinator didn't respond to a request for comment. But in his victory speech, the president-elect pledged to serve all Mexi-

Rising Power

Female candidates for congress made big gains in Mexico's July 1 election.

Percentage elected to Mexico's congress who are women



Source: INE (Mexico's National Electoral Institute)

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cans, regardless of religious belief, personal philosophy or sexual orientation.

The female momentum comes after Mexico changed its constitution in 2014, requiring political parties to field male and female candidates in equal numbers at the federal, state and local levels.

Of the more than 83,000 candidates seeking office nationwide, 50.4% were women. More than 89 million Mexicans registered to vote in this year's election,

making it the largest democratic contest in the country's history. Female voters represented 51.9% of the total, one of the highest ever tallies, say electoral officials.

"There were many more women on the ballot, many more women exercising their rights to vote, and many more women in the street, campaigning," said Mónica Maccise, director of gender equality issues for Mexico's National Electoral Institute. "Women participated more at all levels. And they won big, in that they proved they could be competitive."

Some candidates and political analysts say Mr. López Obrador's encouragement of women and force of personality emboldened strong female candidates to run and drew out record numbers of female voters.

Claudia Sheinbaum, a 56-year-old environmental engineer, won Mexico City's mayoralty by a landslide.

"Gender equality has to be a part of the national project. It can't just be women in elected posts, and that's it," Ms. Sheinbaum said. "The country is going to have to change dramatically, with more rights and more representation for women."

FROM PAGE ONE

U.S. Seeks Halt to AT&T Deal

Continued from Page One tent: its popular cable channels including HBO, CNN, TNT and TBS.

In a more typical antitrust case, the government challenges horizontal deals involving two companies in the same business that compete head to head. The AT&T case marked the first time in 40 years that a court had seen a fully litigated challenge to a vertical merger. And it was the first major enforcement action by President Donald Trump's antitrust chief at the Justice Department, Makan Delrahim, who filed the lawsuit two months after receiving Senate confirmation.

The government filing Thursday was just an initial notice and didn't say anything about what legal arguments it plans to make. The Justice De-

partment declined to comment beyond what it filed in court.

The government argued in its original case that AT&T would be able to dictate higher carriage fees to competing distributors by threatening to withhold its cable networks from rival pay-TV providers, leading to higher prices for consumers.

The companies said their businesses were complementary and raised no concerns about competition, saying that the merged company wouldn't have the market power to dictate price increases.

AT&T and Time Warner questioned whether the lawsuit had political motivations because Mr. Trump has stated he doesn't like CNN. Mr. Delrahim and the department strongly denied that, suggesting the companies were seeking to deflect attention from legitimate antitrust concerns.

The lawsuit received support from advocates for vigorous antitrust enforcement, including some Democratic politicians.

Judge Leon, in a strongly worded opinion, rejected the Justice Department's arguments. The judge wasn't persuaded that



AT&T said it is ready to defend Judge Leon's ruling.

AT&T would have more leverage after the merger, and said the company couldn't force anticompetitive prices for Time Warner channels because it would lose money if rival distribution systems didn't carry them.

The judge's ruling was based heavily on the facts of the case, rather than broad legal conclusions about challenges to vertical mergers. That could make it more difficult for the government to win its appeal, since appellate

judges give deference to a trial court's factual findings.

The judge drew attention during the trial when he questioned whether a key Justice Department theory, backed by a well-respected economist, was a Rube Goldberg contraption.

AT&T said it is ready to defend Judge Leon's ruling.

"The court's decision could hardly have been more thorough, fact-based and well-reasoned," AT&T general counsel David McAtee said. "While the

losing party in litigation always has the right to appeal if it wishes, we are surprised that the DOJ has chosen to do so under these circumstances."

If the appeals court were to side with the Justice Department the move could unwind the deal, or lead to some sort of middle-ground remedy.

Appeals in merger cases are unusual, in part because not many merger cases go to trial. The government in recent years has won most of the cases it did bring, making an appeal unnecessary.

The D.C. Circuit did handle a government merger appeal a decade ago—and the government won. The appeals court revived the Federal Trade Commission's challenge to a grocery store acquisition by Whole Foods Market. After the ruling, the FTC agreed to a settlement in which Whole Foods sold off some stores it had acquired but didn't have to unwind the entire transaction.

More recently, other courts have ruled for the government when it brought appeals challenging hospital mergers. After closing the merger,

AT&T quickly renamed its entertainment unit WarnerMedia, and new chief John Stankey spent the past few weeks meeting employees of his new empire in New York, Atlanta and Los Angeles to tell them they would be in capable hands.

AT&T also launched a new pay-TV service on its cellular network called WatchTV. The service, which used a new model to determine payments to programmers, is free for subscribers on unlimited data plans and \$15 a month for other customers. Company CEO Randall Stephenson announced his intentions for the new service from the witness stand at trial.

AT&T recently raised monthly rates for another streaming-TV service, DirecTV Now, by \$5. Rival Dish Network's SlingTV did the same. Critics of the merger argued the quick price jumps demonstrated the concerns that had motivated the Justice Department lawsuit.

AT&T's shopping spree continued after the Time Warner merger, with a deal for digital ad service AppNexus worth \$1.6 billion, according to people familiar with the matter.

IN DEPTH

Emirates Rewrites Airline Rules

Continued from Page One
Emirates surprised its first- and business-class passengers on a Dubai-Paris flight in April with an onboard wine-tasting master class led by a top vintner.

"I want it to feel like you are walking into a Ritz-Carlton," says longtime President Tim Clark, who helped start the Dubai-owned carrier more than 30 years ago.

The airline is betting that the high profit margins of its luxury tickets will allow it to avoid chasing masses of travelers riding in discounted coach seats. The idea threatens to overturn one of the tenets of how to thrive as a large network carrier.

For most of the rest of the industry, the strategy has, until recently, seemed too expensive and too risky. Carriers have always pushed higher-margin first-class and business seats. Analysts say those seats can make up about half of a big airline's revenue and most of its profit.

But they have also relied on filling the rest of their planes with lower-paying economy passengers to squeeze revenue out of every flight. Big carriers add capacity when times are good, trying to fill planes and capture market share. But the excess supply naturally depresses prices, eroding profit margins.

Emirates' focus on its top-paying customers—who aren't as inclined to make purchases based on price—insulates it somewhat from the industry's boom-and-bust cycle. It has a higher proportion of business and first-class seats than its peers, and it puts less emphasis on filling every seat in the plane.

Emirates' load factor, a measure of seats sold per plane, is roughly 78%, compared with the industry average of more than 80%.

The amenities keep P.N.C. Menon, the founder and chairman of Dubai-based property developer Sobha Group, coming back. "I don't fly with anybody else unless Emirates doesn't operate there," he says. He always books first class. Emirates consistently scores among top carriers in rankings by Skytrax, a London-based consultancy that factors in customer feedback.

Ticket prices are highly variable, but Emirates' can be notably higher. On Emirates, a round trip between Dubai and London for mid-July travel was recently priced at around \$10,400 in first class and \$4,600 in business. A round-trip "upper class" ticket on Virgin Atlantic, with a seat that converts to a flat bed, between the cities was selling for around \$3,400.

Between 2010 and 2015, Emirates' profit margin averaged 5.5%, more than double the 2.3% average margin for the industry as a whole, according to data from the International Air Transport Association.

But Emirates has an extra sensitivity to oil prices. Lower fuel costs usually help carriers, but since so many of Emirates' customers are in the business, a drop can hurt ticket sales.

In 2016, when oil prices were at lows, the margin slipped to 1.5%, recovering to 3% by 2017. Airlines globally averaged a 4.7% margin over the 2016-17 period.

The airline, part of Emirates Group, reported revenue of \$25.2 billion for the latest fiscal year ended March 31, and profit of \$762 million. It is 100%-owned by the government of Dubai, one of seven semiautonomous states that make up the United Arab Emir-



Emirates staff review products for passengers at headquarters in Dubai. Below, flight attendants in the bar area of a first-class cabin.

ates. Its shares don't trade on any exchange, so disclosure has always been limited, and analysts don't follow it closely.

That has raised skepticism from competitors. American and European airlines accuse Emirates and other Mideast carriers of benefiting from unfair, hidden subsidies from their oil-rich government owners. Emirates and the others deny that.

Despite suspicions that Emirates' strategy alone isn't creating all its profits, some airlines are now taking a page from its play book. Deutsche Lufthansa AG, one of Emirates' chief rivals in Europe, is rolling out an upgraded business class when it takes delivery of a fleet of new Boeing jets in two years. The seats will convert into 7-foot beds, which can be controlled by a passenger's smartphone. The airline offers a cigar bar in its Frankfurt first-class lounge. It arranges rental Porsche 911s for passengers looking to kill time between flights.

"We want to offer as much premium as possible," says Stefan Kreuzpaintner, head of Lufthansa sales for Europe, the Middle East and Africa. U.S. carriers, including Delta Air Lines Inc. and United Continental Holdings Inc., are also spiffing up their premium classes. Delta last year introduced a new business class seat, with shoulder-high privacy doors and "memory" foam cushions.

"Early on, some of what Emirates offered was seen as gimmicky," says airline consultant John Strickland. "People no longer scoff," he says.

In some ways the superluxury strategy has been around since the start of long-haul commercial aviation—for years, a mode of transportation only the rich could afford. In the 1940s, Pan Am's fleet of long-range Flying Clippers offered filet mignon on white tablecloths. A few decades later, the Concorde came to embody the new, global jet set. A handful of Asian carriers, like Cathay Pacific and Singapore Airlines, marketed themselves as more exclusive, pricier options for long-haul travel.

Emirates, which started in 1985 as a shuttle service between Dubai and Pakistan, turbocharged that model, taking advantage of the geography of its hub in Dubai, situated be-



tween Asia and the West. It spawned copy cats of its own—Abu Dhabi's Etihad Airways and Qatar Airways.

Dubai is opening in phases a sprawling new airport that will require a fast resumption of growth at the airline to justify the cost, already \$30 billion in the initial stages. Dubai's current airport—itself a luxurious destination full of high-end lounges and services—hosts 90 million passenger a year. The new airport's capacity is expected to eventually reach 200 million.

Low oil prices frightened off some of Emirates' most lucrative travelers—international oil and gas executives and big spenders in the Middle East. A short-lived ban on travel to America from several Mideast countries and temporary gadget restrictions hit traffic. U.S.-bound passengers fell by 35%.

In the darkest days of the oil-price rout, when profits and margins sank, Mr. Clark cut costs—but only behind the scenes, and in the back of the plane, where economy passengers sit, not in the premium cabin. Mr. Clark brought some parts production, such as seat-number plates, in house. Emirates started serving its own, cheaper bread rolls. In economy, it stopped handing out hot towels and served less-expensive cuts of meat.

Emirates also experimented with tactics some other airlines had adopted from budget carriers. It started selling discounted fares in its economy

cabin, charging extra for a seat assignment or checked luggage. Last year, it began to team up with budget airline Flydubai, also owned by the Dubai government, to cooperate on some routes.

But Emirates refused to skimp on business and first-class customers. "The amount of money you would save by going from Champagne to orange juice in business class is infinitesimally small," Mr. Clark says. "The effect on the brand is devastating."

Now, the oil price is back up to around \$75 a barrel—from a low of around \$25 two years ago—and lucrative flights are being reinstated. For its flight

Emirates wants to attract the small but loyal group of high-spending travelers.

to Houston, a key route for high-paying energy executives, Emirates has resumed using giant Airbus A380s. Emirates has been, by far, the biggest buyer of the superjumbo jet—the world's biggest commercial aircraft—in part because of all the room it provides for business and first-class space.

The Dubai-Houston flights are now configured with 14 first-class seats, 76 business class seats and about 400 coach seats. That's up from

eight first-class and 42 business class seats and around 400 coach seats on the Boeing 777 used in recent years.

Two years ago, Mr. Clark hired Christoph Mueller, who previously helped turn around two troubled airlines, Ireland's Aer Lingus and Malaysia Airlines, to push Emirates' luxury offerings beyond just comfortable seats and expensive wine lists. Mr. Mueller has a goal to turn Emirates into a high-end lifestyle company for the world's wealthiest passengers.

He aims to make Emirates' high-end passengers' journeys as seamless as possible—from pickup at home to drop-off at the hotel. Passengers drinking a certain white wine in an Emirates lounge should be welcomed with a glass of the same once on board, Mr. Mueller says. A passenger watching a movie on their tablet on the way to the airport should be able to arrive aboard and find it spooled up and ready to continue on the plane.

Emirates plans to reconfigure its onboard kitchens to offer by year-end meal service to business-class passengers on demand, rather than at set times. Mr. Mueller wants to personalize menus, so you don't have to eat the same thing everyone else is having.

Outside of its planes, the airline is also pushing into concierge services, such as booking hard-to-get restaurant reservations and offering all-in-one holiday packages at Dubai's glitzy resorts.



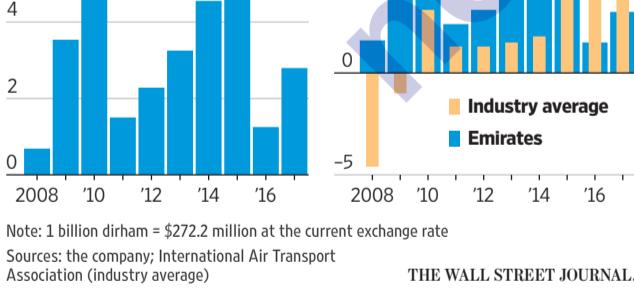
A lobster dish for first-class passengers. Emirates Airline has poured billions into its fleet, entertainment, wine lists and seats.

Profit Engine

Emirates' profit has turned higher after a sharp drop during the oil-price bust. Its margins have historically beaten the industry.

Profits

8 billion United Arab Emirates Dirham



Note: 1 billion dirham = \$272.2 million at the current exchange rate

Sources: the company; International Air Transport Association (industry average)

THE WALL STREET JOURNAL.

emojis are popular.

Users can search or scroll through lists of others who are on the service, but typing one wrong letter can pull up the wrong person with a similar handle or name.

New money transfer services have popped up; a consortium of banks launched their own money transfer app, Zelle, last year. Facebook allows people to transfer cash through its Messenger app.

But Venmo, founded in 2009, popularized money transfer apps as a way to quickly repay friends. Much like Uber, the ride-sharing service, Venmo became ubiquitous and morphed into a verb.

Venmo, which moved around \$12 billion in payments in the first quarter, according to the company, doesn't publicly report how often money is sent to the wrong person. In an age of instant money transfers via mobile apps, it's no longer an uncommon phenomenon. People can make the same mistake on similar apps.

In the six years since its

public launch, Venmo has incorporated several fail-safe measures to prevent mistaken payments, according to a Venmo spokeswoman. An algorithm flags payments to new recipients. Venmo added profile pictures to help with identification. There's also the option of using codes unique to each user.

Accidental payments still make it through. Venmo advises users to send a message through the app requesting the money's return.

It works—sometimes.

Emily Dunn, a student at San Jose State University in California sent about \$45 to a friend named Riley along with a humorous message. He was confused when she later asked if he thought her message was funny. She had mixed up his last name, sending the money to the wrong Riley.

Panicked, Ms. Dunn sent Riley-the-stranger a payment request. After several days brought no response, she figured it was hopeless. Finally, on day four, Ms. Dunn got a

transfer notification. Stranger Riley had returned the money.

"GOOD PEOPLE DO EXIST!"

Ms. Dunn gushed on Twitter.

Nick Abouzeid, a 21-year-old in San Francisco who works at a tech startup, received an unexpected \$149 from a stranger along with the

transfer notification. Stranger Riley had returned the money.

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TEMASEK



Shaping Tomorrow

Temasek Review
Highlights 2018
as at 31 March 2018

Delivering Sustainable Value Realising Inclusive Growth

Agility, Alignment and Accountability are our watchwords, as we shape our portfolio steadily for a better, smarter and more connected world.

Our net portfolio value was a record S\$308 billion as at 31 March 2018, up S\$33 billion from a year earlier. Two-thirds of our underlying exposure is to Asia.

Investing for a Sustainable Tomorrow

As an active investor, we are constantly shaping our portfolio for tomorrow by investing into emerging long term trends.

Six Global and Secular Trends Changing Business and Society



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Markets and industries are developing to meet growing needs as we live longer



SMARTER SYSTEMS

Artificial intelligence and robotics are enabling groundbreaking capabilities



RISING AFFLUENCE

The combination of rising affluence and technology is redefining consumption patterns and attitudes in emerging markets



SUSTAINABLE LIVING

Increasingly eco-conscious solutions will create up to US\$12 trillion¹ of business opportunities by 2030



SHARING ECONOMY

Peer-to-peer networks are promoting more efficient use of resources and greater convenience for businesses and consumers



MORE CONNECTED WORLD

Digital connectivity and solutions are redefining how we communicate and interact around the world

Committed to Do well

Acting Today with Tomorrow in Mind

As a forward looking institution, the reputation and character of Temasek depend on the values and conduct of our people and institution, as we strive for a better tomorrow.

Determined to Do right

The DNA of Temasek is rooted in our ethos of integrity, financial discipline and ownership as an investor, institution and trusted steward.

Our Board has a fiduciary duty towards Temasek and is not directed by the President of Singapore or the Government of Singapore.

We do not manage the foreign reserves of Singapore, the budget surpluses of the Singapore Government or Central Provident Fund savings.

Relating to the President of Singapore
We are required to seek the President's approval before drawing on our past reserves.

Relating to Our Shareholder²
We declare dividends to our shareholder, according to our dividend policy.

Relating to Our Portfolio Companies
Temasek does not direct our portfolio companies; they are steered by their respective boards.

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Building human and social capital



Uplifting the underprivileged in Singapore



Facilitating dialogues among people and nations



Fostering learning and growth for our young



Developing innovative solutions to improve lives



Championing sustainable solutions

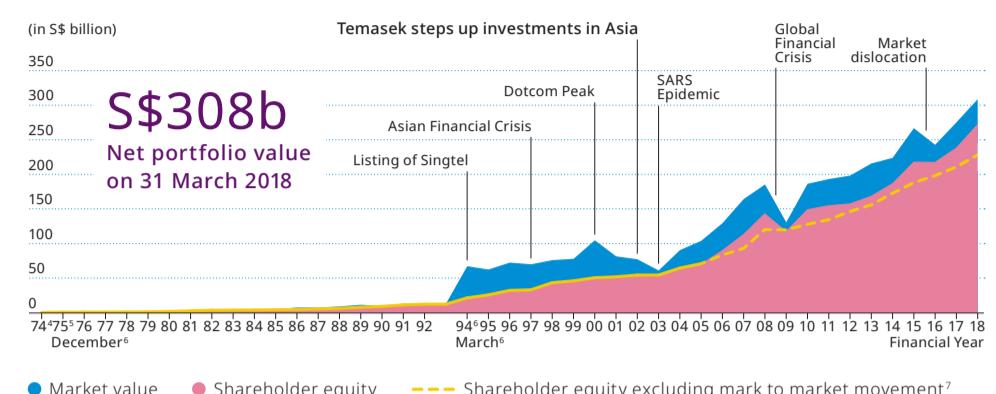


Promoting sound stewardship and good governance

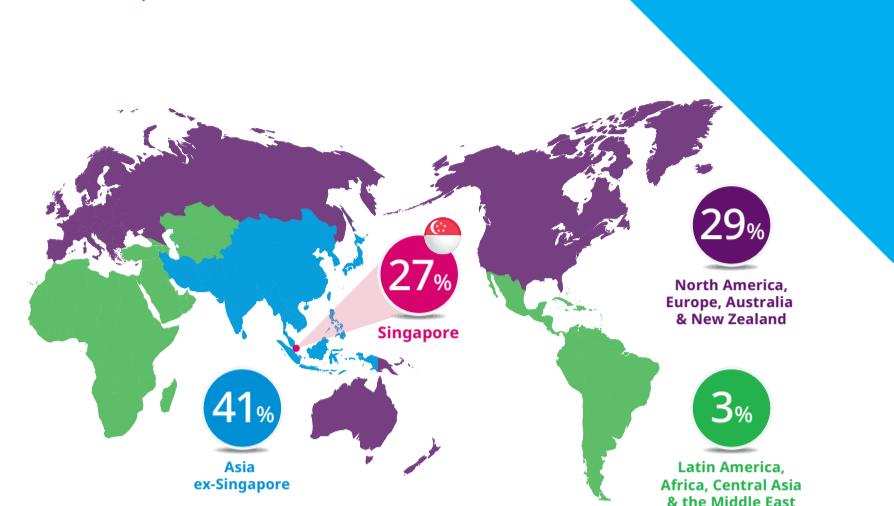
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Temasek Net Portfolio Value since Inception

\$5,000 invested in the trough of the SARS epidemic in 2003 would be worth S\$4,665 in March 2018.³



Global Exposure^{8,9}



Performance

	2018	2017	2016
Financial Services	26	25	23
Telecommunications, Media & Technology	21	23	25
Consumer & Real Estate	16	17	17
Transportation & Industrials	16	17	18
Life Sciences & Agribusiness	6	4	4
Energy & Resources	3	3	3
Multi-sector Funds	8	8	7
Others (including Credit)	4	3	3

Sector^{9,10} (%)



	2018	2017	2016
Financial Services	26	25	23
Telecommunications, Media & Technology	21	23	25
Consumer & Real Estate	16	17	17
Transportation & Industrials	16	17	18
Life Sciences & Agribusiness	6	4	4
Energy & Resources	3	3	3
Multi-sector Funds	8	8	7
Others (including Credit)	4	3	3

Single Name¹⁰ (%)



	2018	2017	2016
Singapore Telecommunications Limited	9	12	13
DBS Group Holdings Ltd	7	5	5
China Construction Bank Corporation	4	4	4
Rest of portfolio	80	79	78

Currency^{10,14} (%)



	2018	2017	2016
Singapore dollars	53	60	58
US dollars	24	19	19
Hong Kong dollars	12	12	13
Korean won	2	*	1
Indian rupees	2	2	2
Others	7	7	7

* Less than 0.5%.

Liquidity¹⁰ (%)



GREATER NEW YORK

Four Convicted in 'Buffalo Billion' Case

An ex-state university president and three executives were on trial for bid rigging

BY CORINNE RAMEY

A former New York state university president and three upstate executives were found guilty of all counts Thursday after a trial in which federal prosecutors alleged the men rigged bids for state contracts worth hundreds of millions of dollars.

On trial in federal court in Manhattan were Alain Kaloyeros, former head of SUNY Polytechnic Institute; Steven Aiello and Joseph Gerardi, executives at Syracuse-based COR Development Co.; and Louis Ciminelli, an executive at Buffalo-based developer LPCiminelli Inc.

After deliberating for two days, a federal jury in Manhattan convicted the four men of wire fraud and wire-fraud conspiracy. Mr. Gerardi also was found guilty of lying to federal agents.

The trial, dubbed 'Buffalo Billion' after a signature economic-development initiative of Gov. Andrew Cuomo, a Democrat running for a third term, took on outsize political importance. Rivals of the governor, who wasn't accused of wrongdoing, used prosecutors' allegations to accuse his administration of corruption.

On Thursday, Manhattan U.S. Attorney Geoffrey Berman put the verdict in the context of his office's other victories in New York state corruption trials this year.

"In quick succession, less than four months apart, [New Yorkers] have seen this office secure convictions in separate prosecutions against the state Assembly speaker [Sheldon Silver], a confidant and executive aide to the governor, and now the president of SUNY Polytech, the executive leading the expansive 'Buffalo Billion' initiative," Mr. Berman said.

During the trial, prosecutors argued that Dr. Kaloyeros—whom Mr. Cuomo once called an "economic guru"—had worked with a lobbyist



From left: Joseph Gerardi, Louis Ciminelli, Alain Kaloyeros and Steven Aiello were found guilty of fraud.

and the executives to rig a state bidding process in favor of the companies.

One of the bids was for a \$750 million contract for a solar-panel facility, which has since been built, that was part of the 'Buffalo Billion.'

Defense attorneys for the men said they hadn't been involved in rigging bids. They also assailed the credibility of the lobbyist, who pleaded guilty and testified for the government in a related trial earlier this year.

A lawyer for Dr. Kaloyeros said his client would appeal.

"Through a process that every witness described as fair and competitive, very good contractors were selected who did first-rate work, on time, on budget," said the attorney,

Michael Miller.

Lawyers for the three other men didn't respond to requests for comment.

After the verdict, Democrat Cynthia Nixon called Mr. Cuomo "either corrupt or...spectacularly incompetent."

"We can't clean up Albany until we clean out the governor's mansion," she said in a statement.

Marc Molinaro, a Republican who is also running for governor, said Thursday that Mr. Cuomo had "empowered, emboldened and encouraged individuals to bend the rules, rig the system and defrauded taxpayers."

A Cuomo spokeswoman noted that Dr. Kaloyeros had served under five governors.

"The jury has spoken and justice has been done," Mr. Cuomo said in a statement. "There can be no tolerance for those who seek to defraud the system to advance their own personal interests."

The men, who are expected to be sentenced in October, face up to 20 years in prison on the most serious count.



Patrons chatted at Threes Brewing, which opened in 2014 in a revamped furniture-fabricating warehouse in Gowanus, Brooklyn.

Craft Brewery Boom Taps New York

BY LARA KORTE

It's a Tuesday morning in Long Island City, Queens, and Chris Cuzme, the lead brewer at Fifth Hammer, is standing over a 500-gallon silver boil kettle.

He is watching cloudy golden liquid filter in from another holding tank, the mash tun, where grain and water have been soaking for an hour.

FOOD & CULTURE In two weeks, this thin barley broth, called wort, will ferment into beer, be transferred to kegs, and poured from the taps on the other side of the cinder block wall.

The 5,000-square-foot space used to be a storage warehouse, evidenced by the heavy rusted chains that hang from the 18-foot high ceilings. In fact, much of this surrounding neighborhood is home to industrial warehouses such as sheet metal contractors and mechanic shops. But in recent years, a new type of industry has been moving in: craft breweries.

"Long Island City has be-



come somewhat of a nexus of breweries," said David Scharfstein, a former attorney who opened Fifth Hammer in Queens with Mr. Cuzme last year. "We have almost six breweries within a walking distance."

In the past five years, New York City's craft-brewing scene has exploded, more than quintupling from eight brew-

taries in 2012 to 41 now. The craft-beer boom extends beyond the city limits. In the past five years, New York state has added nearly 300 craft breweries, a more than fourfold increase from 2012.

The increase is due, in part, to the state's efforts to streamline the licensing process and bump up tax incen-

tives. But both novice and veteran brewers say the demand for craft beer is up, driven by an appetite for high-quality, local fare.

"It's the culture of beer right now," said Paul Leone,

executive director of the New York State Brewers Association.

"Millennials are driving this movement by far. They like to know where their food comes from, where their beer comes from. They like to get to know who the brewers are."

Craft breweries, also called micro breweries, are defined by the Brewers Association as any operation that produces under 6 million barrels a year. The average annual output of New York's craft breweries is around 6,000 barrels, according to Mr. Leone.

New York City craft breweries might be on the upswing, but compared with cities such as Portland, Ore., which has a fraction of the population and almost double the number of breweries, there is still a long way to go.

Please see page A11B

Party, said in a statement that his party would like to have Ms. Ocasio-Cortez on its ticket in the general election, and suggested that Mr. Crowley move his residency to Virginia, where he has a home and spends a significant amount of time.

"It would fix the problem [Mr. Crowley] created in an instant," Mr. Lipton said, adding that the Working Families Party is focused on electing Ms. Ocasio-Cortez.

Mr. Crowley has no plans to run on the Working Families ticket and doesn't plan to take any steps to remove his name, said a campaign aide for Mr. Crowley.

The aide also noted that

Ocasio-Cortez, Crowley Clash Over Concession

BY KATIE HONAN

Alexandria Ocasio-Cortez defeated Rep. Joe Crowley of New York in a stunning landslide primary victory last month, but the drama surrounding the race isn't over.

On Twitter early Thursday morning, she called out Mr. Crowley, the 10-term Democratic congressman from Queens, for not admitting defeat to her personally.

"@repjocrowley stated on live TV that he would absolutely support my candidacy," Ms. Ocasio-Cortez wrote to her more than 704,000 followers. "Instead, he's stood me up for all 3 scheduled concession calls. Now, he's mounting a third-party challenge against me and the Democratic Party—and against the will of [the Working Families Party]."

Mr. Crowley fired back later that morning with his own tweet, saying he had no plans to challenge her in the general election in the fall for New York's 14th congressional district, which covers Queens and the Bronx.

"Alexandria, the race is over and Democrats need to come together," he wrote. "I've made my support for you clear and the fact that I'm not running. We've scheduled phone calls and your team has not followed through."

The back and forth between the two isn't just over a phone call but whose name appears on the Working Families Party ticket in the general election. Currently, Mr. Crowley's name is attached to the ticket because the party endorsed him earlier in the year. Replacing his name with Ms. Ocasio-Cortez's isn't easily done.

Under New York state election laws, there are three ways for a candidate to get off a party's ticket: Move out of New York, die or accept the same party's line for another race.

Bill Lipton, the executive director of the Working Families

The dispute, in part, is about whose name appears on Working Families' ticket.

Ms. Ocasio-Cortez's office couldn't coordinate a time for the two to talk.

"Fundamentally, [Ms. Ocasio-Cortez] is not telling the truth at all," the campaign aide for Mr. Crowley said. "Joe is not running for election, he made his support for her very clear. He conceded on election night."

A spokesman for Ms. Ocasio-Cortez didn't respond to a request for comment.

In New York state, it is common for candidates to be substituted by parties after a primary election.

Historically, some candidates have stayed on the ballot under certain party lines following primary losses. In 2002, Andrew Cuomo appeared on the Liberal Party line after conceding to fellow Democrat Carl McCall, who later lost to Republican Gov. George Pataki.



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GREATER NEW YORK

Slowdown in Residential Sales Spreads

Less expensive areas in Brooklyn, Queens and suburban New York are seeing a drop

BY JOSH BARBANEL

A slowdown in residential sales that began among super-luxury Manhattan condos has spread to less expensive neighborhoods in Brooklyn, Queens and Westchester and other suburban New York counties.

The weakness reflects caution among buyers about the potential impact of federal tax laws that limit the benefits of home ownership, brokers said, as well as the rebellion of some buyers against high asking prices that built up over several years of stronger sales.

"Buyers are circling and circling, and they are not as quick to make offers as they were in years past," said Gina Castellano, manager of the Brooklyn office of brokerage Stribling.

Some analysts also cited higher mortgage rates, as well as volatility in the stock market that worried some potential buyers.

In Brooklyn the number of sales was down 5.7% during the second quarter of 2018, compared with the same quarter of 2017, according to a market report by Douglas Elliman. That followed a 14% year-over-year decline during the first quarter, according to the Elliman report.

The number of listings on the market rose by 18.5% during the quarter and the number of days it took to sell the typical apartment rose 15%.

The median price of a Brooklyn residence was down 1.9% to \$780,000, the report found, but much of the drop was attributed to a steep decline in sales of condominiums in new developments.

The median price of a new development apartment was down 13.7% to \$1.4 million, while new development sales slid by 32%.

In an unusually blunt analysis, a market report about the borough by Stribling began: "We aren't going to sugarcoat it: The second quarter of 2018 was tough."

On the positive side it did cite one "silver lining": The number of contracts signed, many of which will close in the third quarter, was essentially flat, up by 1% from the same quarter in 2017.

In Queens, the number of sales fell 6.5%, but the median price rose 11.6% to \$558,000, near a record-high price set at the end of last year.

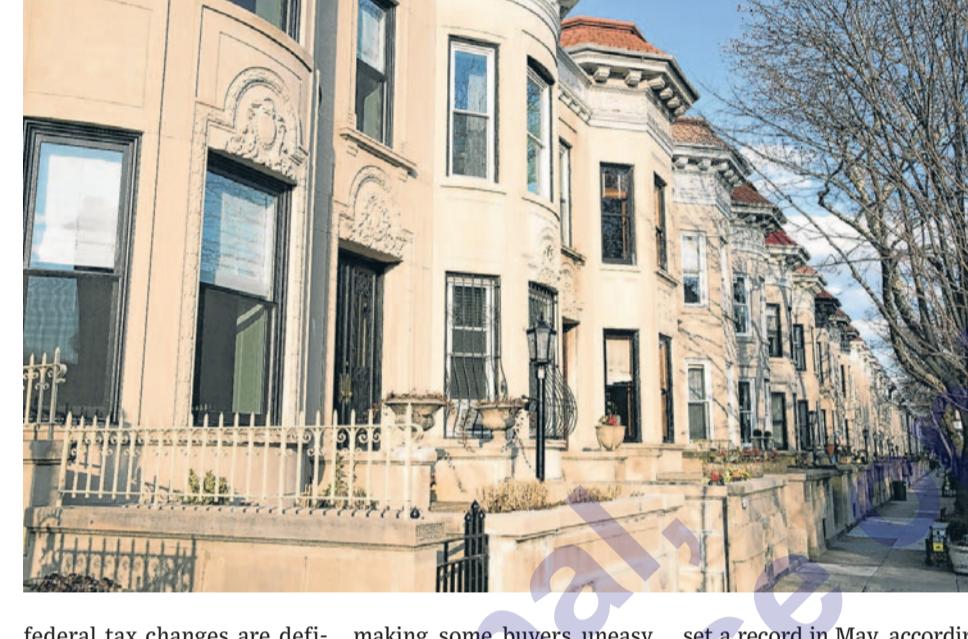
In Dutchess, Westchester and Putnam counties, the number of sales fell sharply, with transactions down 17.7% in Westchester compared with the second quarter of 2017, the fourth consecutive quarter of year-over-year decline in sales in Westchester, said Jonathan Miller, an appraiser and president of Miller Samuel Inc., who prepared the Elliman report.

At the same time, the median price on homes that did sell rose 5% to \$525,000, the highest price in the second quarter since 2007, Mr. Miller said.

In Westchester, where taxes are higher than in any other county in the U.S., according to a report last December in ATTOM Data, the



Residential sale prices in Brooklyn—home to the Gowanus Canal, above, and houses in Prospect Lefferts Gardens—have decreased.



Market Slips

Number of residential sales, change from a year earlier

Westchester County, N.Y.

Brooklyn

60%



Sources: Miller Samuel; Douglass Elliman
THE WALL STREET JOURNAL.

the impact of federal tax policy.

Instead, he said rising prices and rising interest rates had increased the cost of home ownership by 10% over the last year, while income has risen by only 3.5%. It has "nothing to do with tax reform," he added.

federal tax changes are definitely a concern, said Scott Elwell, a regional manager at Douglas Elliman who oversees sales in Westchester and Connecticut.

The new federal tax law limits deductions on state and local taxes—including property taxes—to \$10,000 a year,

making some buyers uneasy, brokers said.

"Buyers are spending a fair bit of time talking to their accountant and finding out what they can afford," Mr. Elwell said.

But in New Jersey, which also has a high income tax, the number of contracts signed

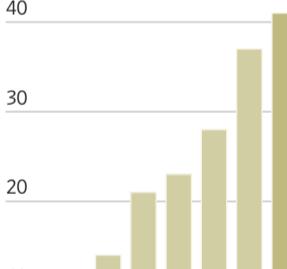
set a record in May, according to a report by the Otteau Group, and was up 1% for the year.

Jeffrey Otteau, the president of the Otteau Group, said that sales for the most expensive apartments, costing \$2.5 million or more, were up the most, raising a question about

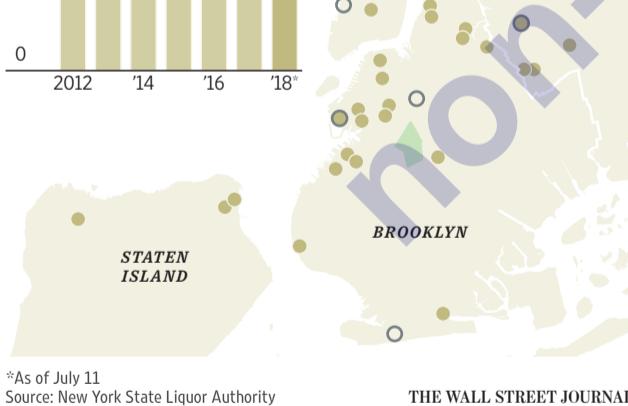
Hopped Up

The number of craft breweries in New York has increased more than four-fold since 2012.

NYC craft breweries



*As of July 11
Source: New York State Liquor Authority



*As of July 11
Source: New York State Liquor Authority

Brewery Boom Is on Tap in City

Continued from page A1A

"In the grand scheme of things, there's still so much room for growth in the New York City market," said Blake Tomnitz, co-founder and CEO of Five Boroughs Brewing Co., which opened in Brooklyn's Sunset Park last year in a 15,000-square-foot former steel fabrication plant.

The challenge for craft brewers in New York City is finding an affordable space in an area that allows manufacturing and is big enough to house the brewing operation. Areas such as Queens's Long Island City and Sunset Park and Gowanus in Brooklyn have large areas zoned for manufacturing, and offer rents more affordable than Manhattan.

New York state has made a number of legislative changes to bolster the craft-beer industry.

GREATER NEW YORK WATCH

BRONX

State to Invest \$18M in Youth Programs

New York state will spend more than \$18 million on youth programs in the Bronx in an effort to reduce gang recruitment.

Gov. Andrew Cuomo, a Democrat, joined local leaders on Thursday to announce the funding. It will pay for the creation and expansion of after-school programs, youth baseball and softball leagues, community centers, summer camps and violence-prevention efforts.

The programs will offer teens hope and an alternative to gang membership, Mr. Cuomo said.

The move comes after 15-year-old Lesandro "Junior" Guzman-Feliz was killed last month in what authorities believe was a case of mistaken identity linked to gang activity.

—Associated Press

MANHATTAN

Falling Debris Kills Construction Worker

A construction worker has been struck and killed by debris that fell from a high-rise in upper Manhattan.

Authorities say a piece of scaffolding apparently fell several stories in the building's courtyard on Riverside Drive in Morningside Heights on Thursday afternoon. The worker was struck in the head. The Department of Buildings is investigating.

—Associated Press

CONNECTICUT

Metro-North Trains Collide in Bridgeport

Metro-North officials said two trains were involved in a minor collision in Connecticut, and a worker for the commuter-rail service reportedly suffered minor injuries. An equipment train and a train not carrying passengers collided at slow speed Thursday afternoon on a track in Bridgeport, authorities said.

The incident caused delays of up to 45 minutes on Metro-North's main New Haven Line and the Waterbury branch.

—Associated Press



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LIFE & ARTS

TELEVISION

Netflix Tops HBO in Emmy Nominations

'Game of Thrones,' 'Saturday Night Live,' 'Westworld' lead individual nominees

BY JOHN JURGENSEN

NETFLIX SCORED 112 Emmy Awards nominations on Thursday, more than any other television network and breaking a streak that HBO held onto for 17 years.

"Game of Thrones," which sat out the awards last year because it missed the eligibility window, received 22 nominations, the most of any series.

Its nods included best drama, the category it won in 2015 and 2016. It was among HBO's 108 nominations.

While the significance of Emmy Awards is somewhat limited to bragging rights and scoring points with the creative community, the end of HBO's streak comes at a pivotal time in the programmer's history. AT&T has just taken over HBO parent Time Warner, and how it manages the premium television platform has become a topic du jour in media circles.

"Game of Thrones" will be up against last year's winner, "The Handmaid's Tale," which was the first streaming TV series to win best drama. Hulu's dystopian story also scored a best actress nomination for Elisabeth Moss, who won the trophy last year.

Other drama nominees included "This Is Us," the time-hopping



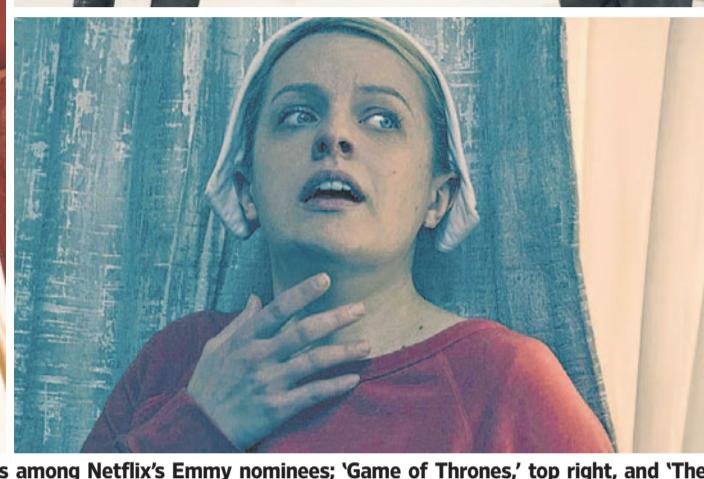
family drama (NBC); "Stranger Things," featuring a gang of 1980s kids up against supernatural forces (Netflix); "The Crown," the lush origin story of Queen Elizabeth II (Netflix); and "The Americans," which mixed domestic drama with Cold War intrigue (FX). Like Netflix, HBO has two shows going head to head in the category:

"Westworld," a maze-like saga about an automaton mutiny, and "Game of Thrones."

In an especially competitive comedy field, "Atlanta," the rule-breaking FX comedy created by Donald Glover, led the pack with 16 nominations. Other best comedy nominees include "Barry," featuring Bill Hader as a hit man who wants to get out of the business and into acting (HBO); "Black-ish," the twice-nominated family comedy that has taken on contentious issues around race and politics (ABC); "Curb Your Enthusiasm," the acerbic Larry David vehicle whose ninth season followed a six-year hiatus (HBO); "GLOW," about a start-up women's wrestling league in the 1980s (Netflix); "Silicon Valley," the tech-world satire that was nominated for each of first four previous seasons (HBO); "Unbreakable Kimmy Schmidt," starring Ellie Kemper (Netflix);



'The Crown,' starring Claire Foy, above left, was among Netflix's Emmy nominees; 'Game of Thrones,' top right, and 'The Handmaid's Tale,' above right, will compete for best drama, along with 'Westworld,' starring Jeffrey Wright, left.



CLOCKWISE FROM TOP RIGHT: HBO; HULU; HBO; NETFLIX

and "The Marvelous Mrs. Maisel," about a 1950s woman's foray into stand-up comedy (Amazon).

"The Marvelous Mrs. Maisel" is vying with "Atlanta" for frontrunner status among comedies with 14 total nominations for its first season, including nods for lead actress Rachel Brosnahan as the title character. She won a Golden Globe earlier this year in the same category.

In drama, last year's lead-actor winner Sterling K. Brown scored another nomination for his role in "This Is Us," along with his co-star Milo Ventimiglia. Two "Westworld" actors, Ed Harris and Jeffrey Wright, will also face off. Matthew Rhys, who recently wrapped his role on "The Americans," rounded out the category.

Sandra Oh became the first Asian woman to be nominated for a best actress Emmy. Her perfor-

mance in BBC America's "Killing Eve" put her into competition with fellow drama nominees Claire Foy ("The Crown"), Ms. Moss ("The Handmaid's Tale"), Tatiana Maslany ("Orphan Black"), Keri Russell ("The Americans") and Evan Rachel Wood ("Westworld").

Mr. Glover, last year's winner for lead actor in a comedy, was nominated again for "Atlanta." Other contenders include Anthony Anderson ("Black-ish"), Ted Danson ("The Good Place"), Larry David ("Curb Your Enthusiasm"), Bill Hader ("Barry") and William H. Macy ("Shameless").

Rounding out the nominees for lead actress in a comedy with Ms. Brosnahan are Pamela Adlon ("Better Things"), Allison Janney ("Mom"), first-time nominee Issa Rae ("Insecure"), Tracee Ellis Ross ("Black-ish") and Lily Tomlin

("Grace and Frankie").

"Roseanne" was the highest-rated broadcast series of last season, but a racist tweet by its star Roseanne Barr resulted in the show's cancellation. It received only one acting nomination, for supporting actress Laurie Metcalf.

FX, which in recent years traded wins with HBO in the limited-series category, scored 18 nominations for "The Assassination of Gianni Versace," the latest installment of its "American Crime Story" anthology. HBO didn't land a spot among the limited-series contenders, which include "The Alienist" (TNT), "Genius: Picasso" (National Geographic), "Godless" (Netflix) and "Patrick Melrose" (Showtime).

NBC will broadcast the 70th Emmy Awards ceremony on Sept. 17.

—Joe Flint contributed to this article.

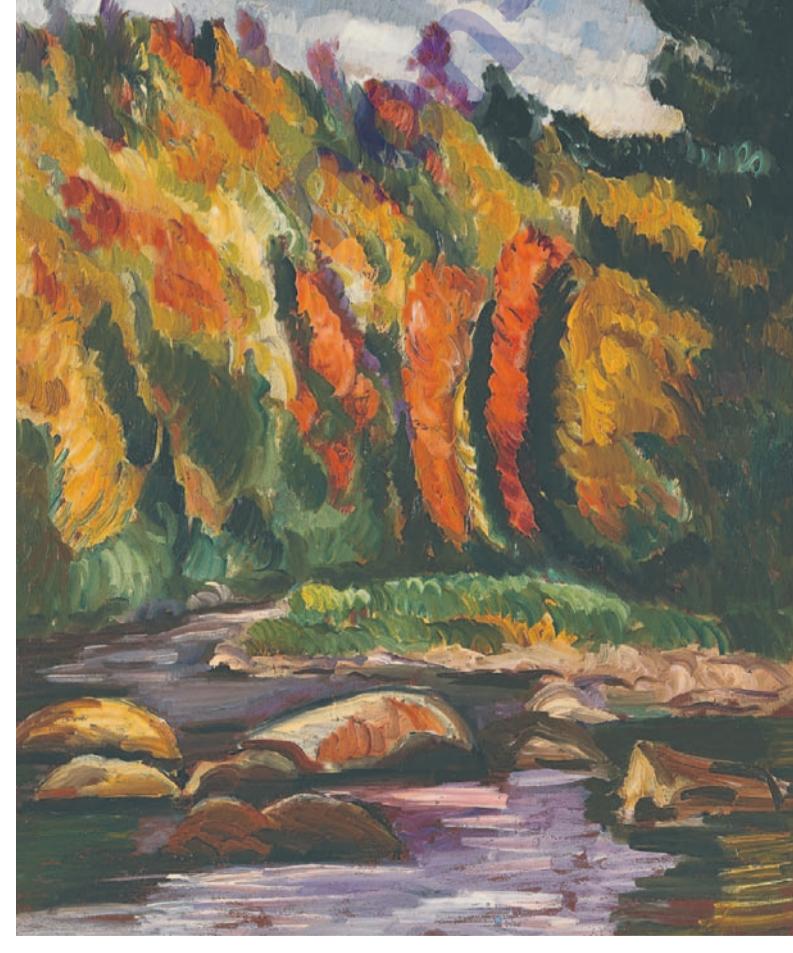
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Elsie Fisher as Kayla in Bo Burnham's debut feature, 'Eighth Grade'

FILM REVIEW | By Joe Morgenstern

THE AGONIES AND GLORIES OF GROWING UP

POIGNANTLY FUNNY, wrenchingly wise and meltingly beautiful, "Eighth Grade" is a not-so-small miracle of independent filmmaking.

Bo Burnham's debut feature starts with 13-year-old Kayla (an astonishing performance by Elsie Fisher) talking straight to the camera during her last week in eighth grade. To the camera on her laptop in her bedroom, that is, since she's doing a video for her YouTube channel on a topic she's unqualified to discuss, for the benefit of an audience that doesn't exist. Kayla's subject is "Being Yourself," but as a woefully shy loner in a constant state of disjunction—early adolescence as shuffle play—she has no idea who her self might be, or where to track it down.

Taking the film at face value—the pained, blemished and instantly adorable face of this earnest heroine—it's a portrait of someone trying desperately to graduate from girlhood into a passable semblance of maturity. More than that, though, it's breaking news on the timeless torments of growing up—a group portrait of dears caught in the backlights of their smartphones, of virtually connected, socially mediated kids who, in an age of infinite outcomes, remain stuck in their anxious present, with hardly a clue of what may come.

"Eighth Grade" would be special if it were nothing more than a string of Kayla's wish-fulfillment videos. She does another on "Getting Yourself Out There" (doubly difficult,

given little self-knowledge and no vision of any there that would welcome her), and still another on "How to Be Confident." (Though she gives sound advice, that you can't be brave without being scared, she has barely begun to move past the scared part.) But Mr. Burnham, a comedian and musician who first came up on YouTube, gets Kayla way out there into the thick of school society, with its rigid caste system—upper caste meaning cool and/or cute—and its endless opportunities for rejection. The filmmaker and his cinematographer, Andrew Wehde, are sharp observers. They flash on one kid savoring the vapors of a felt marker. Another twangs a rubber band on her braces. Whole classes

Please turn to the next page

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LIFE & ARTS



SMITHSONIAN CHANNEL (2)

TELEVISION REVIEW | By Dorothy Rabinowitz

War, Vividly Rendered



Marines on a ship, above, and an American warplane taking off, top, in 'The Pacific War in Color: The Enemy Underground'

IT'S A FAIR BET that neither the name nor the facts of the military campaign whose story unfolds in this spellbinding film is likely to sound familiar to a television audience today. Smithsonian Channel's "The Pacific War in Color: The Enemy Underground" concerns the battle for Saipan, begun in June 1944 as part of the U.S. effort to drive the Japanese back across the Pacific. The Americans had by then put behind them the prolonged stretch of military reverses they experienced in the grim months following Pearl Harbor. Taking Saipan would lead to the loss of Japan's inner defense ring—a fact that ensured that this would be a battle to the death for the island's Japanese defenders, and so it turned out to be.

But the Saipan campaign encompassed more than the story of one of the costliest American victories in the Pacific. It included matters like the frequently bitter relations between the Marines and the Army, not to mention the scathing comments Marine Gen. Holland Smith directed at Army Gen. Ralph Smith—vituperation so extreme it earned newspaper coverage.

Strife of this kind, needless to say, was of little relevance to the battle ahead, whose tensions we can feel building in the unbearable way they do in wartime, in the hours before an invasion. It's impossible to look at the footage of these Americans packed into the landing craft headed for the shores of Saipan, and the massive Japanese forces awaiting them, without a growing sense of fear—exactly the kind evoked by the forever-haunting famous pictures of the troops crouched behind the ramps of the boats ferrying them to the D-Day beaches. The landings at Normandy on the sixth of June—the only invasion to which the term D-Day is

unalterably connected—had taken place only nine days before the landings at Saipan.

The film's creators well understood the power of that evocation and it shows, in the detailed focus on the D-Day of this story—the June 15, 1944, invasion of Saipan, and all related D-Day bustle: movement of men, cargo and general excitement. In addition to the remarkable footage, the film draws on the testimony of combatants. One remembers his company commander shook hands with each of his men before the journey began, and added a brief thought—which was “Unfortunately, we know that by this time tomorrow, some of you won't be here.”

There was reason to expect that this invasion would come at a high cost. The Japanese commanded the heights over the beach. Battered by mortar and artillery fire, the first waves of Americans were unable to move forward—one battalion fought an hour to advance 12 yards. Still, the Americans would win the beachhead by the end of the day.

A related struggle would shortly take place at sea, when the Japanese launched a

massive attack on ships of the U.S. Fifth Fleet, on its way to support the American invasion of Saipan. This encounter, known as the Battle of the Philippine Sea, resulted in complete and irremediable disaster for Imperial Japan, which lost three aircraft carriers and 300 planes under an American onslaught. The film's chronicle of this battle, sometimes called, for obvious reasons, the Marianas Turkey Shoot, is dazzling in its detail.

Still no details are equal to the power of those of the battle for Saipan, which ended in a Japanese surrender roughly three weeks after D-Day—a battle whose cataclysmic effects are on vivid display here. Not least among them count the hundreds of islanders who committed suicide, as directed by Emperor Hirohito, who advised them that this would be preferable to surrender. The Japanese military did its part via propaganda assuring the native population that it could expect only torture, rape and murder at the hands of the Americans. The Americans witnessed the mass suicides to their enduring horror. One veteran tells his interviewer, “I wish I couldn't see it anymore—but I still see it.”

The Saipan chapter (producers Dan Wolf, John Cavenagh and David Royle) is the fourth in the Smithsonian Channel's eight-part series on the Pacific War—documentaries of extraordinary depth and unfailing drama. The three previous installments will air again immediately before Sunday's premiere.

The Pacific War in Color: The Enemy Underground

Sunday, 8 p.m., Smithsonian Channel

A Touching Portrait of Adolescence

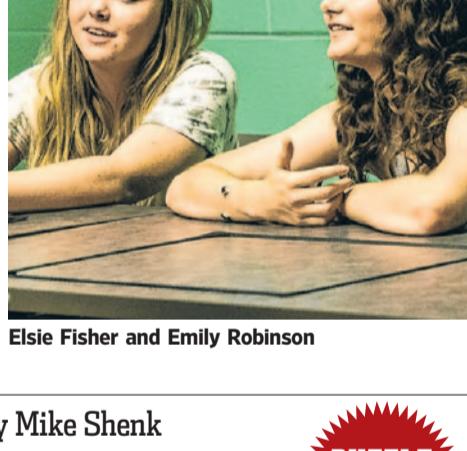
Continued from the prior page
practice duck-and-cover, not for fear of atomic bombs but in proactive response to the prospect of active shooters.

There's a moment when Kayla, on an orientation visit to the high school she'll attend, learns that she's an alien in the eyes of her somewhat-elders; a soda klatch of 12th-graders agrees that she's wired differently because she had Twitter and Snapchat at such an early age. That may tempt adult audiences to see all of these kids as downward-gazing aliens with eyes fixed on phones, ears plugged with buds and no common language with their parents.

Kayla's father, Mark (superb work by Josh Hamilton), certainly has his problems bridging the gap. In some of the film's most agonizingly funny scenes, father and daughter—Kayla's mother seems to have decamped long ago—talk at each other from opposite sides of the screen in syllables ranging from mono to low-multi, but none of it constitutes a conversation. Not, that is, until loving eloquence pours forth to a degree rivaled in recent memory only by a moment in “Call Me By Your Name.” This new outbreak, which I won't diminish by describing, goes on a bit too long, but it's deeply affecting, and brave as a piece of dramatic writing given the risk of sentimentality. And most of the film was indeed written, we are told, even though it seems to have been improvised, or simply caught on the fly.

Mr. Burnham's writing and direction deserve each other; that's meant as high praise. The results aren't perfect; a truth-or-dare game in the back seat of a car goes on so long that it turns into a scene, rather than a discovery. But the film as a whole is a revelation. It's comical but never cynical, unsparing but never ungenerous, as well as therapeutic in the sense of making us feel better about the miserably insecure children we may once have been.

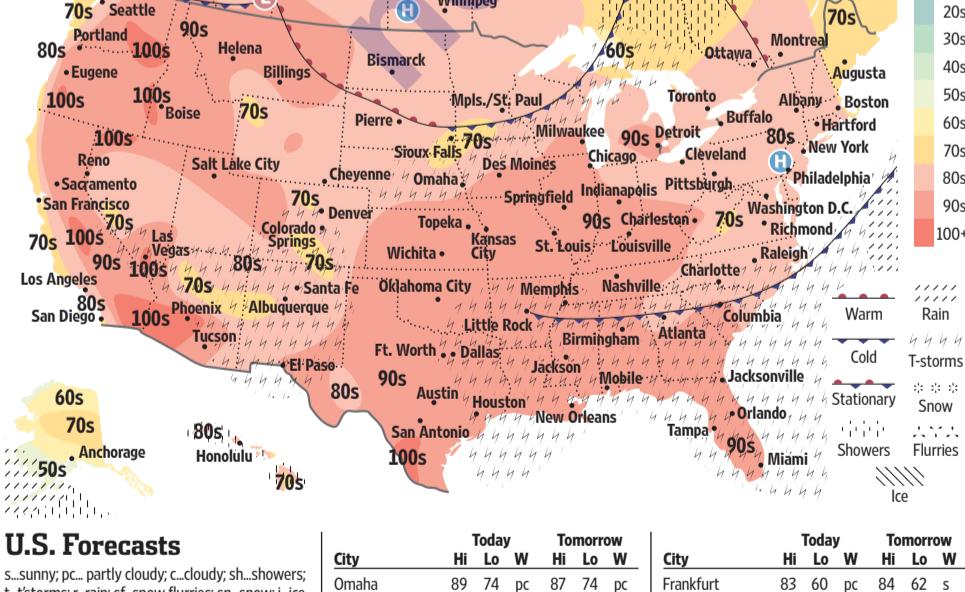
Best of all, “Eighth Grade” is lyrical in evoking the blinders of youth, and how it feels to start shedding them. Kayla can't begin to imagine who she'll be three years hence, let alone in an adult future. Yet we see her trying, on two occasions and with an exquisite purity of spirit, to reach out to her not-yet-self; both efforts, I must tell you, had me in tears. And the most dramatic sign of her growth lies not in something she does, but in something she decides to do no more, because it doesn't comport with who she's already become. What a girl! What a movie!



Elsie Fisher and Emily Robinson

A24

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;
t...storms; r...rain; sf...snow flurries; sn...snow; l...ice;

Today Tomorrow

Hi Lo W Hi Lo W

Anchorage 65 51 pc 61 51 r

Atlanta 87 71 t 86 72 t

Austin 96 74 pc 97 74 pc

Baltimore 87 67 s 91 70 pc

Boise 99 67 s 99 66 s

Boston 80 63 s 79 65 pc

Burlington 87 67 pc 82 67 t

Charlotte 89 67 t 89 66 pc

Chicago 94 75 pc 90 74 pc

Cleveland 88 71 pc 91 73 pc

Dallas 96 76 pc 98 76 s

Denver 89 59 t 95 64 s

Detroit 91 70 pc 92 73 t

Honolulu 89 77 c 89 76 pc

Houston 92 76 t 93 77 t

Indianapolis 90 71 s 93 76 s

Kansas City 96 76 s 92 75 t

Las Vegas 100 85 t 104 88 c

Little Rock 96 76 t 94 77 pc

Los Angeles 89 69 pc 86 68 pc

Miami 90 75 t 90 75 sh

Milwaukee 91 73 pc 84 71 pc

Minneapolis 83 69 pc 86 71 pc

Nashville 95 73 pc 94 75 s

New Orleans 91 78 t 92 79 t

New York City 83 70 s 86 72 pc

Oklahoma City 94 72 pc 95 74 pc

Today Tomorrow

Hi Lo W Hi Lo W

Amsterdam 73 55 pc 76 59 pc

Athens 95 77 s 94 74 s

Bahrain 112 81 s 111 81 s

Bangkok 87 79 sh 86 78 c

Beijing 80 74 t 83 75 t

Berlin 79 59 pc 76 58 pc

Brussels 80 58 pc 80 60 pc

Buenos Aires 62 49 pc 65 48 pc

Dubai 104 91 s 105 91 s

Vancouver 74 56 s 77 61 s

Dublin 69 52 pc 73 57 pc

Zurich 68 53 c 72 58 pc

Today Tomorrow

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Frankfurt 83 60 pc 84 62 s

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Havana 91 74 pc 88 72 pc

Hong Kong 88 80 sh 88 81 t

Istanbul 87 76 s 85 74 pc

Jakarta 90 76 pc 91 73 pc

Jerusalem 83 70 s 84 71 s

Johannesburg 62 45 s 62 45 pc

London 78 61 pc 82 60 pc

Madrid 94 67 s 93 65 s

Manila 81 76 r 81 77 r

Melbourne 55 38 pc 56 41 s

Mexico City 75 55 t 75 55 t

Milan 89 68 pc 91 73 s

Moscow 76 61 c 79 64 pc

Pittsburgh 84 80 r 84 79 sh

Paris 81 63 pc 84 64 pc

Rio de Janeiro 76 65 s 79 67 s

Riyadh 111 88 s 109 93 pc

Rome 86 66 s 90 69 s

San Juan 88 79 pc 88 78 pc

Seoul 86 75 pc 87 72 s

Singapore 86 77 pc 87 79 c

Sydney 64 45 s 62 42 s

Taipei City 96 77 s 95 78 c

Tokyo 91 80 pc 93 80 pc

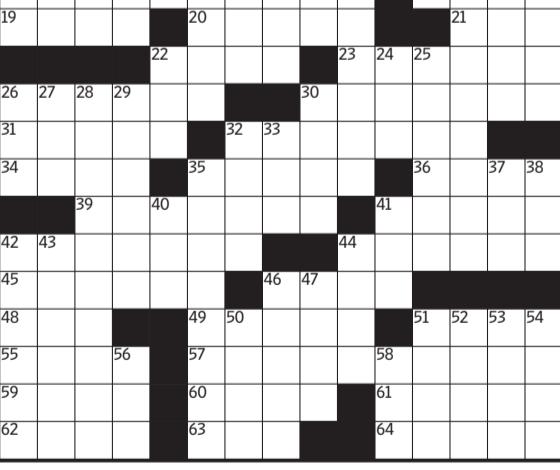
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Vancouver 74 56 s 77 61 s

Warsaw 74 61 t 76 60 sh

Zurich 82 59 pc 84 59 pc

The WSJ Daily Crossword | Edited by Mike Shenk



WOOD WINDS | By Marie Kelly

The answer to this week's contest crossword is a form that some music takes.

Across

1 Maze word

6 Apoplectic

9 Zabaglione-making need

13 Eagle's touchdown spot?

14 Baja resort

15 Tacking direction

16 “Diego and I” painter

18 Marmalade component

19 Eon divisions

20 Like a big brother

21 Miembro de la familia

22 Numbers for one

23 Sun Devils' conference, before the Buffaloes and Utes joined

26 Caper

30 Like monokinis

31 Current location

32 Like major generals

34 A-list issuer?

35 Grammy winner Bonnie

36 Ride the river

39 Essential characters

SPORTS

OLYMPICS

USOC Hires Golf Executive as CEO

Sarah Hirshland will take over as the U.S. Olympic Committee is still dealing with the turmoil from a sex-abuse scandal

BY RACHEL BACHMAN

The U.S. Olympic Committee hired as its CEO a female golf executive with ties to the 2028 Los Angeles Olympics group to guide it out of one of the most tumultuous periods in its history.

Sarah Hirshland is chief commercial officer for the U.S. Golf Association, and in 2011 was senior vice president for strategic business development at Wasserman Media Group, now called Wasserman. The firm's chair and CEO is Casey Wasserman, also chair of the organizing committee for the 2028 Olympics in Los Angeles.

"I believe that as a female leader in the world of sport, I understand the importance of creating cultural change," said Hirshland, who is 43 years old and a native of Colorado, where the USOC is based. "I understand the importance of creating an environment in which athletes can be successful in their personal and professional lives. And I understand what it takes to get there."

Hirshland will take over as CEO as the USOC is dealing with repercussions from a wide-reaching sex-abuse scandal that began in gymnastics but has raised awareness of issues of abuse in every Olympic sport.

Scott Blackmun, the USOC's CEO for eight years, resigned in February after questions mounted of his handling of allegations against USA Gymnastics doctor Larry Nassar. More than 250 women and girls have alleged in police reports and lawsuits that Nassar abused them under the guise of medical treatment. He is in federal prison serving a 60-year sentence on child-pornography and obstruction charges, and also has been convicted on state counts of sexual abuse.

Hirshland is the USOC's second-ever permanent female chief executive, after Stephanie Streeter in 2009. USOC representatives considered a pool of CEO candidates that was at least 50% women and offered the permanent position to the USOC's acting CEO, retired corporate executive Susanne Lyons. She declined it, according to some-



SAM GREENWOOD/GETTY IMAGES

Sarah Hirshland was named chief executive of the U.S. Olympic Committee.

one familiar with the situation. Lyons declined to comment.

Hirshland will spend more time than past CEOs in Washington "to build and develop better relationships with our friends on Capitol Hill," USOC chairman Larry Probst said. Congress continues to scrutinize the USOC and says it wants to see stronger oversight over the sports it organizes.

The USOC ultimately oversees not only the hundreds of elite ath-

letes who compete at the Olympics but also the millions of youth to adult athletes who participate through governing bodies such as USA Swimming or U.S. Soccer.

Olympic sports leaders have been questioned by congressional committees this summer about their groups' handling of athletes' sexual-abuse allegations against coaches. Lyons testified to one House panel that the USOC had the power to require governing

bodies to implement policies and procedures to keep athletes safe and that it needed to exercise that authority.

At the USGA, Hirshland faced another sprawling organization that was resistant to change. She streamlined an array of state and regional golf associations from more than 100 to 59 while navigating the politics of a tradition-bound sport, USGA chief executive Mike Davis said.

"Changing the way things had been done for 100 years was tough," Davis said. "Sarah really led that."

Hirshland also handled media rights negotiations and the USGA's global corporate partnerships, but will do less of that work at the USOC. That's because the USOC and LA28 are forming a joint venture that will control U.S.-related Olympic and Paralympic sponsorship rights from 2021-2028. The joint venture will start selling in 2019, ahead of the expiration of all current USOC partnerships in 2020.

The USOC-LA28 joint venture is nearly twice as long as the five-year partnership between the Atlanta 1996 organizing committee and the USOC. A few dozen USOC staff members are joining the joint venture, which is scheduled to launch in August pending approval by the International Olympic Committee. The longer joint venture came out of L.A. officials' agreement for the 2024 Summer Games to be held in Paris in exchange for securing 2028 hosting rights.

Hirshland described Wasserman as a close friend and "an incredibly talented individual."

In a statement, Wasserman called Hirshland "a visionary leader and exactly the right person to lead the USOC as we collectively build to the LA 2028 Olympic and Paralympic Games."

Nancy Hogshead-Makar, an Olympic medal-winning former swimmer, lawyer and athlete advocate, said it's heartening that Hirshland oversaw a rise in girls' participation in golf. But Hogshead-Makar wondered how equipped Hirshland is to confront the sex-abuse issue and ensure that athletes have power to effect change.

The U.S. Center for SafeSport in Denver, a nonprofit that launched last year to investigate sexual misconduct claims, has received 1,000 allegations of emotional, physical or sexual abuse, according to the center.

"We knew it was bad, but it's beyond what anybody expected—way beyond," Hogshead-Makar said.

—Brian Costa contributed to this article.



Serena Williams is back in the final.

WIMBLEDON

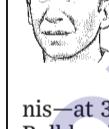
SERENA ROLLS

BY TOM PERROTTA

Wimbledon, England Serena Williams looked a bit rusty to start her match against Julia Goerges in the Wimbledon semifinals on Thursday. But her serve loosened up and her backhand, sometimes a problem of late, became the weapon one usually sees from the seven-time Wimbledon champion: She hit five winners with it, more than the two she hit with her forehand and Goerges never really had a chance. The match, which lasted an hour and 10 minutes, was never in doubt: 6-2, 6-4.

So far, the strength of Williams's serve has carried her through the tournament. Williams took something off her serve at the French Open and the beginning of Wimbledon, but she has increased the pace as the tournament has progressed. Through her first six matches, 50% of the first serves she hit in have not been returned, the highest number in the tournament. Williams has won 89% of her service games, and has broken just seven times.

Williams's opponent in Saturday's final is Angelique Kerber, who beat Jelena Ostapenko in straight sets on Thursday. "I know that she is always pushing you to the limits to play your best tennis. This is the only chance to beat her," Kerber said.



Wimbledon, England John Isner is into the Wimbledon men's semifinals, and it's a happy surprise for American men's tennis—at 33, the 6-foot-10 Georgia Bulldog is on his best run at any major. He also said he's been eating Kit Kats all tournament, so finally there's a tennis player I can relate to.

Before I get to Isner, and I promise I will, I want to talk about another unexpected gentleman who's made it to the semis. It's pretty comical to call this fellow a surprise, or an underdog, considering who he is, and all that he's accomplished here, on these very courts, but here we are:

Novak Djokovic.

Ahhhhh. Yeah. Him. Three time winner here—2011, 2014, 2015. The most dominant men's tennis player over the first half of this decade. Twelve major tournament titles overall. A brick wall at his peak—an utterly fearless, dominant, without-a-weakness world No. 1.

There were moments not long ago where it seemed nobody on earth could stop Djokovic, not even the other all-timers in his airspace, like Roger Federer, Rafael Nadal and Andy Murray. Djokovic finished the 2015 season with a record of 82-6.

Eighty-two and six! That's just nuts.

And then... Djoko-magic went sideways for a bit. A long bit. There were injuries and setbacks and withdrawals. Most of the unraveling was physical—Djokovic was suffering from the type of bodily breakdown which, in retrospect, was probably inevitable if you play the sort of ranging, elastic, Gumbby-stretchy tennis that Djokovic so brilliantly played.

His elbow was the most serious culprit, producing pain which limited his power and serve. After a quarterfinal loss here in 2017, he



TIM IRELAND/ASSOCIATED PRESS

shut his season down. He came back at the 2018 Australian Open, but elbow surgery followed.

Some of his decline was mental, too. Djokovic's acknowledged this. Pain will cause havoc upstairs, seeding doubt, anxiety, even panic. As recently as the spring, the 31-year-old Serb was wobbling. He got bounced early at tournaments in Indian Wells and Miami, and, after falling to Marco Cecchinato at the French Open, he groused his way through a post-match news conference like a man who didn't want to be there.

It was hard to watch. This wasn't the Djokovic who'd been such a joyous treat in his prime—a superstar capable of being chatty and funny and clownish, even on the court.

Here's the good news: that Djokovic is making a comeback at Wimbledon.

His Friday appointment with Rafael Nadal is his first major semifinal since 2016. As the 12th seed, he is not the favorite, but who knows? Nadal had a slog with Juan Martin del Potro in the quarters—it's possible he shows up a bit depleted. (I doubt it. I think Nadal sleeps upside down like a bat.)

For Djokovic, the energy and confidence are creeping back. "Pretty close" is how he rated his game after his quarterfinal win over Kei Nishikori.

"I like the tennis that I am playing right now," he said. "I don't want to stop here. I hope I can get a chance to fight for a trophy."

OK, so onto John Isner. If you and I had talked about Isner a couple of weeks ago, we would have agreed it was very unlikely the American big man would ever make a Wimbledon moment which surpassed his five-set epic 2010 win over Nicolas Mahut. Remember that one? It was the first round match which ran 11 hours over three days—and finished with a

fifth-set final score of 70-68.

The whole thing still sounds so crazy, I have a hard time believing it ever happened—but they have a plaque here on the grounds commemorating it, so I'm reasonably convinced it did.

A match that ends 70-68 would be indelible for nearly anyone. But now, improbably, eight years later, Isner is knocking on the door of winning the whole thing.

It's a major opportunity for a player whose Wimbledon legacy seemed to have been permanently sealed.

"Everyone is going to remember that match in 2010, and rightfully so," said Isner. "For a lot of people, that's going to be the lasting image of my career. I think if I can keep going further here, I can maybe squash that."

Sounds good.

Now, time for a Kit Kat.

You can have one, too, John Isner.

OPINION

Trump Alone Can Cut Taxes



POTOMAC WATCH
By Kimberley A. Strassel

What if President Trump had the authority—on his own—to enact a second powerful tax reform? He does. The momentum is building for him to use it.

In the halls of Congress, the corridors of the administration, and the nerve centers of activist groups, forces are aligning behind a plan: a White House order to index capital gains for inflation. It's a long-overdue move—one that would further unleash the economy and boost GOP election prospects. And Mr. Trump could be the president bold enough to make it finally happen.

At President Reagan's behest, Congress in the 1980s indexed much of the federal tax code for inflation. Oddly, capital gains weren't similarly treated. The result is that businesses and individuals pay taxes on the full nominal amount they earn on investments, even though inflation eats up a good chunk of any gain. It's not unheard of for taxes to exceed real gains after inflation. The result is significant capital distortion, as companies sit on buildings and property or investors sit on stock—rather than selling and thereby putting both assets and gains to more productive use.

Conservatives have understood this problem for

decades, yet for decades they have been held hostage to a 1992 government brief. The paper by the Justice Department's Office of Legal Counsel offered a few faulty arguments as to why the Treasury lacked the authority to make this regulatory change. Neither President Bush questioned it, but others have.

Americans for Tax Reform President Grover Norquist—chief trooper in this effort—has been circulating a 2012 paper by lawyers Chuck Cooper and Vincent Colatrigano that details that 1992 opinion's flaws. It points out that the Internal Revenue Code does not require that the "cost" of an asset be measured only as its original price—meaning there is no reason Treasury could not construe it in today's dollars. More important, it noted that since the Supreme Court decision in *Verizon Communications v. Federal Communications Commission* (2002), regulators have leeway in how they define "cost."

"Every Republican I've talked to says it is powerful public policy," says Mr. Norquist. "Some had this vestigial memory of a negative memo. But once they actually read the memo, they understood there is no legal obstacle, and the support for this within the Congress, within the White House, within the Treasury, has just exploded." Mr. Norquist notes that part of the attraction is that all Treasury has to do is issue a definitional regulation—no lengthy

rulemaking required.

What's new of late is the growing, and powerful, backing. Senate heavyweights Ted Cruz and Pat Toomey had already this year introduced a capital-gains indexing bill, and House Republican Devin Nunes tells me that he is next week introducing his own,

A 2002 Supreme Court ruling sets the stage for indexing capital gains.

though he believes "the administration could implement [the change] under its own authority." House Freedom Caucus Chairman Mark Meadows on Thursday sent a letter to President Trump encouraging Treasury to put the change in place by Oct. 1. Mr. Trump's top economic adviser, Larry Kudlow, wrote a column last year calling on the president to "spark a wave of prosperity" with an indexing order. Vice President Mike Pence pushed this issue in 2006 when he was still in Congress. And dozens of outside groups, from ATR to Club for Growth to the National Federation of Independent Business, are pushing to end the "inflation tax."

Treasury Secretary Steve Mnuchin recently told this newspaper that he'd like Congress to move on indexing, but that if it was a no-go, his department would "decide

whether we want to consider this on a nonlegislative basis." That's notable, because Republicans can't get 60 votes for this in the Senate. Democrats on the Senate Finance Committee, led by Oregon's Ron Wyden, have already sent a letter to Mr. Mnuchin warning against regulatory indexing, previewing that they'd oppose it as a giveaway to the "wealthy" and a hit to the deficit.

So, nothing new—though the left's deficit argument here is flimsier than usual. Indexing is a de facto cut in the capital gains tax, and every capital gains tax cut in modern history has resulted in a rise in capital gains revenue. The move would set off an explosion of buying and selling—which the government would get its cut. The lower tax on capital would also help asset prices grow. All of this would be excellent news for the economy, but also for those workers who were stung by the recent tax reform's limit on state and local deductions but might now see some alternate tax relief. All in time for the midterms.

All it takes is a simple order. A President Trump who has so confidently wielded his authority to cut down regulation should have no issue wielding it to cut down an outdated, decades-old legal memo that is holding back the economy and unfairly burdening investors—small and big alike.

Write to kim@wsj.com.

affable personalities who welcomed media coverage and sought to use it to spread word of their practices. Both men knew the costs of refusing medical treatment for the venom, but they believed either God would heal them—they'd survived numerous attacks before—or it was their time to die.

Despite the teachings of major Pentecostal denominations that forbade such practices early on, these handlers

We enjoy religious freedom because of those who hold unpopular beliefs.

believe New Testament Christians drank poison and handled snakes. That went along with praying for healing, casting out devils, and speaking in tongues, which are more accepted practices among Pentecostals and charismatics today.

The grainy YouTube videos of old-time serpent handlers look like horror shows. But National Geographic's 2013 reality TV series "Snake Salvation" showed two relatable 21st-century families—and the tensions they felt from outside their community for keeping this custom going.

TV footage notwithstanding, snake handling is a tiny part of what goes on in these

small, rural churches. They have preaching, prayer, offerings, announcements and worship like everyone else. Ralph Hood, a University of Tennessee professor and expert on this group, says most of these churches prohibit photographers and film crews because media visitors are fixated on the snakes. "They feel they preach for three hours and handle serpents for five minutes," yet all the images are of people handling serpents, he told me.

In 40 years covering religion, I've rarely seen a religious group receive as much vitriol as the serpent-handler community. Yet the handlers have a fascinating ability to withstand torrents of abuse and ridicule. I was afraid of them myself once. But after spending time in their churches, I found kind, likable people who struggle to get through life like everyone else.

The First Amendment was made for believers such as these. In this era of debates over the rights of florists and cake-shop owners, these folks are willing to die for their unpopular beliefs. Whether it's the Amish, the Adventists or the Appalachian snake handlers, it's the people on the margins who protect the rest of us.

Ms. Duin is author of "In the House of the Serpent Handler" (University of Tennessee Press, 2017).

I'm Better Off From Getting Laid Off

By Bob Brody

Recently I marked an important personal anniversary—or, rather, two anniversaries. Ten years ago, I got laid off. I had held that job, at a public-relations firm, for nine years. The president had once congratulated me publicly on being the most billable person in the office. I received raises, promotions, bonuses and awards. Still, the Great Recession had dawned.

Within a month, I landed a job at another PR firm—where I still work. That means I've also reached a happier milestone, 10 years on the job. It's my longest run at a single company.

As it happens, I'd been laid off another time, 20 years ago now. Only then I didn't have a child in college, and I hadn't yet gotten serious about saving for my dotage. I lucked out that time, too, finding a new job within two months.

Since anniversaries tend to prompt reflections, I recently

felt forced to size up how these layoffs changed how I work. The main aftereffect comes down to this: For 20 years now, I've been running scared.

Being in that frame of mind means you no longer take anything for granted, least of all that you'll have a job the

I've been running scared for 20 years, which beats being complacent.

next day. You may have an impressive-sounding title and a handsome compensation package and an office overlooking Midtown Manhattan. But you still remember the HR person telling you you're terminated and the colleague waving goodbye as if you were headed to your own funeral.

In short, getting kicked out the door left me suffering

from white-collar PTSD. After all these years, I've never completely recovered or regained a sense of security. It reminds me of the time I got mugged by a drug addict who stuck a knife in my chest. You always know you could get mugged again.

But running scared can be good for you. It gets your adrenaline going and heightens your perception of reality. In my case, it means I hardly ever say no to an assignment, lest I risk having my reputation even marginally downgraded. I'm always available for urgent business, even if I'm on vacation or have just come out of surgery.

Running scared may also teach you to work smarter, to be more organized, disciplined and responsible. You pull out all the stops to satisfy colleagues and clients. You learn to budget your time and always make your numbers. You recognize all over again the inestimable value of mutual

respect and candor and civility. Setbacks like a layoff tend to keep you honest.

By no means am I recommending here layoff as therapy. Getting shown the exit is ugly, and it hurts. Still, it's worked out fine for me in the end. That first layoff enabled me to secure a better job. The second brought me to a firm where I've flourished in ways I never imagined possible.

Today's low unemployment, 4% in June, might provide some shelter, but in time I could be laid off again. If one knows anything after a 42-year career, it's that one never knows. But if my luck holds, next time will be different. The only person who will have the opportunity to let me go will be me.

Mr. Brody, a senior vice president at Powell Tate, a division of Weber Shandwick, is author of the memoir "Playing Catch with Strangers: A Family Guy (Reluctantly) Comes of Age."

BOOKSHELF | By Kelly Scott Franklin

Peripatetic Ponderings

The Road to Walden

By Kevin Dann
(TarcherPerigee, 201 pages, \$16)

In 1854 Henry David Thoreau went to an estate auction after the death of a local deacon and found among the procession of dusty trinkets and worn household effects the segmented body of a dried tapeworm. For Thoreau, this desiccated parasite, waiting for the auction block, became a perfect emblem of our bondage to possessions. The episode became a central symbol in "Economy," the opening chapter of his literary classic, "Walden."

In writings like "Walden," Thoreau condemned the parasitic wealth and luxury that he said sap our lives and coined the famous maxim "simplify, simplify." Two centuries after his birth, Thoreau's challenge still grabs our attention: His spartan experiment of cabin living anticipated the growing tiny-house movement and has even spawned a videogame based on his life in the woods. It seems that America's eccentric bachelor

uncle and original minimalist is alive and well: Half a million people visit Walden Pond each year; last year, the bicentennial of Thoreau's birth, gave us some new biographies, including historian Kevin Dann's "Expect Great Things." Mr. Dann's follow-up memoir, "The Road to Walden," emerges from a walking tour he made from his birthplace in Manhattan to Thoreau's birthplace in Concord, Mass.

In a Thoreauvian vein, Mr. Dann's first chapter laments the tawdry excesses of American prosperity. We live in a "cowardly, craven posture of luxury," he writes, and "America is drowning in its own prodigious prodigality." For each of the subsequent chapters (based on the 12 days of his pilgrimage), Mr. Dann draws on Thoreau's observations to compose an exhorting title: "Making Worlds: BEFRIEND!"; "Into the Vortex: CREATE!" Mr. Dann finds inspiration in Thoreau's famous essay "Walking," and over the roughly 200 miles from Manhattan to Concord he records the local flora and history of the Northeast, his encounters with people and his musings on everything under the sun.

It is perhaps unfair to complain that a book about walking becomes, well, rambling. But Mr. Dann's free association and esoteric cosmology send readers down a dizzying maze of rabbit holes. Across the loosely connected chapters, the author holds forth on everything from the errors of mythographer Joseph Campbell to cellphone addiction, from geological history to the "Guardians of the Galaxy Vol. 2" film. Along the way, he makes sure we know of his scorn for "vengeful, stupid Trumpism" and "the child tyrant currently occupying the Oval Office."

Mr. Dann's "Expect Great Things" examined the Walden hermit through a spiritual lens. In "The Road to Walden" the author takes his readers on a survey of his own interests in esoteric religion and spirituality—yoga, chakras and lotus flowers, "the Feminine Face of God" called Sophia, and something known as "esoteric paleontology," which offers metaphysical interpretations of the fossil record. I can heartily agree when, against secular materialism, Mr. Dann laments the absence of mystery in our modern life. But the real mystery is where exactly the author of "Walden" fits into this unusual book.

Following in the footsteps of his idol, a Thoreau biographer goes on a walking tour from Manhattan to Concord, Mass.

Still, like Thoreau, Mr. Dann sees that material possessions can crowd out the higher life of the mind and spirit. As Thoreau writes in "Walden": "Most of the luxuries, and many of the so-called comforts of life, are not only not indispensable, but positive hindrances to the elevation of mankind."

It's easy to miss that Thoreau's lean, minimalist living also offers a practical solution to political problems. Mr. Dann condemns American luxury and grinds his teeth against American politics. But he overlooks that it was precisely Thoreau's material simplicity and detachment that enabled him to take such an influential stand against injustice. In 1846, during his time at Walden Pond, Thoreau spent the night in jail for refusing to pay his poll tax, in opposition to slavery and the Mexican-American War. This sparked his well-known essay "Resistance to Civil Government" (popularly titled "Civil Disobedience"), which later influenced both Gandhi and Martin Luther King Jr.

In the essay, Thoreau observes that the government, in the face of disobedience, attacks our material and physical comfort through fines and imprisonment. Even "the freest of my neighbors," writes Thoreau, fear resisting the government's unjust laws because "they dread the consequences to their property and families of disobedience to it." In other words, the simplicity and detachment Thoreau practiced at Walden made him more free to resist an unjust law. Conversely, the greater our luxury, the more vulnerable we become: We have more to lose by nonconformity, and we likewise become more dependent on the state to protect our comfort and wealth. Thoreau's writing consistently offers pointed challenges like these, articulated in beautiful prose that still rings in our ears. In "Walden" and "Civil Disobedience," Thoreau proposes that in every age the true freedom of the good life means resisting the tapeworm as much as the tyrant.

"The Road to Walden" ends without ever reaching Walden Pond. It closes instead with the author lost somewhere around Nagog Pond in the neighboring town of Acton. Thoreau famously endorsed getting lost in the woods, and we can see Mr. Dann suggesting, perhaps, that we are never done with our journey toward enlightenment. But the author's ending is apt in another way—for we, as much as he, have become somewhat lost on our way to Walden, left only with a sense that Thoreau ought to inspire us to something and that Kevin Dann himself would make a fascinating traveling companion.

Mr. Franklin is an assistant professor of English at Hillsdale College and the editor of "The Shattered Fountain: Selected Tales of Nathaniel Hawthorne."

Coming in BOOKS this weekend

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OPINION

REVIEW & OUTLOOK

What Putin Wants From Trump

Donald Trump meets Vladimir Putin Monday in Helsinki, and if the U.S. President has an agenda beyond dominating the headlines and taunting his domestic opponents, it isn't apparent. That won't be the case with Mr. Putin, who has spent 18 months sizing up the American President and will be looking to get the most out of a weak Russian hand.

In 18 years running Russia, Mr. Putin has outfoxed two previous U.S. Presidents who sought better relations. The Russian makes promises to win concessions but then typically reneges or moves to exploit what he perceives as U.S. weakness. George W. Bush at least negotiated the end of the Anti-Ballistic Missile Treaty that stifled missile defenses, but Mr. Putin rolled over Barack Obama like T-14 tanks in a Ukrainian corn field.

So let's assess the summit in advance by what Mr. Putin wants now from Mr. Trump. The U.S. President considers himself a shrewd negotiator, so we can measure the results by how much of the Putin agenda the former KGB operative gets Mr. Trump to concede.

• **Prestige.** Mr. Putin's top priority at all times is shoring up his political standing at home, where he lacks democratic legitimacy. This means striding the world stage as if Russia is again a global power, and Mr. Trump is helping Mr. Putin on this score merely by meeting him on equal terms. The Russian will also want Mr. Trump to endorse Mr. Putin's denials about meddling in the 2016 election—which he will advertise as official absolution.

Mr. Putin has been persona non grata in Europe since he invaded Crimea in 2014, and he wants Mr. Trump's help with rehabilitation. Expect Mr. Putin to flatter Mr. Trump for his willingness to disrupt global norms. He'll also want Mr. Trump to repeat his recent comments that Mr. Putin should rejoin the G-7.

• **Syria.** Mr. Putin has accomplished what he sought when he barged into Syria in 2015. He's saved Bashar Assad, fortified long-term military bases, and replaced the U.S. as chief power broker in the region. He wants Mr. Trump to validate these gains and withdraw U.S. troops from eastern Syria.

In return Mr. Putin may promise to help the U.S. contain Iran's presence in Syria, though there's no guarantee he can do so, given Iran's investment in Mr. Assad. The Russian knows Mr. Trump is eager to bring U.S. troops home and might rely on assurances on Iran the way he did on the "de-escalation" zone in south-

western Syria. Mr. Putin has helped Mr. Assad bomb the opposition in that part of Syria despite the Russian's assurances.

• **Ukraine.** Mr. Putin wants Mr. Trump to accept his Crimea annexation, perhaps in return for recommitting to the Minsk negotiation process for eastern Ukraine, where Russian forces started another illegal war. Mr. Trump has already blamed Barack Obama for losing Crimea, essentially a unilateral concession that Mr. Putin will pocket. The Russian will also try to get Mr. Trump to stop providing Kiev with lethal weapons.

• **Lifting sanctions.** This is Mr. Putin's top near-term priority. He needs to be able to enrich his cronies, and U.S. and European sanctions have become a major problem. The Russian will play to Mr. Trump's dislike for the European Union by suggesting Mr. Trump can come to an independent deal over Ukraine, Syria and sanctions. Mr. Putin knows that the Italian, Hungarian and Greek governments are wobbly on sanctions, and he'd like Mr. Trump to stir more dissension in the EU.

• **The trans-Atlantic alliance.** Mr. Putin knows that the stronger NATO is as a military force, the riskier it is for him to engage in foreign adventurism. The Russian's long-term goal is to erode the West's political will to add to its capabilities as the memories of Crimea fade. Mr. Putin will do whatever he can in Helsinki to underscore Mr. Trump's frustration with Europe that was on display this week at the NATO summit, planting the seeds of future discord.

• **Arms control.** Mr. Trump has been floating the idea of new arms talks with Russia, though over what isn't clear. No doubt Mr. Putin's spies have told him that Mr. Trump wants to be known as a nuclear peacemaker. And Mr. Putin may try to exploit that desire by offering a new round of talks to reduce the U.S. and Russian nuclear arsenals.

The problem here is that the Pentagon believes Mr. Putin is violating his current arms treaties with the U.S. This includes deploying intermediate-range cruise missiles in Europe that are banned under the 1987 INF Treaty. But that might not stop Mr. Trump from thinking he can change Mr. Putin's behavior.

* * *

Mr. Trump clearly believes that Mr. Putin's Russia is not the security threat that the Pentagon does, and he's intent on showing that the two countries can get along. The wily Russian knows that too, which is why we should watch what he gains for smiling across the table.

The Smears Begin on Kavanaugh

The political left is going to do whatever it can to defeat Brett Kavanaugh's nomination to the Supreme Court, and the smears have begun even earlier than usual. This week's mud on the wall includes a claim of guilt by association when Mr. Kavanaugh was a law clerk 27 years ago.

In 1990-1991 Mr. Kavanaugh clerked for federal Judge Alex Kozinski on the Ninth Circuit Court of Appeals. Mr. Kozinski retired in December after he was accused by several women, including a former federal judge, of harassing behavior such as groping and showing them pornography.

The McClatchy news service reported Wednesday that a left-wing outfit called Ultraviolet is circulating a six-page memo demanding that Senate Democrats investigate whether Mr. Kavanaugh knew about Mr. Kozinski's behavior a quarter-century ago. Think of this as the claims in the Christopher Steele Russia dossier without the evidence.

The Ultraviolet sleaze-slingers have no evidence that Mr. Kavanaugh knew about Judge Kozinski's behavior and no witnesses to anything of the sort. They merely have insinuations that in the age of social media can spread around the world before the truth can even get a hearing. We're told that journalists from sev-

The left tries some
#MeToo guilt by
association.

eral news organizations are also trolling former Kozinski clerks to see if they can find someone who will say that Judge Kavanaugh knew something, or should have known, about Judge Kozinski's behavior.

All of which caused the White House to issue a statement Thursday addressing the smears by ancient association that are by now circulating widely on the internet and in the press corps. "Prior to the public reports late last year [about Judge Kozinski], Judge Kavanaugh had never heard any allegations of sexual misconduct or sexual harassment by Judge Kozinski," White House spokeswoman Kerri Kupec said in a statement.

The White House also released a letter to the Senate Judiciary Committee signed by 18 of Judge Kavanaugh's former female clerks attesting to "our uniformly positive experiences with the Judge as a boss on issues of gender and equality in the workplace." Amy Chua of Yale writes nearby of her rewarding experience placing law clerks with Judge Kavanaugh.

It used to be that the press required at least some evidence to report a story, but now a politically motivated group can write a memo without incriminating facts and get it reported as news. Fair-minded Americans should treat it as the drive-by innuendo it is.

Where New York Goes to Think

When the Manhattan Institute was founded in 1977, the image of New York was right out of Charles Bronson's "Death Wish." Crime was out of control amid broader public disorder and economic decline.

The city has since undergone a renaissance due in no small part to the ideas generated by the Manhattan Institute. The mayors who pulled this off—Ed Koch, Rudy Giuliani, Michael Bloomberg—could not have done so without the intellectual ammunition provided by MI. For the last 23 years the Manhattan Institute has been led by Larry Mone, who on Friday is announcing his retirement effective early next year. (See Notable & Quotable nearby.)

Many think tanks labor in Washington. MI has made a particular contribution by focusing on how conservative solutions can solve urban problems. It's no coincidence that MI published "Fixing Broken Windows," which popularized the work by James Q. Wilson and George L. Kelling arguing that addressing pockets of disorder and even small crimes is crucial to effective policing. New York is now the safest big city in America.

MI also publishes City Journal, challenging established thinking on issues from city hous-

ing to parks, charter schools, public finance and welfare reform in an effort to restore New York as a land of opportunity: a place where anyone willing to work hard and take risks could climb the ladder of upward mobility.

Many of its writers have contributed to these pages over the years, including columnist Jason Riley.

Mr. Giuliani once put it this way: "If there was . . . a charge of plagiarism for political programs, I'd probably be in a lot of trouble because I think we plagiarized most of them, if not all of them, from the pages of the City Journal and from the thinking and analysis of the Manhattan Institute."

Mr. Mone's contribution was to keep the think tank humming with ideas—even, especially, during the years when progressives were back in charge of the city. New York's two-tiered education system remains its most conspicuous failing, and current Mayor Bill de Blasio is making it worse with his hostility to charters. Mr. Mone and MI have improved the lives of millions of New Yorkers. But no political defeats or victories are permanent, and Mr. Mone's successor (there will be a search by the MI board) will have plenty to do.

Larry Mone will retire
from the idea shop that
helped to revive the city.

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

LETTERS TO THE EDITOR

Senate Losses Are Worth Risk for Democrats

William McGurn argues that Sen. Dick Durbin's willingness to sacrifice the seats of fellow Democrats running for re-election in red states this November to block President Trump's Supreme Court nominee is, at best, a win-the-battle but lose-the-war proposition for the Democratic Party ("Dick Durbin's Supreme Sacrifice," Main Street, July 10). Mr. McGurn's reasoning is that a necessarily nasty battle to reject Mr. Trump's nominee is going to sour voters in red states who then will turn out in droves to replace Democrats with Republicans. If Mr. McGurn is correct, the GOP will have a working majority in the Senate for at least two more years, and President Trump's post-election Plan B nominee would be unstoppable for confirmation.

Conservatives hope Mr. McGurn is right about the futility of Democratic resistance to President Trump's nominee, but the sports cliche of "win one game at a time" seems a plausible plan for Democrats with a decent shot at a string of subsequent victories. A rejection of Judge Brett Kavanaugh will fire up the Democratic base and fuel a media narrative that President Trump's reign of terror has come to an end. The left will be supercharged and prepared to do whatever it takes to prevent GOP wins in Senate races that are considered toss-ups. Maybe the Supreme Court stakes also will energize the right, but maybe not.

In view of those known-unknowns, if the Senate rejects Judge Kavanaugh, why should Democrats not adopt a win-at-all-costs approach now and still have a reasonable chance to win again later? Allowing red-state Democrats to vote to confirm Judge Kavanaugh concedes an immediate loss that will have implications for many years to come. Getting a big win now in exchange for possible political and confirmation-vote losses later seems well worth the risk.

CRAIG LINDSAY
St. Augustine, Fla.

As a former Democrat, I recall when the party was led by true statesmen. The party has descended into "activist" hysterics that show no understanding of the role our Constitution plays in protecting rights. Maybe after a fruitless stand against Judge Kavanaugh, Democrats will realize legislating and trying to win voters are better strategies than ruling by fiat and mobbing public servants.

TOM O'HARE
Charlestown, R.I.

Make Students Prove Their Writing Skills

Regarding Naomi Schaefer Riley's July 9 op-ed "Save the SAT Writing Test": That the admissions offices at Stanford and Princeton would drop the test speaks to a current fad among the university elite, but not to those of us who have taught at the university level. In 2014 I co-instructed a writing class at Stanford's Graduate School of Business. (The course was dropped later that year because students claimed they came to Stanford to develop an app, not improve their writing.) Leading the course, I was surprised to learn that the graduate business students were provided free writing and speaking coaches. What gives?

Ms. Riley is spot on: A massaged and enhanced college essay, done at home with the help of the whole family and others, reveals nothing about a potential student's writing skills. In contrast, a 25-minute essay completed under duress in a sterile testing center exposes one's thinking and writing ability.

CHERYL ANN BLOCK SABRAW
Fremont, Calif.

As a retired high-school English teacher and counselor, I would like to add to Ms. Riley's sound arguments for keeping the SAT writing test. The grading system of the test has many problems, such as its indifference to factual accuracy, word length and handwriting. But overall the test is extremely useful for educators, students and admissions officers alike.

A high-stakes test encourages high-school English teachers to actually teach writing, knowing that parents will come after them if they do not. Moreover, it gives college admissions officers a crucial tool for determining whether the personal essays submitted by applicants reflect applicants' actual writing skills, or whether they were edited—if not composed—by the applicants' parents or highly paid professional counselors.

When the SAT writing test was first introduced, I remember several admissions officers telling me that they had access to the actual essays written by applicants, not just the scores awarded by the College Board, and were using them for this comparative purpose. I hope this is still the case, as it is an important means for eliminating the advantage for students whose essays go through numerous drafts under the guidance of parents or professionals.

LYDIA D. SCHULMAN
Prescott, Ariz.

Trump Is Sending Mixed Signals Going Into Helsinki

There is ample cognitive dissonance in President Trump cajoling NATO members to spend on defense while he simultaneously romances Vladimir Putin ("Trump's NATO Progress," Review & Outlook, July 9). If Russia's support for Ukrainian rebels is no longer worrisome, as Mr. Trump suggested to the Group of 7, and Mr. Putin isn't such a bad guy, why do NATO countries need to spend all that money on defense?

Mr. Trump's inconsistency means neither the American public nor our NATO allies have any idea of what the president hopes to accomplish in meeting with Mr. Putin. When Mr. Trump lands in Helsinki on July 16 he will arrive without the support of the alliance and even the U.S.

DOUGLAS PARKER
Ojai, Calif.

Pepper ...
And Salt

THE WALL STREET JOURNAL



"I'm taking no chances;
I've invested everything in gold."

OPINION

Kavanaugh Is a Mentor To Women

By Amy Chua

Judge Brett Kavanaugh's jurisprudence will appropriately be dissected in the months ahead. I'd like to speak to a less well-known side of the Supreme Court nominee: his role as a mentor for young lawyers, particularly women. The qualities he exhibits with his clerks may provide important evidence about the kind of justice he would be.

I've gotten to know this side of Judge Kavanaugh while serving on Yale Law School's Clerkships Committee for most of the past 10 years. It also affects me personally: Last year my daughter accepted an appellate clerkship from Judge Kavanaugh, which was set to begin next month.

A judicial clerkship is typically a one-year stint after law school. Federal appellate judges usually have three to four clerks at a time. Clerks help the judge to prepare for argument, analyze cases and write opinions.

Many judges use ideological tests in hiring clerks. Judge Kavanaugh could not be more different. While his

I can't think of a better judge for my own daughter's clerkship.

top consideration when hiring is excellence—top-of-the-class grades, intellectual rigor—he actively seeks out clerks from across the ideological spectrum who will question and disagree with him. He wants to hear other perspectives before deciding a case. Above all, he believes in the law and wants to figure out, without pre-judging, what it requires.

Judge Kavanaugh's clerks are racially and ethnically diverse. Since joining the Court of Appeals for the D.C. Circuit in 2006, a quarter of his clerks have been members of a minority group. More than half, 25 out of 48, have been women. In 2014, all four were women—a first for any judge on the D.C. Circuit.

In the past decade, I have helped place 10 Yale Law School students with Judge Kavanaugh, eight of them women. I recently emailed them to ask about their clerkship experiences. They all responded almost instantaneously. They cited his legendary work ethic ("He expected us to work really hard, but there was always one person working harder than us—the Judge"), his commitment to excellence ("he wants every opinion that comes out of his chambers to be perfect; it is not uncommon to go through 30-50 drafts"), his humility ("He can take a great joke just as easily as he can land one"), and his decency ("I've never seen him be rude to anyone in the building").

To a person, they described his extraordinary mentorship. "When I accepted his offer to clerk," one woman wrote, "I had no idea I was signing up for a lifelong mentor who feels an enduring sense of responsibility for each of his clerks." Another said: "I can't imagine making a career decision without his advice." And another: "He's been an incredible mentor to me despite the fact that I'm a left-of-center woman. He always takes into account my goals rather than giving generic advice."

These days the press is full of stories about powerful men exploiting or abusing female employees. That makes it even more striking to hear Judge Kavanaugh's female clerks speak of his decency and his role as a fierce champion of their careers.

If the judge is confirmed, my daughter will probably be looking for a different clerkship. But for my own daughter, there is no judge I would trust more than Brett Kavanaugh to be, in one former clerk's words, "a teacher, advocate, and friend."

Ms. Chua is a professor at Yale Law School and author, most recently, of "Political Tribes: Group Instinct and the Fate of Nations."

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America Needs the WTO

By James Bacchus

In addition to all else President Trump has been doing lately to sow chaos in the international trading system, he is reportedly considering pulling the U.S. out of the World Trade Organization. Bent on preserving slim Republican congressional majorities in November's elections, the president may hope that a loud goodbye to the WTO would reassure and revitalize his protectionist political base.

Any WTO member can withdraw with six months' notice. Mr. Trump may attempt to withdraw the U.S. unilaterally, as he did with the Paris climate accords—although courts might find that such a move requires congressional approval. Mr. Trump could also propose legislation, like the type that has been leaked to the press, expanding his existing discretionary authority to ignore WTO treaty obligations. Whether Congress would pass such legislation is another matter.

But let's say Mr. Trump managed to get his way and pull the U.S. out of the WTO. The consequences for the world and U.S. economies would be immense. Among them: diminished trade growth, costly market and supply-chain disruptions, and the destruction of jobs and profits, especially in import- and export-dependent U.S. industries. The resulting trade barriers would compel some American companies either to downsize or move offshore. The global economic spiral set in motion by Mr. Trump's reckless trade actions on steel, aluminum, Canada, Mexico, China, and Europe would accelerate.

If his trade brinkmanship so far is any indication, the president seems willing to risk these dire results. But he may not be aware that losing the benefits of membership in the WTO would harm American businesses and workers even more than his recent trade actions are harming them.

WTO membership provides goods and services produced in the U.S. with protection against discrimination in foreign markets. Nondiscrimination rules are the heart of the WTO trading system, which currently applies in 164 countries and to 98% of all global commerce. Should Mr. Trump cancel America's membership, every WTO member would be free under international law to discriminate against American goods and services however they wished unless they had a free-trade agreement with the U.S.

PHIL FOSTER



Moreover, all WTO members are required to grant one another lower tariffs at WTO-agreed rates. Should the U.S. pull out, American exporters would have to pay significantly higher tariffs almost everywhere in the world. These higher tariffs would boomerang back through global supply chains to diminish the competitiveness of U.S. producers by increasing their end prices.

Because tariffs are taxes, Mr. Trump is already imposing a hidden tax increase in the form of higher prices on American businesses and workers by provoking trade partners into retaliating against his unilateral and illegal tariffs on steel and aluminum with their own unilateral and illegal tariffs. If the U.S. left the WTO, this disguised tax increase would be vastly higher. Whatever boost the average American might have received from the tax cuts enacted last year would vanish as prices soared.

By abandoning the WTO, the U.S. would also lose access to its dispute-resolution process, thereby abandoning its only recourse under international law for countering unfair trade practices. This even though the most recent Economic Report of the President tells us that "the United States has won

85.7 percent of the cases it has initiated before the WTO since 1995." That report is signed by President Trump. Nevertheless, he relentlessly disparages the WTO as rigged against the U.S.

Rather than relying on the international rule of law, the president is attempting to bully other countries into accepting his terms through tariffs and intimidation. Mr. Trump's trade bullying isn't

President Trump's assault on the organization could harm U.S. workers even more than his tariffs have.

worthy of our country. Moreover, it won't work. When the U.S. represented nearly half of global production in the wake of World War II, it had the power to bend other countries to its will because they sorely needed U.S. investment and goods. Today the world economy is shaped much differently. The U.S. represents less than a quarter of the world economy, and trade relationships are more fluid and diverse.

Mr. Trump and his boosters

are vastly overestimating America's global economic leverage.

Pushing other countries around either won't work at all or it won't work for long. Some of our trading partners have started to push back against Mr. Trump's lawless tariffs. Others will surely follow. If Mr. Trump compounds his protectionist crusade by abandoning the WTO, Americans will soon remember why we created the rule-based trading system in the first place.

Instead of waging war on the WTO, the U.S. should help modernize it by making it more effective in addressing digital trade, services, subsidies, sustainability and intellectual property. Internationally agreed rules for international trade—and a process for resolving disputes about those rules—are an indispensable pillar of national prosperity. This is true for all countries, but especially a trading country the size of the U.S.

Mr. Bacchus, a professor at the University of Central Florida, served as chief judge for the World Trade Organization and a U.S. representative from Tennessee. His new book, "The Willing World: Shaping and Sharing a Sustainable Global Prosperity," will be published this month by Cambridge University Press.

Don't Take Me Out to the Ballgame—I Can't Afford It

By Joseph Epstein

Most summers a good friend of mine, who has long held two season tickets, has taken me to a Chicago Cubs game. The seats are 11 rows off the field, on the first-base side, about even with the visiting team's on-deck circle. Going to a Cubs game with this friend, whose conversation I much enjoy, is a genuine treat. But last summer, when I arrived back home, I took the ticket stub out of my pocket and discovered the price: \$172.48. I was shocked, amazed, appalled. Now whenever I hear the old anthem, "Take Me Out to the Ball Game," I substitute words of my own devising:

*Take me out to the ball game,
Take me out with the crowd.
Buy me some peanuts and
Cracker Jack,
Throw in parking, a sandwich, a
beer,
And I won't get out for less than
\$300, I fear.
... the old ball game.*

Another friend, who recently took an acquaintance to a Cubs game, told me they sat in the bleachers, where the seats, without backs, cost \$75 each. I remember the same seats, when I was a kid, priced at 75 cents.

But let's not pick only on the Cubs. A man I know, a New York economist,

told me that he had friends in from out of town who wanted to see the Knicks, so he called a ticket agency and ordered four seats for a Tuesday night game against the Portland Trailblazers. "The price," he said, "got my attention: \$2,000." A physician I used to see, a gastroenterologist and a big NFL fan, told me some while ago that when the Chicago Bears remodeled their stadium, they charged him, a box-seat season ticket holder, a licensing fee of \$8,500. He said—and this is a very rough paraphrase—that it gave his own digestive tract a severe jolt.

What has happened? How did sports, for the spectator, get so expensive?

Everyone knows that the answer to any question about sports these days is money. But lately sports fans have been penalized for their devotion with astronomical ticket prices. Season tickets for next year's New York Yankees games can run to \$20,000 a seat. Season tickets to see the dismal Chicago Bulls cost north of \$10,000, unless you want the nosebleeds. The average price for a ticket to see the losing Chicago Bears a couple years ago was \$108.44 a game, with box seats in the \$300 range.

Some years back, the late movie critic Gene Siskel took me to a Bulls game. He had four front-row tickets, and he told me that the Bulls wanted him to have these seats. The New York Knicks have Woody Allen and

Spike Lee in regular attendance, and the Los Angeles Lakers have Jack Nicholson and Meg Ryan. Siskel was the best Chicago celebrity the Bulls could come up with. Still, the team wasn't about to comp him. "The four season tickets cost \$58,000," he told me, "not an easy check to write." He then added, with a half-smile: "They throw in free parking."

Being a sports fan, whether die-hard or fair-weather, is these days rather a dubious undertaking. For a long while now, a team's fans have been more loyal than its players, who, under free agency, depart as

A day in the stands may cost a family of four \$500. It's almost un-American.

soon as a better offer turns up. Nor is it easy for a fan to grasp paying a man who bats in the .220s, striking out nearly 200 times but hitting 27 home runs, a salary of \$13 million. Not to speak of paying a pitcher, who works one day in five, and at that rarely for more than six innings, \$25 million. All the more demoralizing is it to grasp that a good part of the cost for these wild extravagances are passed on to us, the fans.

Tickets for opera, concerts, plays, ballet are equally expensive. That there

are people dopey enough to pay \$1,000 to see "Hamilton" should not, I suppose, be surprising when others are willing to spend \$5,000 on a World Series ticket. But, then, there are also theater fans willing to put down \$200 to hear Edward Albee inform them that they are dreary middle-class bores, heterosexual in the bargain, who would do well to depart the planet as early as possible—or to hear Samuel Beckett stipulate that being born was probably a mistake in the first place.

Culture and sports, though, are intrinsically different. Culture is an elite enterprise, and the understanding has long been that it is open only to those who believe in its value. Sports have always been a more demotic proposition. Implicit in this distinction is that for culture one should be ready to pay a price—in education, in patience, yes, even in dollars—but that viewing sports is a more public, democratic activity, open to all who are interested, kids among them. There's something inherently wrong about its costing a family of four \$500 to take in a baseball game—even something, if I may strike the chauvinistic note, un-American.

Mr. Epstein is author of the forthcoming "The Ideal of Culture and Other Essays" (Axios Press) and "Charm: The Elusive Enchantment" (Lyons Press), both to be published in 2018.

Notable & Quotable: Larry Mone Retires

From Larry Mone's letter to the board of the Manhattan Institute, announcing his retirement as president, July 12:

I am approaching my 24th year as president of the Manhattan Institute. During this time, I have shared in the privilege of leading a truly special organization: a first-rank think tank devoted to free market principles located in the midst of one of the world's great cities. For New York, it has generally been a period of rebirth—and the Manhattan Institute was at the center of our civic Renaissance. . . . From the publication of *Fixing Broken Windows* in 1996, to assisting the city with the development of a municipal counterterrorism strategy in the aftermath of 9/11, to

shaping an effort to rezone large swathes of the city's long-neglected industrial spaces, the Institute has provided no modest portion of the intellectual energy that brought New York back to its feet. We have also driven major policy change at the state and national levels, leading on issues from school choice and charter schools, to the health care marketplace, to the role of law enforcement in our society. . . .

After almost a quarter-century at the helm, I believe it is a healthy time for a change—not only for myself but for the Institute. . . . It is my intention to hand over the reins of leadership to a new president in early 2019.

For all of the Institute's accomplishments thus far, it is manifestly the case that the work of promoting

the cause of free markets, free societies, and the rule of law is not complete. Sharp turns towards statism and government overreach at City Hall and in Albany threaten the gains of the last generation. The danger is real across the range of issues, but I believe it is particularly acute with respect to our fiscal sobriety, the future of economic growth, the maintenance of law and order, and the prospects of education reform.

The Institute must face these dangers; it must continue to lead; it must remain an incubator of fresh insights and a place where forgotten truths can be recovered. Our city, our state, and our whole nation are divided in pitched arguments not only over the details of policy, but the essence of principle.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Delta Raises Fares as Fuel Soars

Carrier also restrains capacity growth to offset rising expense and keep profit flowing

BY ALISON SIDER

Delta Air Lines Inc. said it will boost fares and add fewer flights than planned, as carriers contend with a surge in fuel prices that is looming over flush times for the industry.

Delta on Thursday posted second-quarter earnings than

topped forecasts, with record revenue helping to offset a \$578 million jump in its fuel bill, up 33% from a year earlier on an adjusted basis.

But the No. 2 U.S. carrier by traffic said those rising fuel costs will weigh on profit for the rest of this year, leading it to lower its profit outlook. Delta said its fuel bill in 2018 would be \$2 billion higher than last year.

"With higher fuel prices you're going to expect to see ticket prices go up as well," Chief Executive Ed Bastian said.

Analysts expect other U.S. carriers to outline plans to restrain capacity as they report earnings over the next few weeks.

Airline shares fell sharply on Wednesday after American Airlines Group Inc., the No. 1 U.S. carrier, warned that its revenue per available seat mile, a key industry metric, would fall short of its previous guidance. That day, American's shares fell 8% to their lowest level in nearly two years.

Delta said it has raised fares 4% from last year, offsetting two-thirds of the fuel-

cost rise in the second quarter. "The domestic is where we really need to get those fares moving. They have moved internationally," Delta President Glen Hauenstein said Thursday during a conference call.

Delta plans to trim flights or seats from underperforming routes after the peak summer travel season ends, reducing capacity growth this fall by 0.5 to 1 percentage point. The airline, without naming specific routes or destinations, said it will cut back in markets where it can't pass along higher fuel costs.

For the year, capacity is expected to grow about 3%.

Executives said they don't expect higher fares to curb travel demand.

The Atlanta-based carrier said its closely watched unit-revenue metric rose 4.6% in the second quarter compared with that period last year. The company expects it to increase by 3.5% to 5.5% in the third quarter.

Investors monitor the revenue that airlines generate for each seat flown a mile as a sign of how well the industry

Please turn to page B2

Walmart Rethinks Store-Card Affiliation

BY ANNAMARIA ANDRIOTIS AND LIZ HOFFMAN

Walmart Inc. is talking to **Capital One Financial** Corp. about taking over its store credit card, according to people familiar with the matter.

The discussions, which are expected to wrap up in coming weeks, could end **Synchrony Financial**'s nearly 20-year run as the exclusive issuer of Walmart cards.

Synchrony has been Walmart's exclusive credit-card issuer since 1999. Synchrony issues both a private-label card, which can be used only at Walmart's stores and website, and a co-branded card that is accepted almost everywhere.

This is the first time Walmart launched a formal request for bids from other card issuers, people familiar with the matter said. The retailer met earlier this year with executives from Capital One and **Goldman Sachs Group** Inc., which has been exploring its own entry into credit cards, according to people familiar with the matter.

One option that Walmart has looked at is whether to keep its credit card that can be used only at its stores with Synchrony and move the co-branded card to Capital One, people familiar with the discussions said. Walmart's talks with Capital One were previously reported by Bloomberg News.

Losing Walmart would be a blow to Synchrony, which counts the retail giant among its five-largest accounts.

Walmart credit-card balances total around \$10 billion, according to a person familiar with the matter, accounting for 19% of Synchrony's retail card balances and 13% of its total balances, which also include retail installment loans and medical loans.

Walmart is being advised by boutique investment bank **Moelis & Co.**, while **Kessler Financial Services**, a credit-card consultant, is working with Capital One, people familiar with the matter said.

Walmart, Capital One and Synchrony all declined to comment.

Walmart and Synchrony have encountered challenges on several fronts of late. Synchrony executives have expressed frustration that Walmart isn't putting enough marketing muscle behind the cards and wants more in-store promotion, people familiar with the matter said.

Walmart executives believe Synchrony is keeping too much of the cards' revenue, people familiar with the matter said.

Please turn to page B2

Fallout From Trade Tensions Puts U.S. Industrial-Equipment Maker in a Jam



HEAVY LOAD: Manufacturer Valmont Industries cut its earnings outlook after assessing the possible effect of U.S. trade actions against China and challenges in that country's construction market, as well as the impact of a strike by Brazilian truckers protesting fuel-price increases. Shares in Nebraska-based Valmont fell 8.9%. B3

Activists Turn Up Heat in Drive for Returns

BY CARA LOMBARDO

CEOs beware: Surging stock prices have done little to placate activist investors.

Activists are launching campaigns at a record pace as the rise in passive investing pressures fund managers to find new ways to beat the market and let the rabble-rousing investors into boardrooms becomes less taboo.

Activists spent \$40 billion targeting 136 companies with market values of more than

\$500 million in the first half, according to a study released Thursday by Lazard. That is the most since the investment bank started collecting the data in 2013, around when the current wave of activism began. Only 94 companies were the subject of new activist pushes by this year in 2017.

The campaigns are having an effect. Activists won a record 119 directorships in the first half—a 75% increase from a year earlier—and they are increasingly looking for control of boards, the data show.

In a sign of the power the investors have come to wield in American corporations, companies they are rattling include household names like **Xerox** Corp., which backed out of a planned merger with Fujifilm Holdings Corp. under pressure from activist Carl Icahn and recently gave him and another shareholder control of its board. Activists have previously gotten board representation at such corporate heavyweights as **Procter & Gamble** Co. and **Mi-**

crosoft

Activists, typically hedge funds, take stakes in public companies they believe are undervalued and push management to make changes they think will boost stock prices. Their demands can range from replacing executives or directors to increased share buybacks and deal making.

As the investors become

more mainstream, big asset

managers such as **T. Rowe**

Price Group Inc., traditionally

loath to push publicly for

change, are more open to supporting them. Directors are more amenable to dialogue, too.

"Boards are feeling more pressure because actively managed funds are increasingly supportive of activist campaigns," said William Anderson, an investment banker at Evercore Inc. who helps companies anticipate and respond to activists.

As a result, companies and activists more often reach truces to avoid drawn-out and

Please turn to page B5

SEC Takes Close Look At Facebook Data Lapse

BY DAVE MICHAELS AND GEORGIA WELLS

Securities regulators are investigating whether **Facebook** Inc. adequately warned investors that developers and other third parties may have obtained users' data without their permission or in violation of Facebook policies, people familiar with the matter said.

The Securities and Exchange Commission's probe of the social-media company, first reported in early July, follows revelations that Cambridge Analytica, a data-analytics firm that had ties to President Donald Trump's 2016 campaign, got access to information on millions of Facebook users.

The SEC has requested information from Facebook as it seeks to understand how much the company knew about Cam-

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HEARD ON THE STREET | By Paul J. Davies

Be Wary When Buying Private-Equity Stakes



The boom in private equity has given the industry a problem: how to pay for its own growth.

The answer increasingly is for firms to raise cash by selling stakes in their partnerships, mimicking early moves by the giants of the industry like **Blackstone Group** and **KKR**.

But investors should be cautious—the chance to resell a stake may never come and investors need to ensure that partners are definitely selling a stake to fund growth rather than to take money out at the top.

When private-equity firms create new funds, their partners are expected to put in their own money alongside external investors. This ensures they have skin in the game, not just big fees. The faster firms grow and the larger each fund gets, the

more cash partners must invest. For less senior partners, this gets challenging. They can borrow money against stakes in earlier funds, but only up to a point.

Now, more firms are selling stakes as a way to give the partners a pool of cash. More than 20 deals have been struck in each of the past two years, according to Triago, a research firm, a step up from between 10 and 15 deals in each of the previous five years.

These deals were worth up to \$5 billion in 2017, according to investor estimates.

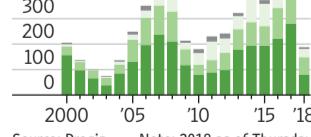
And there is huge potential for growth. One investor estimates that the total equity in private-equity and hedge-fund partnerships is worth more than \$700 billion. That means stake sales of up to 25% in each could be worth \$180 billion.

The biggest investors are specialist funds such as Dyal Capital Partners, part of Neu-

Cash Calls

New money raised by private-equity funds

■ U.S. ■ Europe ■ Asia ■ Rest



Source: Preqin Note: 2018 as of Thursday THE WALL STREET JOURNAL.

berger Berman; **Goldman Sachs**'s Petershill funds; and funds run by Blackstone. The money raised is often partly used to buy out founding partners who want to retire, but it also gives remaining partners money to invest in new funds, or money to invest in new people to run different assets, such as real estate or credit.

In one case last year, some of the money raised by an energy industry-focused firm

called Riverstone was used to help refund some performance fees that had been paid to partners before investments were sold. The investments later turned out to be worth less than expected.

Investors prefer deals in which more money stays within the firm to fund growth. If older partners are just cashing in, it might suggest they think the best days are past. But any stake sale involves the partners giving up a proportional stream of future income. The danger is that if they give up too much and their funds underperform, they could walk away.

Owning a share of what private-equity partners make could be extremely lucrative. But investors need to be sure where their money is going—and that the partners in charge have all the right reasons to hang around. If the partners lose interest, the stake might be as good as worthless.

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Gibson's Debt Brings 56 Cents on Dollar

BY BECKY YERAK

Gibson Brands Inc.'s secured bondholders will recover 56 cents on the dollar for the \$383 million in debt that they hold in the guitar maker, according to a filing in bankruptcy court.

The Nashville, Tenn.-based owner of such brands as the Les Paul and Flying V on Thursday unveiled the estimated recoveries in a chapter 11 plan that is expected to ultimately hand the lion's share of the equity in the reorganized business to the senior secured bondholders led by KKR & Co. The bondholders are also providing financing to Gibson during its reorganization in U.S. Bankruptcy Court in Wilmington, Del.

A disclosure statement filed Thursday with the court also showed that the bankruptcy lenders might agree to take equity in the reorganized Gibson instead of being repaid with "exit" financing, or a new loan that a company gets after it leaves bankruptcy.

Court papers say the plan has the support of 99% of the principal amount of Gibson's secured bondholders.

Gibson and related companies filed for bankruptcy in May. The business, founded in 1894, blamed much of its recent financial struggle on its Hong Kong-based Gibson Innovations Ltd. division, which sells Philips-branded consumer electronics such as head-

phones and speakers. Gibson said its musical-instruments business "has performed well."

Estimated recoveries vary for two classes of general unsecured creditors.

One unsecured creditor group owed at least \$230 million will get virtually nothing.

Another group with claims of at least \$407 million against a related entity, Gibson Holdings Inc., could see 15 cents on the dollar because of potential profits on the sale of shares of TEAC Corp.

Gibson Holdings owns a majority stake in TEAC, a Japanese maker of audio electronic products for the home and for professionals, and industrial electronic products for aerospace and health-care industries.

Gibson estimates that the current value of its TEAC stake is \$61 million, a bankruptcy filing says.

TEAC isn't part of the bankruptcy.

Smaller unsecured claims, such as those around \$25,000, could get payments of 5 cents on the dollar.

The reorganized Gibson is expected to be valued at \$360 million to \$430 million, according to an analysis performed by investment bank Jefferies Group LLC.

Generally, a bankrupt business must file and get court approval of a disclosure statement before voting on a proposed reorganization can occur.

Now, with the loss of the face of its brand, the company is seeking to distance itself

from the man who once featured prominently in its ads and on its pizza boxes, with plans to focus on the quality of its pizza.

His resignation late Wednesday came after he admitted to using racial slurs during a call in May with the company's marketing agency, following a report in Forbes.

Shares of Papa John's rose 11% on Thursday to close at \$53.67.

It was the latest controversy for the pizza-chain founder, who stepped down as CEO late last year following an uproar over comments he made about the National Football League's handling of its players' national anthem protests.

Mr. Schnatter had publicly blamed the company's recent sales slide on declining TV football viewership and the NFL's handling of the protests. The chain was a major sponsor of the NFL until it ended the sponsorship in March.

Now, with the loss of the face of its brand, the company is seeking to distance itself

BUSINESS & FINANCE

Drugmaker Faces Accounting Flap

BY EUN-YOUNG JEONG
AND TIMOTHY W. MARTIN

SEOUL—Samsung BioLogics Co. intentionally breached accounting rules, South Korean financial regulators said Thursday, triggering a suspension in aftermarket trading of the drugmaker's shares.

South Korea's Financial Services Commission referred the case to prosecutors to investigate Samsung BioLogics and recommended the company dismiss the executive responsible for the accounting mishap. The company will also be assigned an auditor designated by regulators for three years starting in 2019.

In a statement, Samsung BioLogics called the decision "unfortunate" and said it would consider taking legal action that could nullify the FSC's decision.

Samsung BioLogics said it has cooperated with the FSC investigation, adding that the company's accounting practices "were conducted in accordance with the International Financial Reporting Standards."

Samsung BioLogics, founded in 2011, makes complex medications as a contract drug manufacturer for other pharmaceutical companies. The company is now one of the world's largest contract drugmakers after the Samsung conglomerate pumped billions of dollars into three facilities. Samsung's push into pharmaceuticals is viewed as a driver of growth by the conglomerate's de facto leader, Lee Jae-yong.

Samsung BioLogics had been flying high before regulators issued a warning in May that the company could be penalized for accounting irregularities. Before that day, the company's market capitaliza-



South Korea's Financial Services Commission has asked prosecutors to investigate Samsung BioLogics.

tion had more than quadrupled since its 2016 initial public offering.

The FSC case centers on a marked rise in the value of Samsung BioLogics' financial assets following a 2015 accounting change that affected its ownership share of **Samsung Bioepis** Co. The switch in accounting methods raised the value of the stake in the affiliated biopharmaceutical company to 4.9 trillion South Korean won (about \$4.3 billion) from 290 billion won.

Samsung BioLogics said the accounting change was made to accommodate a call option deal with **Biogen** Inc., a U.S. pharmaceutical company and early Bioepis investor.

The FSC decision came after the markets here closed on Thursday. But in aftermarket trading, Samsung BioLogics shares had fallen almost 27% since their peak this year in mid-April, wiping away around \$9 billion in market capitalization.

Through Thursday's close, Samsung BioLogics shares had fallen almost 27% since their peak this year in mid-April, wiping away around \$9 billion in market capitalization.

The FSC ruled Samsung BioLogics violated accounting rules for intentionally not disclosing the call option agreement with Biogen when it was initially struck in 2012. But on a second issue regarding the

Bioepis valuation, the FSC recommended another regulatory body further investigate whether Samsung BioLogics violated accounting rules.

A Samsung BioLogics spokesman said separately that the company didn't disclose the call option deal until 2014 because it didn't believe the country's regulatory filing rules required it to do so.

Regulators also ruled that Samsung BioLogics' prior outside auditor, Samjong, a KPMG affiliate, would be barred from auditing the company for four years. KPMG couldn't be immediately reached for comment.

—Yun-hwan Chae
contributed to this article.

Exit Lifts Papa John's Shares

BY JULIE JARGON

Investors on Thursday cheered the news that **Papa John's International** Inc. founder John Schnatter had resigned as board chairman, putting behind the company a months-long period of controversy.

His resignation late Wednesday came after he admitted to using racial slurs during a call in May with the company's marketing agency, following a report in Forbes.

Shares of Papa John's rose 11% on Thursday to close at \$53.67.

It was the latest controversy for the pizza-chain founder, who stepped down as CEO late last year following an uproar over comments he made about the National Football League's handling of its players' national anthem protests.

Mr. Schnatter had publicly blamed the company's recent sales slide on declining TV football viewership and the NFL's handling of the protests. The chain was a major sponsor of the NFL until it ended the sponsorship in March.

Papa John's business continues to suffer, with a 5.3% decline in North American same-

store sales in the first quarter.

The company's total revenue in the first quarter fell 4.9% to \$427 million.

The company is in the midst of efforts to turn around the brand, which includes introducing deals to compete with lower-cost rivals. The chain had long used the advertising slogan "Better Ingredients. Better Pizza."

Now, with the loss of the face of its brand, the company is seeking to distance itself

from the man who once featured prominently in its ads and on its pizza boxes, with plans to focus on the quality of its pizza.

The company declined to say whether Mr. Schnatter's image will be removed from the pizza boxes.

Papa John's business continues to suffer, with a 5.3% decline in North American same-

Northrop CEO Bush To Step Down

BY DOUG CAMERON

Wes Bush is stepping down as chief executive of **Northrop Grumman** Corp. at the end of the year and will be succeeded by Kathy Warden.

The move had been anticipated after Ms. Warden was elevated to chief operating officer last year, but the change comes at a crucial time for the big defense contractor making the B-21 long-range bomber and parts of the F-35 fighter jet produced by **Lockheed Martin** Corp.

Mr. Bush had led Northrop for nearly nine years, and the company has in recent months faced concerns about its ability to execute big programs following delays and cost overruns in projects such as the James Webb Space Telescope.

Ms. Warden will become the third female CEO among the Pentagon's biggest suppliers, alongside leaders at Lockheed and **General Dynamics** Corp.

Delta Fares Follow Fuel Prices

On the Rise

Delta posted record revenue on Thursday but higher fuel expenses may dent profit this year.

Revenue



Note: U.S. Gulf Coast kerosene-type jet fuel spot price *As of July 9

BUSINESS & BANKING

Fox Gets Approval From U.K. To Buy Sky

By KILEY ROCHE

LONDON—The U.K. government said it won't oppose a bid by Rupert Murdoch's **21st Century Fox** Inc. to consolidate ownership of **Sky** PLC, removing the last regulatory hurdle for Fox as it battles it out with **Comcast** Corp. for the British broadcaster.

Fox sweetened its offer for Sky on Wednesday, triggering a higher bid a few hours later from Comcast. Comcast's offer, at £14.75 a share, now values Sky at £25.9 billion, or roughly \$34 billion—more than 90% higher than its value before Fox first approached Sky about a deal more than 18 months ago.

British government approval for the Fox-Sky deal opens the door for Fox to go higher still. Comcast has previously secured U.K. approval to proceed with its pursuit of Sky.

Mr. Murdoch's attempt to buy the 61% of Sky that Fox doesn't already own has been the subject of a long government review. Regulators forced a number of concessions from Fox, including an agreement to sell off Sky's news operations to **Walt Disney** Co.

That was required to ease government concerns 100% ownership of Sky by Fox would concentrate too much control of British news media in Mr. Murdoch's hands. He and his family are major shareholders in both Fox and **News Corp.**, which owns a number of British newspapers. It also owns The Wall Street Journal. Fox has disputed this, saying there should be no such worry about media ownership concentration.

On Thursday, the U.K. culture minister said in a statement he agreed with a regulatory board's previous finding that Fox's planned sale of Sky News to Disney, or another buyer, would remedy those regulatory concerns.

The Sky auction has become a central battlefield in a larger contest between Comcast and Disney.

Disney has agreed to pay \$71.3 billion for a number of major Fox assets, including the existing 39.1% share of Sky, besting a rival bid from Comcast.

The Wall Street Journal has reported Comcast is reviewing a range of options related to the wider basket of Fox assets, from dropping out of the race for Fox to raising its bid.

J&J Is Hit by \$4.7 Billion Verdict

Jury finds in favor of families blaming ovarian cancer on iconic baby powder

By JONATHAN D. ROCKOFF AND SARA RANDAZZO

A jury in St. Louis found Thursday that **Johnson & Johnson** should pay \$4.14 billion in punitive and \$550 million in compensatory damages to 22 women and their families who blamed ovarian-cancer cases on asbestos in the company's iconic baby powder, the biggest single verdict in such

cases so far.

J&J said it was "deeply disappointed" with the verdict, which the company said was the product of a "fundamentally unfair process" and plans to appeal.

Punitive damages, especially those many times higher than the compensatory damages, are often reduced by the trial judge or reversed on appeal.

The company has been fighting more than 9,000 talcum-powder lawsuits with mixed success. It says its signature powder has always been safe and asbestos-free.

J&J has succeeded in getting many jury verdicts over-

turned, sometimes on technical jurisdictional grounds. Last month, a Missouri appeals court threw out a \$55 million verdict against J&J, saying the South Dakota plaintiff lacked jurisdiction.

The compensatory damages awarded by the jury in Missouri state trial court Thursday surpassed the \$417 million given by jurors in Los Angeles last year, though that trial involved just a single plaintiff. A judge later overturned that verdict.

The most recent verdict is the first in a string of personal-injury trials testing some plaintiffs' theory that asbestos in J&J's talcum

powder can cause ovarian cancer.

The plaintiffs' lawyers argued during the six-week trial that asbestos fibers mixed with the talc used to make Johnson's Baby Powder entered the bodies of women who used the product every day for decades for feminine hygiene. Six of the women plaintiffs had died.

"If J&J insists on continuing to sell talc, they should mark it with a serious warning," Mark Lanier, lead counsel for the women and their families, said in a statement.

Plaintiffs' lawyers have argued that talc causes mesothelioma in other cases, in-

cluding a California lawsuit in which a jury awarded a woman \$25.75 million and a South Carolina case that ended in a hung jury.

The science on a link between talcum powder and cancer is uncertain. The American Cancer Society says some studies looking at whether the powder can cause cancer in the ovaries have found a small uptick in risk, while others didn't find any increase.

J&J officials say repeated reviews of the science failed to turn up evidence supporting a link and the company didn't need to add a warning about a higher cancer risk.



Valmont Industries cited a trucker strike in Brazil, as well as soft demand for irrigation equipment in North America, as contributing to a lower outlook.

U.S. Manufacturer Shows Unease Over Tariffs

By WAVERLY COLVILLE

Manufacturer **Valmont Industries** Inc. has lowered its profit outlook after evaluating the possible impact of U.S. tariffs on Chinese goods, a recent trucker strike in Brazil and challenges in China's construction market.

Omaha, Neb.-based Valmont, which manufactures such products as metal light poles and irrigation equipment and supplies metal coatings, said Thursday that the latest round of proposed tariffs combined with weaker farming profits have caused farmers in North America to delay irriga-

tion purchases.

Shares in Valmont fell 8.9% to \$138.30 on Thursday, marking a third consecutive daily decline.

Earlier this week the Trump administration proceeded with plans to add 10% tariffs on \$200 billion worth of Chinese goods, a move that comes after the U.S. last week added import tariffs to \$34 billion of machinery, components and electronics coming from the country.

The latest round of tariffs, which wouldn't take effect for at least two months, includes products or materials used in electronics, appliances, furni-

ture and agriculture, as well as a range of commodities from natural gas to metals. China responded by announcing plans to add additional levies on certain U.S. goods, escalating the trade dispute.

Valmont also said the strike in Brazil hurt its volume and profitability in the latest quarter. Brazil's finance minister said in May that the 10-day strike by truckers protesting rising fuel prices is expected to cost the government roughly \$2.6 billion this year.

In China, the temporary halt in the construction of new telecommunications towers has lowered the demand for

some of the company's products, Valmont said. The manufacturer also said it would be affected by declining demand for offshore wind structures in Northern Europe and North American customers putting off projects.

"While market challenges in the second quarter have led us to adjust our revenue and profitability outlook for the full year, we remain positive on our business," Chief Executive Stephen Kaniewski said in prepared remarks. He said the

Valmont lowered its estimate for annual revenue growth to 4% from 7%; analysts polled by FactSet expected 4.6% growth. The company generated \$2.75 billion of revenue in its last fiscal year.

The company also lowered its full-year per-share earnings forecast to a range of \$6.51 to \$6.61, down from \$7.70 to \$7.80. Expectations for adjusted per-share earnings were lowered to a range of \$7.65 to \$7.65, from \$8 to \$8.10. Analysts polled by FactSet expected \$8.01 a share.

Valmont is due to release its second-quarter earnings report July 23.

Indonesia Gets Closer to Taking Controlling Stake in Mine

Global mining giants **Freeport-McMoRan** Inc. and **Rio Tinto** PLC agreed to hand over control of the world's second-biggest copper mine to Indo-

By Rhiannon Hoyle
in Sydney and
Amrit Ramkumar
in New York

nesia, moving closer to resolving one of the world's most prominent recent battles over resource wealth.

Thursday's agreement comes after years of tense negotiations and follows moves by governments around the world, from the Democratic Republic of Congo to Tanzania, to wrest control of mines and take a bigger cut of profits. The deal also illustrates the dilemma facing large mining companies, which often sink billions of dollars into projects in far-flung places only to face unpredictable laws and yearslong battles.

Freeport Chief Executive Richard Adkerson said the agreement will finally form a partnership between the largest U.S. copper miner and the Indonesian government.

"It's a new day for Freeport, and a new day for our working with the government," Mr. Adkerson said on a call with analysts. "We'll now be working hand in hand with the government as opposed to having the sometimes difficult and contentious relationship that we've had for so many years."

Under terms of the deal, PT



Resource nationalism has become a way for countries to renegotiate contracts as commodity prices rise.

Indonesia Asahan Aluminum, or Inalum, will pay \$3.5 billion for an interest held by Rio Tinto in the mine's share of production, mainly from the 2020s onward. Inalum will then acquire an approximately 9% stake in the mine, called Grasberg, from Freeport for \$350 million. That will increase Inalum's stake to 51% from around 10%. Freeport will end up with 49% and operate the mine.

The agreement is nonbinding,

and Freeport and Rio Tinto said they expect to finalize it in the second half of the

year. Freeport shares edged down 0.4% on Thursday, though they are up about 40% in the past year as investors anticipated an agreement with Indonesia. Rio Tinto shares edged down 0.1% in London.

Grasberg, the world's second-largest copper project, represents about one-third of Phoenix-based Freeport's market value, leaving the company with little wriggle room in negotiations to hand over control, analysts said. Analysts estimate Thursday's deal values Grasberg at about \$10 billion to \$13 billion. Other large

miners such as Newmont Mining Corp. and BHP Billiton Ltd. have in recent years left Indonesia after the country imposed stricter regulations.

One of Indonesia's largest employers and taxpayers, Freeport says it has already invested about \$14 billion in the mine and is now set to spend billions more to move operations underground.

The agreement follows years of new rules for miners in Indonesia going back to 2009 as resource nationalism intensified and Jakarta sought to fatten its coffers and build the

Ceding Control

In a two-step process, Rio Tinto is selling its long-term position in the mine Grasberg, and the Indonesian government is increasing its stake in the mine to 51%.

Ownership of Grasberg mine, valued at \$10 billion to \$13 billion

	Freeport-McMoRan	Indonesia	Rio Tinto
Before	54%	6%	40%
Indonesia pays Freeport \$350 million		Indonesia pays Rio Tinto \$3.5 billion	
After	49%	51%	

Note: Indonesia is making these purchases through state-owned company Inalum.

SOURCE: THE WALL STREET JOURNAL.

country's state-owned firms into global competitors. Early last year, Indonesia introduced rules requiring foreign miners to switch from long-term contracts to a mining licensing system in which they said their rights were more limited.

Resource nationalism has become a common way for countries, emboldened by rising commodity prices, to renegotiate contracts and legislation, especially during times when miners are flush. Freeport's talks happened while copper prices hit a four-year high in June, though they have fallen 16% since then as the U.S.-China trade battle roils markets. Net profits of the world's top 40 mining companies more than doubled last year. PricewaterhouseCoopers, which compiled the data, forecasts a further 25% rise in 2018.

Also, Indonesian President Joko Widodo is up for re-election in April.

"This is a leap forward," Mr. Widodo told reporters ahead of the signing. "We expect we'll get bigger income from taxes, royalties, dividends" so that mining commodities "can really be enjoyed by us all. The national interest must take precedence."

The Democratic Republic of Congo drew up a new mining code this year to take a bigger slice of profits, potentially hurting companies like Glencore PLC. Miners have also been slapped with big bills in Tanzania and Zambia amid tax and revenue-sharing disputes.

"We are making a lot of money, we are very profitable and therefore everybody—communities, governments—wants to have a bigger share of the cake," Rio Tinto Chief Executive Jean-Sébastien Jacques said in an interview on Thursday before the deal was announced.

—Ben Otto in Jakarta contributed to this article.

TECHNOLOGY

WSJ.com/Tech

Blockchain Helps Track Web Ads

Some big advertisers are embracing the new technology to root out digital spending waste

BY LARA O'REILLY

Blockchain technology has made inroads in industries from logistics to health care. Now, it is gaining traction with marketers, who see it as a potential answer to the pitfalls of online advertising.

Anheuser-Busch InBev SA, AT&T Inc., Kellogg Co., Bayer AG and Nestlé SA are among advertisers that are starting to use the nascent technology to figure out whether their ads are viewed by real people, not computer-generated bots, and how much of their spending is siphoned off by middlemen.

Blockchain is a secure digital database that can house a ledger of transactions, distributed across multiple computers. It allows business partners to keep a record of their transactions, stored as "blocks" and updated in real-time, based on an agreement among the parties. Blocks can't be altered.

The technology, or at least the hype around it, is booming. Now the secure, transparent nature of the technology has drawn interest in the ad world, where dealings between marketers, their ad agencies and tech vendors often aren't transparent, leading to distrust and fears among advertisers that they are wasting money.

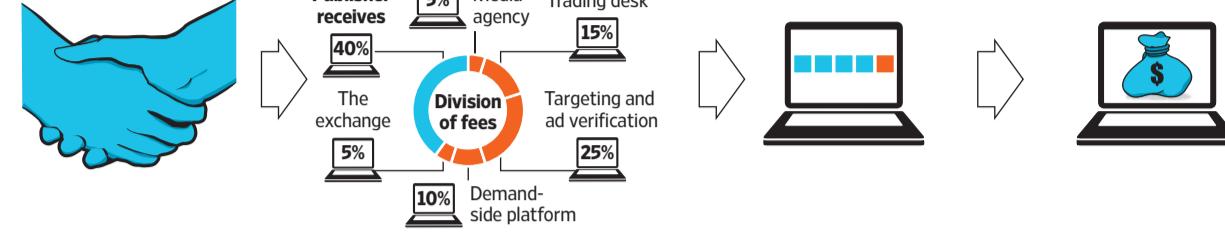
Marketing-intelligence firm Warc estimated that of every dollar spent world-wide last year on "programmatic" ads—a term used for ads bought using automated software—just 40 cents on average made it to the publisher selling the ad space. Advertisers end up paying a "tech tax" to the intricate chain of vendors between a marketer

Follow the Money

Some blockchain companies promise to tell online advertisers how much of their money is going to middlemen—the so-called ad tech tax—and how much gets to the publisher selling the ad space.

Advertiser initiates campaign

Every business in the chain agrees to the advertiser's terms.



Sources: Eric John, IAB (process); Warc "Global Ad Trends March 2018" based on Magna Global data, March 2018 (fees)

Despite 'Teething Pains,' Experts Remain Optimistic

Some industry experts say blockchain's benefits will outweigh its teething pains. When advertisers see how the technology can be applied to solve familiar problems, "it'll take the boogeyman factor out of the blockchain and everyone will instead focus on the quality-of-life improvement possible," said Josh Herman, global integrated marketing leader at **Kimberly-Clark Corp.**, one of the members of a blockchain consortium at **International**

Business Machine Corp.'s digital marketing agency, iX.

IBM announced its blockchain product in June in partnership with advertising software provider **Mediaocean**. Major companies that have signed up to use the technology to track their digital ad spending include **Pfizer Inc.**, **Unilever PLC** and **Kellogg**.

Elsewhere, confectionery giant **Nestlé** is beginning to test a product from tech startup Amino. The product lets all advertising vendors get paid at the same time directly by the buyer, as long as they meet their prearranged commitments. That is an improvement, Amino says, on the traditional process where the

advertiser pays the agency, who pays the next vendor in the chain, and so on, leading to delays and discrepancies.

Sebastien Szczepaniak, head of e-business at Nestlé, says he envisions putting a requirement in ad contracts stipulating that partners must use a blockchain solution.

"I still think that it's probably several years before there's enough groundswell," says Jeff Rasp, director of U.S. consumer-health digital strategy at **Bayer**, which has tested Amino's "Lens" solution to track its ad spending. "But I feel so passionately about it that I'm working to try to have those conversations with other advertisers."

backs. It is an extra cost and it depends on a number of players agreeing to sign up to a common agreement. Big online ad campaigns that target audiences across hundreds or more websites can cross dozens of different ad-tech middlemen, many of whom might not be eager to sign up to a blockchain consortium.

Alphabet Inc.'s Google, the biggest player in the online advertising ecosystem, hasn't announced participation in any of the advertising blockchain projects currently under way.

Sridhar Ramaswamy, Google's senior vice president of ads and commerce, said in March that the company had a small team looking at blockchain but the core technology "is not something super-scalable in terms of the sheer number of transactions it can run."

Digital-advertising exchanges process millions of ad transactions every second, but it can take several minutes for transactions to be recognized in blockchain and hours for payments to be settled, according to Isaac Lidsky, president of **Underscore CLT**, a startup working on developing the technology for the digital marketing sector.

"We see no obvious business synergies between the businesses, aside from both being what Broadcom is calling 'mission-critical' technology businesses," Chris Caso, an analyst for Raymond James, wrote Thursday.

"This is an extension of a strategy that's created a tremendous amount of value for shareholders, applying it more broadly to the infrastructure market," Broadcom finance chief Tom Krause said in an interview Wednesday.

The deal also resulted in Broadcom losing a key voice on its board. Silver Lake managing partner Kenneth Hao, who was integral in Broadcom's evolution through acquisitions and who originally recruited Mr. Tan, left the board Wednesday in order to avoid potential conflicts of interest with other Silver Lake portfolio companies that compete with CA, according to a regulatory filing Thursday.

The resignation was "not the result of any disagreement between Mr. Hao and Broadcom," the filing said.

est in acquiring the site. At the time, Gawker Media's lawyers were exploring a potential lawsuit against Mr. Thiel over his secretly funding litigation that drove the company into bankruptcy and out of business.

Mr. Thiel agreed to withdraw from the Gawker sale in a settlement with Gawker Media.

Hulk Hogan's case concerned Gawker publishing excerpts of a video of a sexual encounter with the wife of the wrestler's former friend, a radio show host known as Bubba the Love Sponge. The case was settled in chapter 11 for \$31 million. Mr. Thiel has said he backed the case because he believed Gawker violated the wrestler's privacy.

Gawker Media has maintained the verdict would have been overturned or the judgment reduced had it had the financial wherewithal to mount an appeal.

Broadcom Deal Gets Punishing Reception

BY TED GREENWALD AND MIRIAM GOTTFRIED

Broadcom Inc. shares fell nearly 14% on Thursday, showing the challenge Chief Executive Hock Tan faces in persuading investors that his \$18.9 billion purchase of the software company **CA Technologies** makes sense for the chip giant.

The deal, announced late Wednesday, was a surprise even for observers familiar with Mr. Tan's long history of acquisitions. The CEO built Broadcom into a chip powerhouse largely by acquiring companies. He keeps the parts he desires, wringing efficiencies out of the them, and sheds the rest.

Those acquisitions made Broadcom a major supplier of chips for wired and wireless networking. Mr. Tan attempted to tighten his grip on silicon in smartphones in his failed effort to acquire **Qualcomm Inc.**, which unraveled earlier this year.

Purchasing CA, which specializes in software for mainframe computers, takes the chip empire into foreign territory, a move that caught Wall Street off guard.

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The resignation was "not the result of any disagreement between Mr. Hao and Broadcom," the filing said.

PCs Log Strong Rise In Orders

BY MARIA ARMENTAL

Personal-computer shipments in the second quarter had the strongest showing in six years, driven by growing demand from business customers, according to preliminary data from two research firms.

Based on Gartner Inc. data, it was the first year-to-year increase since the first quarter of 2012. According to International Data Corp. data, it was the strongest rate of growth since that quarter.

While both firms track sell-in numbers—units shipped to companies' warehouses—rather than direct sales to consumers, much of the difference in their data comes from how each firm defines PCs. Gartner excludes Chromebooks from calculations but includes so-called ultramobile premiums, such as Microsoft Surface, which IDC excludes.

Overall, Gartner said, preliminary data showed worldwide PC shipments totaled 62.1 million units in the second quarter, up 1.4% from the year earlier. In the U.S., PC shipments totaled 14.5 million units, up 1.7% from a year earlier, which Gartner said marked a return to growth after six straight quarters of declines.

IDC said worldwide shipments reached 62.3 million units, beating the firm's forecast with a 2.7% increase from the year earlier. According to its data, the traditional PC market registered the second consecutive year-to-year increase in the U.S. with 17.3 million total units.

Bleacher Report Founder Wins Gawker Assets

BY JONATHAN RANDLES AND LUKAS I. ALPERT

NEW YORK—A holding company owned by Bryan Goldberg, the founder of the websites Bleacher Report and Bustle, has been picked as the successful bidder for the assets of former media gossip site Gawker, according to people familiar with the matter.

An auction for Gawker was held Thursday in the Manhattan offices of **Ropes & Gray LLP**, the law firm that has represented Gawker's former publisher as it has been liquidating in bankruptcy over the past two years. Mr. Goldberg placed a high bid of \$1.35 million, one of these people said. The assets for sale include the Gawker domain, social-media accounts and nearly 200,000 of its published articles.

Mr. Goldberg outbid Mineola, N.Y., marketing firm Didit

and the website that runs an ad.

Marketers sometimes can manually audit digital ad campaigns, but proponents of blockchain say the technology offers a faster, more reliable way to track spending and reconcile discrepancies with suppliers. The technology can also help track whether ads are running on websites with real traffic and on portions of them visible to ordinary users. That type of campaign information can be included in stored "blocks" along with pricing information. "The objective here is not about savings, it's more about transparency to make sure we are reaching consumers in the most relevant way," said Lucas Herscovici, a global marketing vice president at Anheuser-Busch, one of the world's biggest ad-



Bryan Goldberg outbid Didit.

file for chapter 11 protection in June 2016 after losing a lawsuit brought by professional wrestler Hulk Hogan. The jury ruling resulted in a \$140 million judgment. Hulk Hogan's case was secretly funded by billionaire venture capitalist Peter Thiel.

The wrestler is entitled to 45% of the proceeds from the sale of the Gawker site.

Gawker was left behind in bankruptcy after Univision Communications Inc. passed on the site when it acquired its sister sites, including Gizmodo, Jezebel, Kotaku and Deadspin, in 2016 for \$135 million. Univision confirmed earlier this week it is exploring a sale of these former Gawker Media blogs.

Asked if he had any plans to acquire the former Gawker Media blogs owned by Univision, Mr. Goldberg said: "We will take a close look at those publications. I don't know anything about the process or the cost—but I've certainly admired the quality of those brands for many years."

Thursday's auction caps a marketing process that began last year but quickly hit a snag after Mr. Thiel expressed inter-

est in acquiring the site. At the time, Gawker Media's lawyers were exploring a potential lawsuit against Mr. Thiel over his secretly funding litigation that drove the company into bankruptcy and out of business.

Mr. Thiel agreed to withdraw from the Gawker sale in a settlement with Gawker Media.

Hulk Hogan's case concerned Gawker publishing excerpts of a video of a sexual encounter with the wife of the wrestler's former friend, a radio show host known as Bubba the Love Sponge. The case was settled in chapter 11 for \$31 million. Mr. Thiel has said he backed the case because he believed Gawker violated the wrestler's privacy.

Gawker Media has maintained the verdict would have been overturned or the judgment reduced had it had the financial wherewithal to mount an appeal.



Facebook's Mark Zuckerberg in April said it was possible others misused data from the social network.

quarterly investor filing said it could discover "additional incidents of misuse of user data or other undesirable activity by third parties" and said such incidents could "negatively affect user trust and engagement, harm our reputation and brands, and adversely affect our business and financial results."

Facebook has characterized the Cambridge Analytica incident as a "breach of trust" but not a data breach. Its prior investor filing, the 2017 annual report in February, used the word "misuse" just once when describing the risk of hackers

breaking into its systems to steal user data. It didn't address the risk of app developers or other commercial entities improperly obtaining user data but warned if "developers fail to adopt or adhere to adequate data security practices...our data or our users data may be improperly accessed, used or disclosed."

Facebook officials believed what they had discovered in 2015 wasn't material to investors because the data shared with Cambridge Analytica was less sensitive than other types of data, such as some users' payment information, a person fa-

miliar with the matter said. The Cambridge Analytica trove included data on people who downloaded a personality-test app Mr. Kogan developed and some details about their friends.

John Reed Stark, a cybersecurity consultant and former SEC enforcement attorney, said the way Facebook reported the incident could raise a red flag for the SEC if Facebook earned revenue from contracts with third-party vendors that misused private member data yet failed to disclose that the contracts potentially violate global and U.S. privacy laws as well as Facebook's terms of use.

Facebook Data Lapse Scrutinized

Continued from page B1

bridge Analytica's use of the data, these people said. The agency also wants to know how Facebook analyzed the risk it faced if developers were to share data in violation of its policies, they added.

The SEC, one of several government agencies investigating Facebook and its handling of user data, enforces laws governing what must be disclosed to shareholders so they can make informed investment decisions. It could close its investigation, which is in its early stages, without taking enforcement action against Facebook.

Facebook and the SEC declined to comment.

The SEC has shown greater interest in recent months in probing data-security breaches and lapses. It has taken the position, most recently in a case filed against **Altaba Inc.**, the successor company of Yahoo Inc., that public companies must disclose material data leaks or breaches they know about. Telling investors that such incidents could happen isn't good enough.

The SEC is probing whether Facebook should have disclosed its knowledge of the

BUSINESS & BANKING

Pension Fund Executive Gets Prison Term

Navnoor Kang took bribes managing bond investments for New York retirement plan

BY JUSTIN BAER

A former New York state pension executive accused of taking bribes from Wall Street salespeople was sentenced to 21 months in prison Thursday.

Navnoor Kang, who served as head of fixed income at the New York State Common Retirement Fund until early 2016, pleaded guilty in November to two counts of fraud. Federal prosecutors had alleged salespeople lavished Mr. Kang with prostitutes, cocaine, getaway weekends and a luxury watch for steering more trading business to their brokerages.

In relaying the sentence, U.S. District Judge J. Paul Oetken said he weighed that Mr. Kang had no prior record. However, he added, underestimating the nature of his crimes "would be

to ignore major corruption of a state official."

On Thursday, Mr. Kang said he apologized for his mistakes. "I ask the court to give me the opportunity to rebuild my life," he said.

Thursday's courtroom hearing in downtown Manhattan marked the end of a saga that began in southern California nearly six years earlier, when Mr. Kang was a trader at money manager **Guggenheim Partners**. It was there that Mr. Kang first forged ties with the Wall Street brokers who would later provide him with meals, vacations and other gifts once he began managing money for the New York pension fund.

Fired from Guggenheim in early 2013 for violating the firm's policies on reporting entertainment expenses, Mr. Kang landed a senior role at the New York retirement fund a year later. The fund was eager to overhaul a bond portfolio weighed down by ultralow interest rates, and turned to Mr. Kang to make the plan a more

active trader.

In October 2014, Mr. Kang wrote a memo to his boss recommending the fund add eight firms to its list of approved brokers, including Sterne Agee & Leach Inc. and FTN Financial. Following the recommendations, the pension fund's bond-trading business with each of these firms surged.

Prosecutors allege that FTN salesman Gregg Schonhorn and Sterne Agee's Deborah Kelley began to provide Mr. Kang with gifts in exchange for more trading business—and the commissions they stood to gain for making those deals happen, according to court documents.

Mr. Kang's lawyers have argued the pension fund had fully vetted the eight brokers and that it had steered trades toward those firms because they offered better prices.

Mr. Kang admitted in court that he received some of the perks described by prosecutors, including a Utah ski trip, a watch, dinners and concert tickets. He has denied taking money



STEVE REMICH FOR THE WALL STREET JOURNAL

Navnoor Kang on Thursday apologized for his mistakes.

for drugs and prostitutes.

U.S. prosecutors had sought at a prison term of at least 10 years for Mr. Kang, arguing in a filing earlier this year that the punishment was "warranted in this matter in light of Mr. Kang's egregious conduct."

Mr. Kang's lawyers had called the government's recommendation "inexplicable," given

the nonviolent nature of the allegations, his lack of criminal history and that prosecutors had failed to produce any evidence that Mr. Kang's action had resulted in losses to the pension fund. They asked the judge to sentence him to home detention, with no prison time.

The judge said he considered what punishments courts had

imposed on defendants found guilty of similar offenses, and credited Mr. Kang for taking responsibility for his actions.

Ms. Kelley and Mr. Schonhorn also pleaded guilty to the alleged scheme. Judge Oetken last year sentenced Ms. Kelley to three years of probation, including six months of home confinement, while ordering her to pay a fine and perform community service. Mr. Schonhorn hasn't been sentenced yet.

A spokesman for Stifel Financial Corp., which acquired Sterne Agee in 2015, has said the firm inherited the problem. In August 2015, Stifel officials questioned Ms. Kelley about a report seeking to be reimbursed for expenses from a Utah trip she took with Mr. Kang. Stifel fired her that month following concerns about her expenses.

A spokeswoman for FTN, a unit of First Horizon National Corp., has said the charges to which Mr. Schonhorn pleaded guilty "reflect a betrayal of FTN and its values."

Big Player

The U.K.'s financial services sector holds a £19.73 billion trade surplus over the EU.



The number of people employed in financial services in the U.K. in 2017



THE WALL STREET JOURNAL.

Abraaj Liquidator Seeks Key Financial Records

BY SIMON CLARK

Liquidators for **Abraaj Group** said they have been unable to find key financial statements for the troubled private-equity firm and have identified what they consider unusual borrowing practices involving \$1 billion of defaulted debt.

In a report prepared for the Cayman Islands grand court, officials at PricewaterhouseCoopers LLP, provisional liquidators for Abraaj's holding company, said they have "been unable to obtain standalone annual financial statements or management accounts" for the holding company, a situation they described as "highly irregular."

Abraaj, which filed for provisional liquidation in June, was founded by Pakistani deal maker Arif Naqvi in 2002 and managed \$14 billion at its peak.

"This lack of financial record-keeping raises the question of how the company's directors were able to ensure the company was solvent and being effectively managed," PwC said in the report.

Spokeswomen for Abraaj and PwC declined to comment.

PwC found the Dubai-based firm was "highly unstable" because of "unusual" loans totaling \$1 billion on which it defaulted, according to its report to the court. Borrowed money was used to help pay salaries and other costs private-equity firms typically cover with income from managing funds, according to the report.

The report also said Abraaj used its own stakes in its investment funds as collateral for loans. This debt was in addition to borrowings by the companies held in Abraaj's investment funds.

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PUBLIC NOTICES

Notice of Dissolution
of
Dravo LLC
To all persons having a claim against Dravo LLC (the "Company").
The Company is hereby given pursuant to Section 8875 of the Pennsylvania Uniform Limited Liability Company Act of 2016 (the "Act") that the Company was dissolved on July 5, 2018 upon the occurrence of the consent of the sole member under Section 8871 of the Act, and that all persons having a claim against the Company are required to present their claim in accordance with this notice. The Company became a limited liability company as a result of the conversion of Dravo Corporation to Subchapter E of the Pennsylvania Entity Transactions Law, 15 Pa. C.S. §§ 351-56. The Company is the same association with the interruption as Dravo Corporation, and any person having a claim against Dravo Corporation before conversion now has that claim against the Company, subject to the provisions of the Act. Claims must be presented to the Company in writing and must contain sufficient information reasonably to inform the Company of the identity of the claimant and the substance of and basis for the claim. Claims are to be sent to Dravo LLC, Attn: Steve Ingalls, Manager, Dravo LLC, 11 Stanwick Street, 21st Floor, Pittsburgh, Pennsylvania 15222. Any claim against the Company is forever barred unless an action to enforce the claim is commenced within two (2) years after publication of this notice. This notice is being provided in accordance with Section 8875 of the Act. Dated at Pittsburgh, Pennsylvania on July 13, 2018.

BY MAX COLCHESTER

The U.K. on Thursday set out its negotiating position on Brexit—and the news isn't great for U.S. banks with big offices in London.

After the U.K. voted to leave the European Union, banks like **JPMorgan Chase & Co.**, **Citigroup Inc.** and **Goldman Sachs Group Inc.** lobbied the British government to negotiate a new trade deal whereby the U.K. and EU would agree to adopt similar banking regulation, essentially preserving something akin to the way banks operate now.

That could have allowed banks in London to keep selling products like loans to European-based clients even after Brexit.

The proposal falls far short of something close to the status quo. The U.K. government said it

would seek a looser agreement, pushing for a version of "equivalence," a less-integrated deal whereby the European Union allows reciprocal access to a foreign market on condition that it is properly regulated. (It has done this, for instance, on clearing in the U.S.)

Lobbyists at banks were disappointed. The U.K. Treasury had previously reassured financiers it would seek to bind the U.K.'s banking system close to the EU's. TheCityUK, a trade group representing financial services, said in a statement it was "frustrated" by the government's decision.

One senior lobbyist saw the move as a conciliatory gesture by the British to their counterparts in Brussels. The idea the U.K. could leave the trade bloc's single market yet retain access

for its banks was seen as unworkable by EU officials.

U.S. banks are among the businesses with the most to lose from Brexit. They spent billions of dollars building large operations in the U.K. to sell products to clients across the EU and beyond. That relied on regulatory clearances based on the U.K. staying in the EU. Brexit will likely force banks to go back to a more disparate—and more expensive—setup, with big offices in both the EU and Britain.

Lenders don't like equivalence because it applies to a narrow range of activities and can be pulled by the EU at short notice. That makes it hard to build a business around.

The British government said it wanted an enhanced version of equivalence that allows for each side to consult on any rule

changes to reduce the chance of such a deal being ditched. The U.K. also wants to make it harder to quickly ax an equivalence deal.

The paper is just a first pitch by the U.K. government. The EU—which is skeptical about giving London privileged access to its financial markets—could dismiss it out of hand.

Regulators in the EU, meanwhile, are pressuring banks to set up on the continent in case Brexit talks suddenly collapse. All the big U.S. banks have drawn up plans to bulk up offices in the EU. Jobs have already started to move.

Not everyone is unhappy. Some in the City of London hope a move away from the EU opens the possibility for a deregulation drive that could attract even more business to the U.K.

Activists Turn Up The Heat

Continued from page B1
costly proxy fights.

Activists won 85% of their board seats this year through settlements, according to Lazard.

Newell Brands Inc. was the target of dueling campaigns from Mr. Icahn and Jeff Smith's **Starboard Value LP** that sought to streamline the Sharpie maker, which had languished following a big acquisition, and replace board members.

Both struck settlements with the company within months, and Newell's board now includes representatives of both activists.

Those successes have encouraged more investors to ex-

periment with activism.

Almost 20% of new campaigns this year have been initiated by first-time activists.

"For those willing to use activism as a tactic, there has never been a better time," said Jim Rossman, a managing director at Lazard and head of its shareholder-advisory practice, which defends companies against activists.

For all their success effecting change, activists don't always generate the best returns for their own investors.

An activist hedge fund index tracked by HFR Inc. returned 5.5% last year, compared with the S&P 500's 22% rise with dividends. The activist index is up 2.8% this year through June, just above the S&P 500's 2.7%.

There have also been some notable flops.

Trian Fund Management LP suffered steep losses on its 2015 investment in **General Electric Co.**, which recently unveiled a comprehensive restruc-

turing plan, while William Ackman's **Pershing Square Capital Management LP** faces a wave of investor redemptions after stumbles including a collapsed bet on Valeant Pharmaceuticals International

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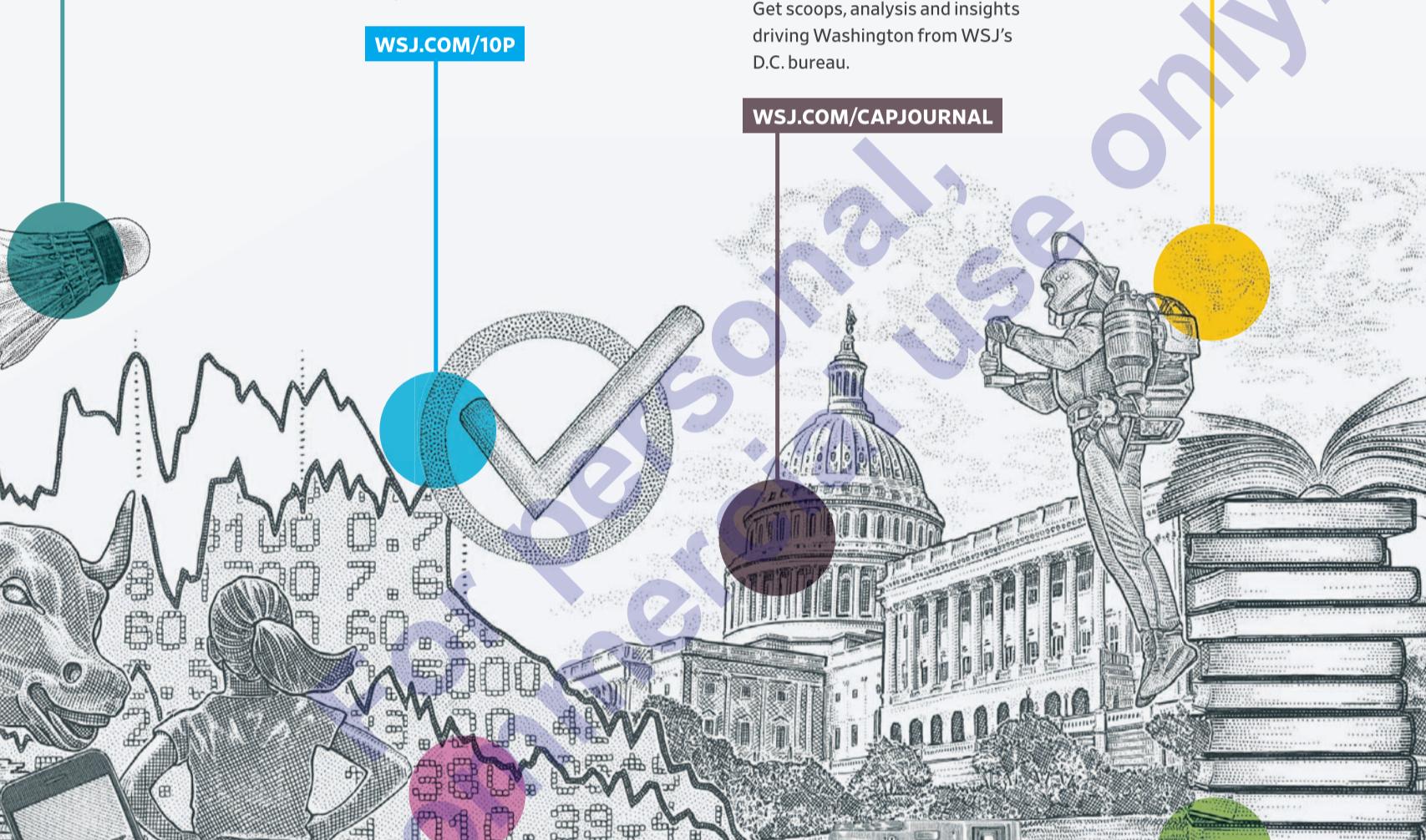
Sports

A curated, weekly tour of WSJ's unique take on the sports world, including news, smart features, data and columnist Jason Gay.

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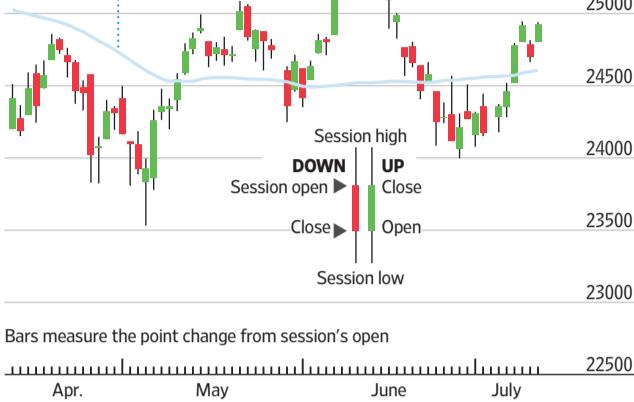
EQUITIES

Dow Jones Industrial Average

24924.89 ▲ 224.44, or 0.91%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.08 20.96
 P/E estimate * 16.05 18.24
 Dividend yield 2.17 2.31
 All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open
 Apr. May June July 22500 2500

*Weekly P/E data based on as-reported earnings from Binyi Associates Inc.

S&P 500 Index

2798.29 ▲ 24.27, or 0.87%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.15 23.77
 P/E estimate * 17.22 18.56
 Dividend yield 1.89 2.01
 All-time high 2872.87, 01/26/18



Apr. May June July 2500 2800

Nasdaq Composite Index

7823.92 ▲ 107.30, or 1.39%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 25.49
 P/E estimate * 21.05 20.66
 Dividend yield 0.94 1.14
 All-time high: 7823.92, 07/12/18



Apr. May June July 6600 7800

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week		YTD % chg	3-yr. ann.
						High	Low		
Dow Jones	24939.97	24802.90	24924.89	224.44	0.91%	26616.71	21513.17	15.6	0.8 12.0
Industrial Average	10531.08	10414.42	10488.62	46.15	0.44%	11373.38	9021.12	8.1	-1.2 8.5
Transportation Avg	722.26	717.38	720.88	0.32	0.04%	774.47	647.90	2.5	-0.3 8.1
Utility Average	29150.86	28965.91	29142.81	234.57	0.81%	29630.47	25030.26	14.9	5.3 10.3
Total Stock Market	756.30	750.58	755.60	3.49	0.46%	761.78	629.56	15.9	6.3 10.1
Barron's 400	2000.51	1986.02	1996.73	5.25	0.26%	2009.15	1691.67	13.5	5.1 9.9
MidCap 400	1049.73	1039.33	1046.64	2.40	0.23%	1057.32	817.25	21.7	11.8 13.3
SmallCap 600	13.33	12.42	12.58	-1.05	-7.70%	37.32	9.14	27.1	13.9 -9.2

\$ Nasdaq PHLX

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	6,132.4	279.18	-0.19	-0.07	279.37	276.89
AT&T	T	3,746.0	31.84	-0.39	-1.21	32.25	31.73
iShares MSCI Emg Markets	EEM	3,464.9	43.82	...	unch.	43.82	43.66
Van Eck Vectors Gold Miner	GDX	3,412.6	22.10	-0.04	-0.18	22.16	22.07
Barrick Gold	ABX	3,130.2	12.94	...	unch.	13.13	12.94
Finl Select Sector SPDR	XLF	3,060.0	27.07	-0.03	-0.11	27.11	26.98
Industrial Select Sector	XLI	2,419.4	73.37	...	unch.	73.77	73.04
Invesco QQQ Trust I	QQQ	2,385.7	179.34	-0.12	-0.07	179.46	178.96

Percentage gainers...

Gogo Inc.	GOGO	225.2	5.15	0.33	6.85	5.35	4.82
Rigel Pharmaceuticals	RIGL	58.2	2.95	0.08	2.79	2.95	2.87
Navient Corp.	NAVI	511.6	13.99	0.33	2.42	13.99	13.66
Blue Apron Cl A	APRN	89.8	4.00	0.08	2.04	4.00	3.90
Tandem Diabetes Care	TNDM	53.2	25.96	0.51	2.00	25.96	25.35
...And losers							
Wendy's Co	WEN	60.5	17.09	-0.39	-2.24	17.69	17.09
Spectrum Pharmaceuticals	SPPI	153.4	22.30	-0.51	-2.24	22.81	22.30
Discover Finl Svcs	DFS	194.9	69.81	-1.17	-1.65	71.17	69.81
BioMarin Pharmaceutical	BMRN	53.5	101.70	-1.61	-1.56	103.32	101.70
National Instruments	NATI	55.0	43.54	-0.60	-1.35	44.14	43.54

Percentage losers...

*Primary market NYSE, NYSE American NYSE Arca only. **TRIN comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	The Global Dow	3020.25	14.65	0.49%	-2.1
	DJ Global Index	397.47	2.28	0.58%	0.1
	DJ Global ex U.S.	253.97	0.78	0.31%	-4.8
Americas	DJ Americas	668.93	5.39	0.81%	4.1
Brazil	Sao Paulo Bovespa	75856.23	1457.68	1.96%	-0.7
Canada	S&P/TSX Comp	16567.42	150.10	0.91%	2.2
Mexico	S&P/BMV IPC	48696.30	-328.85	-0.67%	-1.3
Chile	Santiago IPSA	3911.59	-10.12	-0.26%	-7.1
EMEA	Stoxx Europe 600	384.37	2.97	0.78%	-1.2
Eurozone	Euro Stoxx	382.74	2.69	0.71%	-0.7
Belgium	Bel-20	3801.34	21.56	0.57%	-4.4
Denmark	OMX Copenhagen	916.84	12.08	1.34%	-1.1
France	CAC 40	5405.90	51.97	0.97%	1.8
Germany	DAX	12492.97	75.84	0.61%	-3.3
Israel	Tel Aviv	1549.70	9.50	0.62%	2.6
Italy	FTSE MIB	21790.12	82.06	0.38%	-0.3
Netherlands	AEX	557.02	3.77	0.68%	2.3
Russia	RTS Index	1177.50	-8.86	-0.75%	2.0
South Africa	FTSE/JSE All-Share	56849.36	-381.65	-0.67%	-4.5
Spain	IBEX 35	9767.40	33.80	0.35%	-2.8
Sweden	OMX Stockholm	573.99	5.28	0.93%	0.9
Switzerland	Swiss Market	8818.19	135.26	1.56%	-6.0
Turkey	BIST 100	89571.25	-1718.22	-1.88%	-22.3
U.K.	FTSE 100	7651.33	59.37	0.78%	-0.5
U.K.	FTSE 250	20779.77	137.50	0.67%	0.3
Asia-Pacific	S&P/ASX 200	6268.30	52.70	0.85%	3.4
China	Shanghai Composite	2837.66	59.89	2.16%	-14.2
Hong Kong	Hang Seng	28480.83	169.14	0.60%	-4.8
India	S&P BSE Sensex	36548.41	282.48	0.78%	7.3
Japan	Nikkei Stock Avg	22187.96	255.75	1.17%	-2.5
Singapore	Straits Times	3253.01	3.93	0.12%	-4.4
South Korea	Kospi	<			

COMMODITIES

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Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	interest	
Copper-High (CME) -25,000 lbs.; \$ per lb.								
July	2,728.0	2,780.0	2,722.0	2,768.0	0.0345	2,580		
Sept	2,705.0	2,792.0	2,731.0	2,777.0	0.0335	155,760		
Gold (CME) -100 troy oz.; \$ per troy oz.								
Aug	1,242.30	1,248.80	1,241.40	1,246.60	2.20	275,674		
Oct	1,248.30	1,254.00	1,247.10	1,252.00	2.00	23,689		
Dec	1,253.80	1,259.50	1,252.80	1,257.50	1.90	167,979		
Feb'19	1,259.40	1,265.40	1,259.00	1,263.50	1.90	21,351		
June	1,271.80	1,276.30	1,271.30	1,275.80	1.90	5,606		
Dec	1,292.40	1,295.40	1,291.50	1,295.40	2.10	3,668		
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
Sept	933.10	949.30	930.60	948.80	11.80	19,455		
Dec	931.50	944.80	928.10	945.20	11.90	2,030		
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
July	837.00	837.00	833.50	842.30	11.30	367		
Oct	830.70	848.50	829.10	846.40	11.40	77,891		
Silver (CME) -5,000 troy oz.; \$ per troy oz.								
July	15.870	15.935	15.870	15.988	0.166	719		
Sept	15.825	16.025	15.780	15.977	0.160	155,745		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
Aug	70.59	71.23	69.23	70.33	-0.05	285,706		
Sept	69.17	69.81	68.09	69.35	0.49	373,497		
Oct	67.42	68.26	66.64	68.07	0.97	228,818		
Dec	66.22	67.08	65.56	66.96	1.21	297,478		
June'19	63.85	64.65	63.46	64.44	1.21	153,945		
Dec	62.16	62.93	61.85	62.57	1.07	206,717		
NY Harbor USLD (NYM) -42,000 gal.; \$ per gal.								
Aug	2,119.4	2,134.6	2,081.0	2,123.1	0.0223	102,355		
Sept	2,120.5	2,139.9	2,087.0	2,128.0	0.0216	89,452		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
Aug	2,069.1	2,088.8	2,043.8	2,071.7	0.0103	105,251		
Sept	2,045.2	2,064.7	2,018.1	2,046.8	0.0092	109,776		
Natural Gas (NYM) -10,000 MMbtu's; \$ per MMBtu.								
Aug	2,822.4	2,827.4	2,789.0	2,797.0	-0.032	157,801		
Sept	2,790.0	2,796.0	2,759.0	2,766.0	-0.031	213,971		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								

Contract

Open High hilo Low Settle Chg Open interest

Oct 2,808 2,773 2,780 -0.029 152,162

Jan'19 3,048 3,056 3,024 3,033 -0.023 126,743

March 2,921 2,926 2,897 2,906 -0.022 122,289

April 2,656 2,659 2,629 2,635 -0.026 129,237

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

July 332.25 340.75 □ 329.75 336.50 5.25 563

Dec 355.00 363.25 □ 350.25 359.25 6.00 751,034

Oats (CBT)-5,000 bu.; cents per bu.

July 256.00 256.00 256.00 257.50 1.50 5

Dec 240.50 242.75 237.75 241.25 1.50 3,045

Soybeans (CBT)-5,000 bu.; cents per bu.

July 832.75 833.25 □ 826.00 830.00 .25 388

Nov 851.00 856.50 □ 838.00 849.25 1.00 427,120

Soybean Meal (CBT)-100 tons; \$ per ton.

July 334.00 334.20 329.30 333.40 .40 640

Dec 328.50 330.40 322.40 327.70 ... 200,826

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

July 28.29 28.30 28.26 28.17 -.16 924

Dec 28.90 28.96 28.63 28.69 -.13 239,952

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

July 119.20 119.45 119.00 118.50 2.50 318

Sept 118.00 120.05 118.00 119.20 3.00 6,161

Wheat (CBT)-5,000 bu.; cents per bu.

July 484.25 484.25 484.25 482.50 12.75 202,883

Sept 474.25 488.50 473.00 484.50 12.75 137,073

Wheat (KCB)-5,000 bu.; cents per bu.

July 523.75 524.00 523.75 523.75 4.00 4

Sept 525.50 536.50 □ 523.75 530.50 5.00 29,649

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Aug 149,850 151,675 149,825 151,025 1.625 18,093

Sept 150,000 151,475 149,950 150,975 1.50 9,991

Cattle-Live (CME)-40,000 lbs.; cents per lb.

Aug 104,175 106,075 104,175 105,025 1.175 94,032

Dec 111,000 112,275 110,975 111,575 .900 60,507

Hogs-Lean (CME)-40,000 lbs.; cents per lb.

July 167.92 168.40 167.92 168.40 .500 1,000

Sept 167.92 168.40 167.92 168.40 .500 1,000

Oct 167.92 168.40 167.92 168.40 .500 1,000

Nov 167.92 168.40 167.92 168.40 .500 1,000

Dec 167.92 168.40 167.92 168.40 .500 1,000

Jan 167.92 168.40 167.92 168.40 .500 1,000

Feb 167.92 168.40 167.92 168.40 .500 1,000

Mar 167.92 168.40 167.92 168.40 .500 1,000

Apr 167.92 168.40 167.92 168.40 .500 1,000

May 167.92 168.40 167.92 168.40 .500 1,000

Jun 167.92 168.40 167.92 168.40 .500 1,000

Jul 167.92 168.40 167.92 168.40 .500 1,000

Aug 167.92 168.40 167.92 168.40 .500 1,000

Sep 167.92 168.40 167.92 168.40 .500 1,000

Oct 167.92 168.40 167.92 168.40 .500 1,000

Nov 167.92 168.40 167.92 168.40 .500 1,000

Dec 167.92 168.40 167.92 168.40 .500 1,000

Jan 167.92 168.40 167.92 168.40 .500 1,000

Feb 167.92 168.40 167.92 168.40 .500 1,000

Mar 167.92 168.40 167.92 168.40 .500 1,000

Apr 167.92 168.40 167.92 168.40 .500 1,000

May 167.92 168.40 167.92 168.40 .500 1,000

Jun 167.92 168.40 167.92 168.40 .500 1,000

Jul 167.92 168.40 167.92 168.40 .500 1,000

Aug 167.92 168.40 167.92 168.40 .500 1,000

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How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 l-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 fd-FIRST day of trading.
 h-Does not meet continued listing standards.
 f-First filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 y-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, July 12, 2018

Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg	Stock	Symbol	Close	Net Chg				
AABB	ABB	21.54	.04	Atlassian	TEAM	68.26	.29	Cajun	CAJ	31.36	-.21	Grainger	GWV	309.21	-.12	LPL Financial	LPLA	66.26	-.27	Nordstrom	JWN	53.39	-.03	SAP	SAP	119.44	1.62
ADT	ADT	8.92	.34	AtmosEnergy	ATO	91.33	.07	Capony/Growth	CGC	29.59	-.01	Grifols	GRIF	21.35	.01	LL Cool J	LL	202.05	.47	S&P Global	SPGI	210.75	1.31				
AES	AES	13.10	.07	Autodesk	ADSK	137.46	.52	CapitalOne	COF	95.24	-.08	GrabHub	GRUB	111.25	.25	LabCorp	LH	186.00	1.54	NorthernTrust	NTRS	104.13	0.02				
Aflac	AFL	42.48	.01	AutoHome	ATHM	105.01	.21	CardinalHealth	CAH	50.26	.30	GpAvailAcc	AVAL	8.22	0.01	LaurenRach	LRCX	171.32	.32	SEI Investments	SEIC	64.44	.59				
AGNC Inv	AGNC	19.03	.10	Avangrid	AGR	52.76	-.04	Disney	DIS	108.25	.21	GuideWire	GWRE	95.18	.20	LamarAdv	LAMR	70.46	.58	Sina	SINA	84.50	0.93				
ANGI Homescng	ANGI	16.41	.22	AwayCloud	AWB	174.26	.33	DolbyLab	DLB	63.19	.62	HCP	HCP	25.88	-.05	Novartis	NVS	78.94	.29	SINOPEC	SINO	60.50	1.30				
Ansys	ANS	180.15	.34	AxonCoating	AXTA	30.02	.04	DollarTree	DLTR	85.74	.04	HDFC Bank	HDFC	112.28	1.71	Lazard	LAZ	50.09	-.23	NoxvordCruise	NCLH	47.96	.35				
ASML	ASML	199.33	.54	B2BNet	BBT	51.55	-.24	DominionEner	D	70.09	.50	HDS	HDS	43.86	-.09	Leggett&Platt	LEG	45.14	-.11	SBBI	SIVB	300.49	-.04				
AT&T	T	32.33	.26	BCE	BCE	42.55	-.76	Domino's	DPZ	279.03	.63	HPQ	HPQ	23.53	-.04	LernerAdm	LDS	62.64	1.02	SVB Fin	SVB	155.00	0.02				
AbbottLabs	ABT	62.74	.45	BellMedia	BHE	40.42	.09	DouglasEmmett	DEI	40.42	.09	HSBC	HSBC	47.55	-.78	Lerner B	LEN	44.02	-.19	NVIDIA	NVID	251.23	.37				
AbbVie	ABBV	95.61	.16	BHPBilliton	BHP	49.65	.62	Dover	DOV	73.89	.55	Huya	HUYA	37.37	-.09	Lennar A	LEN	53.73	-.19	SageTherap	SAGE	167.79	.25				
Abiomed	ABMD	414.61	.10	BHPBilliton	BBL	66.25	-.05	DownDowPnt	DWP	100.24	.29	Haliburton	HAL	44.92	-.11	Lenox	LIN	214.57	.31	Saleforce.com	SACF	148.16	2.91				
Accenture	ACN	168.3	.72	BioMarin	BOKF	95.27	-.05	Dropbox	DBX	32.42	.18	Hanesbrands	HBI	21.66	-.02	LibertyBroadband	LBROD	79.17	.27	iTransUnion	TRU	74.83	.58				
ActivisionBlitz	ATVI	81.37	.27	BioNTech	BVIA	174.26	.33	DukeEnergy	DUKE	80.50	.12	HayneDavidson	HOG	43.24	.29	Travelers	TRV	126.02	.97								
AdobeSystems	ADBE	254.87	.65	BioNTech	BVIA	104.24	.51	DukeRealty	DRE	29.02	.06	Harris	HRS	147.54	2.77	Trimbelle	TRMB	33.92	.68								
AdvanceAuto	ATAW	138.79	-.29	BioNTech	BVIA	104.24	.51	DominionEner	D	70.09	.50	HDFC	HDFC	111.28	1.71	TriAdvisor	TRIP	59.60	.93								
AdmMicroDevices	AMD	16.56	.29	BioNTech	BVIA	104.24	.51	Dow	D	70.09	.50	HDS	HDS	43.86	-.09	Udr	UDR	36.72	.10								
Aegon	AEG	5.96	.06	BioNTech	BVIA	104.24	.51	Dunkin'	DNK	70.00	-.69	Huawei	HUA	75.10	-.34	Ugi	UGI	52.88	.26								
AerCap	AER	54.91	.09	BioNTech	BVIA	104.24	.51	ENI	E	38.15	.23	Heico	HEICO	63.80	.95	Uvera	UVER	167.79	.25								
Aetna	AET	191.08	.35	BioNTech	BVIA	104.24	.51	Eaton	ETN	76.87	1.11	Heico	HEICO	63.80	.95	US Foods	USFD	39.18	.40								
AffiliatedMtrs	AMG	149.16	-.16	BioNTech	BVIA	104.24	.51	EatonVance	EV	55.50	-.24	Heiney	HEIN	74.94	1.36	UbiquitiNetworks	UBNT	43.25	.05								
AgilentTechs	AGLNT	63.45	.59	BioNTech	BVIA	104.24	.51	EPM Systems	EPAM	133.57	.35	HelmPayne	HEIN	64.13	-.13	Uninet	UNI	19.63	0.05								
AigcnoEagle	AEM	46.02	.73	BioNTech	BVIA	104.24	.51	EQUITY	EQT	55.23	-.08	HenryScuin	HEN	74.78	0.19	Venture	VTR	45.26	.19								
AirProducts	APD	157.92	.51	BioNTech	BVIA	104.24	.51	EXACT Sci	EXAS	64.18	1.68	HerbAlife	HLF	54.09	1.01	Verizon	VZ	45.26	.07								
AlcatelTech	AKAM	77.67	.18	BioNTech	BVIA	104.24	.51	EastWestBnpC	EWBC	64.79	1.00	Hershey	HSY	93.66	-.38	Verizon	VZ	45.26	.07								
AlaskaAir	ALK	60.86	.67	BioNTech	BVIA	104.24	.51	EastWestBnpC	EWBC	64.79	1.00	Hess	HES	66.74	-.07	Verizon	VZ	45.26	.07								
Albermarle	ALB	95.35	.67	BioNTech	BVIA	104.24	.51	EastWestBnpC	EWBC	64.79	1.00	HewlettPackard	HPE	15.39	-.01	Verizon	VZ	45.26	.07								
Albemarle	ALB	95.35	.67	BioNTech	BVIA	104.24	.51	EdwardsLife	EWL	17.47	2.52	Hill-Roman	HRL	40.44	-.30	Verizon	VZ	45.26	.07								
Alcentra	ACN	16.18	.35	BioNTech	BVIA	104.24	.51	EdwardsLife	EWL	17.47	2.52	HolidayInn	HIL	43.24	-.22	Verizon	VZ	45.26	.07								
Alcoa	AA	47.40	-.66	BioNTech	BVIA	104.24	.51	EdwardsLife	EWL	17.47	2.52	HolidayInn	HIL	43.24	-.22	Verizon	VZ	45.26	.07								
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Alcoa	AA	47.40	-.66	BioNTech	BV																						

BANKING & FINANCE

ETF Managers Race to Bottom on Price

By ASJYLYN LODER

A price war is intensifying in the \$3.5 trillion exchange-traded fund industry, forcing some of the biggest firms to slash fees in a bare-knuckled fight to win a larger slice of the rapidly growing market.

BlackRock Inc. cut fees on several stock and bond ETFs last month, while **State Street** Corp. last fall introduced a new low-cost lineup of more than a dozen funds. The latest volley came last week when **Vanguard** eliminated online transaction fees for virtually all ETFs bought and sold through its brokerage platform, including rivals' funds.

The price-cutting maneuvers illustrate the increasingly competitive nature of the fast-growing U.S. ETF market, which by some estimates could top \$10 trillion in assets within the decade, as investors forsake pricey mutual funds in favor of the cheapest ETFs. ETF fees have fallen 30% in 10 years, according to Morningstar Inc.

ETFs got their start 25 years ago as a simple way to



Laurence Fink's BlackRock cut fees on several ETFs last month.

buy all the stocks in the S&P 500 but, unlike mutual funds, could be bought and sold on the stock exchange. Since 2007, U.S. equity ETFs have logged about \$900 billion in inflows while \$1.4 trillion has come out of domestic equity mutual funds, according to JP Morgan Chase & Co.

This fight for market share

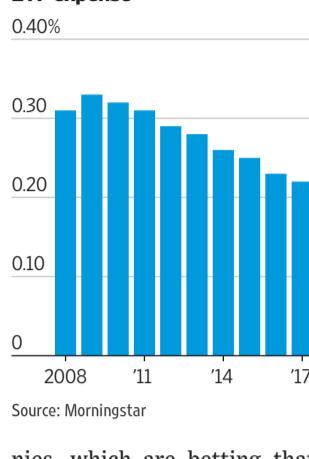
is a boon for investors, who can now buy funds of stocks, bonds, commodities and other assets cheaper than ever. As ETFs have grown in popularity, their costs have come down, pressuring fees on mutual funds and investment advice.

But it is a high-stakes gamble for the big fund compa-

Ever Tumbling Fees

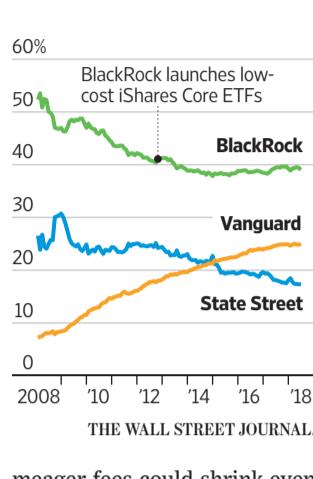
Fund firms are slashing fees to compete in the \$3.5 trillion exchange-traded fund market, where the cheapest funds garner the most assets.

Asset-weighted average ETF expense



Source: Morningstar

U.S. ETF market share



THE WALL STREET JOURNAL.

BlackRock launched its ultra-cheap iShares Core ETFs to stave off the rapid gains made by Vanguard's low-cost funds.

By most accounts, it succeeded. Since then, BlackRock's share of the U.S. ETF market has stabilized at about 40%, and the firm remains the largest ETF provider.

"Even if prices come down more, we expect volumes to grow to such a degree that profitability will expand over time," said Martin Small, head of BlackRock's U.S. iShares business.

State Street, by contrast, long resisted pressure to offer ultra-low-cost ETFs. That is a big reason why its share of the ETF market has sunk to less than 18% and it was overtaken in 2015 by Vanguard as the second-largest provider, analysts say.

In October, State Street finally capitulated, overhauling 15 ETFs, slashing prices and striking a deal to be the exclusive commission-free provider on TD Ameritrade's brokerage platform. Since then, those 15 funds have picked up \$15.7 billion.

nies, which are betting that rapid growth will offset the fee reductions. In some cases, the lower-priced funds are even stealing customers from more expensive ETFs offered by the same firm.

The cheapest ETFs now cost just \$3 a year for every \$10,000 invested, and some analysts predict that those

meager fees could shrink even further. Of the new money that has flooded into ETFs in the past year, more than three-quarters has gone into funds that cost \$15 a year or less for every \$10,000 invested, according to a report from JPMorgan.

The ETF price wars began in earnest in 2012, when

rivatives exchange and clearinghouse, launched SOFR futures in May, and LCH, part of the London Stock Exchange Group, recently began offering clearing of swaps based on SOFR. Regulators and market participants view these developments as key barometers of liquidity growth that is crucial to the health of a new benchmark.

"These are signs that market infrastructure is evolving to accommodate SOFR which is critical," Robert Mangrelli, a director at Chatham Financial, said at Thursday's CFTC meeting. "The next question is when will liquidity for SOFR products develop."

Since 2012, Libor has been under the supervision of U.K. regulators.

Banks Pushed to Quicken Switch Away From Libor

By GABRIEL T. RUBIN

WASHINGTON—Global regulators made a coordinated push Thursday urging banks and traders to hasten their transition away from using the scandal-plagued London interbank offered rate.

In meetings and speeches around the world, regulators pressed banks to cease launching new contracts that reference Libor, and to come up with a plan for legacy contracts that will expire after the agreed-on transition date away from Libor, at the end of 2021.

Though some aspects of the transition are proceeding according to schedule, or even faster, U.K. Financial Conduct

Authority Chief Executive Andrew Bailey warned in a speech in London that overall, "the pace of that transition is not yet fast enough."

Switching won't be easy. Libor, which has been deeply embedded in financial markets for decades, is used to set rates for hundreds of trillions of dollars of derivatives and other borrowings, including loans to consumers, companies and governments.

Libor's integrity was questioned after a rate-rigging scandal where traders at numerous banks were able to nudge it up or down by submitting false data. Banks were fined billions of dollars and several traders were sent to prison.

Legacy contracts represent arguably the greatest challenge for regulators and industry groups. Some \$170 trillion in outstanding swap contracts

warnings from regulators about the benchmark's pending disappearance.

"We need to reduce the stock of contracts that reference U.S. dollar Libor if the risks are to be fully addressed," said David Bowman, a senior Federal Reserve official, at a Commodity Futures Trading Commission meeting about Libor on Thursday.

The Financial Stability Board, a group of international regulators that is co-chaired by Fed Chairman Jerome Powell, underscored the need for new reference rates to be "anchored in active, liquid underlying markets."

Also on Thursday, the International Swaps and Deriva-

tives Association began a con-

sultation with market stakeholders to discuss a unified transition plan for contracts that are set to expire after 2021, which is when banks are set to stop submitting the data that helps determine Libor each day. ISDA is also working on a transition process for rates that would serve as a backstop for legacy contracts that use Libor.

Movement away from Libor depends largely on the viability of a replacement reference rate. Regulators expressed optimism about the Fed's Alternative Reference Rate Committee's chosen replacement, the secured overnight financing rate, or SOFR, which began publishing April 3.

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MARKETS

Nasdaq Rises to Record as Tech Fuels Broad Rally

BY MICHAEL WURSTHORN
AND BEN ST. CLAIR

Surging shares of technology companies sent the Nasdaq Composite to a record, as major indexes rebounded from a midweek stock selloff.

Tech firms led the stock market higher as investors returned to the growth investment strategy that has worked throughout

THURSDAY'S MARKETS much of the long-running rally. A major software deal announcement appeared to bolster the buying spree, sending the S&P 500 technology sector up 1.8%, the most of the broad index's 11 major sectors.

Meanwhile, trade concerns subsided a day after the Trump administration threatened tariffs on an additional \$200 billion of products from China. Beijing is currently reviewing plans to hit back beyond levies on imports, although no new policies have been announced.

"We don't know how it's going to pan out," said Tom Martin, a senior portfolio manager at Globalt Investments. "But the market is understanding more and more that President [Donald] Trump isn't bluffing."

The tech-heavy Nasdaq Composite rose 107.30 points, or 1.4%, to 7823.92, surpassing its previous record set in June. The index notched its biggest percentage gain since June 1. The Dow Jones Industrial Av-

erage rose 224.44 points, or 0.9%, to 24924.89, while the S&P 500 gained 24.27 points, or 0.9%, to 2798.29.

CA fueled the rally in tech firms and the broader S&P 500 after **Broadcom** agreed late Wednesday to buy the software company for \$18.9 billion.

Shares of CA surged \$6.94, or 19%, to \$44.15. Other software companies in the S&P 500 advanced, too: **Activision Blizzard**, gained 2.76, or 3.5%, to 81.37 and **Salesforce.com**, up 2.91, or 2%, to 148.16.

Broadcom investors weren't as enthusiastic about the deal, sending shares down 33.46, or 14%, to 209.98.

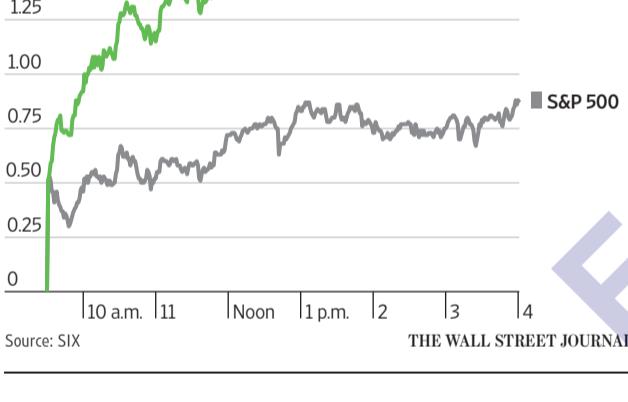
Industrial companies, including aerospace firms, also contributed to Thursday's better performance, recovering some of the losses those firms suffered during Wednesday's selloff. Shares of **Boeing** added 5.43, or 1.6%, to 346.03.

Several airlines, another industrial cohort, were also trading in positive territory after **Delta Air Lines** reported profits that beat analyst expectations, even though the company said higher fuel costs will weigh on profits for the rest of the year. Shares of Delta added 89 cents, or 1.8%, to 50.73.

Elsewhere, the Stoxx Europe 600 rose 0.8% and is up seven of the past eight trading days. In Asia early Friday, Hong Kong's Hang Seng was up 0.6%, while the Shanghai Composite Index was down 0.3%, and Japan's Nikkei was up 1.3%.

Deal Leap

Technology companies led the S&P 500 after Broadcom agreed to buy CA, sending the software company's shares sharply higher.



Source: SIX

THE WALL STREET JOURNAL.

Inflation Data Hurt Bonds

BY DANIEL KRUGER

U.S. government-bond prices edged lower Thursday, sending the yield on two-year notes to its highest close since July 2008, as investors bet that inflation is growing fast enough for the

CREDIT MARKETS Federal Reserve to continue raising interest rates.

The yield on the benchmark 10-year note rose for the third time in four days to 2.853% from 2.844% Wednesday. The two-year yield rose to 2.594%, and its gains for the year now exceed its entire 2017 climb. Yields rise as bond prices fall.

The difference between yields on two- and 10-year Treasurys narrowed to 0.259 percentage point, the smallest since August 2007. The difference between shorter-term and longer-term rates, known

as the yield curve, indicates sentiment about the prospects for economic growth, with wider gaps signaling stronger potential growth.

Longer-term yields pared their increase after the Labor Department said Thursday that the consumer-price index, which gauges what Americans pay for everything from lawn mowers to Canadian bacon, rose a seasonally adjusted 0.1% in June from the prior month.

Excluding food and energy, prices increased 0.2%. Economists surveyed by The Wall Street Journal had expected a 0.2% uptick from May for both overall and core inflation.

While the pace of inflation has accelerated this year, investors said that it isn't enough to push bond yields higher because prices are rising at roughly the same pace as wages.

Treasury Plans to Sell \$135 Billion in Debt

The U.S. Treasury Department will auction \$135 billion in securities next week, comprising \$84 billion in new debt and \$51 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ **Monday:** \$51 billion in 13-week bills, a reopening of an issue first sold on April 19, 2018, maturing Oct. 18, 2018. Cusip number: 912796QD4.

Also, \$45 billion in 26-week bills, dated July 19, 2018, maturing Jan. 17, 2019. Cusip number: 912796QT9.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

◆ **Thursday:** \$13 billion in 10-year Treasury inflation-protected securities, dated July 31, 2018, maturing July 15, 2028. Cusip number: 912828Y38. Noncompetitive tenders must be received by noon Thursday; competitive tenders by 1 p.m.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market clearing yield. Rates are determined by the difference between that price and the face value.

29-YEAR, 10-MONTH BONDS

Applications	\$32,772,713,600
Accepted bids	\$14,054,415,600
"noncompetitively"	\$4,936,500
"foreign noncompetitively"	\$0
Auction price (rate)	103.289415 (2.958%)
Interest at clearing yield accepted	3.125%
Cusip number	912810G3
The bonds, dated July 16, 2018, mature on May 15, 2048.	

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

◆ **Tuesday:** \$26 billion in 52-week bills, dated July 19, 2018, maturing July 18, 2019. Cusip number: 912796QR3. Noncompeti-



A weaker currency would make China's exports cheaper, could help cushion the impact of U.S. tariffs. Investors monitor stock prices.

NICOLAS ASFOURI/AGENCE FRANCE PRESSE/GETTY IMAGES

Yuan Defies Central Bank

China's currency rises in face of official move aimed at guiding it lower against dollar

BY SAUMYA VAISHAMPAYAN
AND CHELSEY DULANEY

The Chinese yuan rallied against the dollar Thursday, but investors remain on edge over recent moves by the country's central bank to guide the yuan lower amid intensifying trade fight with the U.S.

The Chinese currency rose 0.5% against the dollar in offshore markets during Thursday's U.S. trading session, extending a rebound that began in Asian trading. That came after the People's Bank of China guided the yuan down by 0.7% at its daily fixing, the largest one-day decline in 18 months.

Onshore, where the currency is allowed to trade as much as 2% above or below the daily fixing, the yuan in late trading was little changed against the dollar.

The yuan has declined more than 2% against the dollar in 2018, retracing gains made

early in the year. It has also reversed its annual advance against a basket of currencies weighted by trade volumes, according to a gauge published by Wind Info.

A weaker currency would make China's exports cheaper and could help cushion the impact of U.S. tariffs on China's economy, which has already been slowing. On Tuesday, the U.S. said it would impose 10% tariffs on \$200 billion in Chinese products, less than a week after the countries placed tariffs on \$34 billion of each other's goods.

Still, a currency depreciation would be risky for China. In 2015, an unexpected devaluation in China's yuan sparked capital flight as Chinese companies, citizens and investors sought to escape further declines. Allowing the yuan to weaken too fast could revive those outflows, adding further downward pressure on the currency that economists warn could become difficult for Beijing to manage.

Volatility in China's markets has also proved destabilizing to global markets in recent years because of the country's outsize role in the global economy. Many U.S. companies have

Another Day

The yuan bounced back Thursday after falling steadily on trade worries.

Daily change in the yuan against the dollar in the central bank's official fix



Source: Wind Info (moves); WSJ Market Data Group (yuan) THE WALL STREET JOURNAL.

large businesses in China, and weakening growth there has sometimes weighed on revenue of companies such as Caterpillar Inc.

China also is one of the largest users of commodities such as coal and iron ore; softer demand for those products has rattled those markets and the economies of the countries that export them.

So far, analysts see few signs that China is aiming for a currency devaluation.

In addition to the trade-related worries that have driven investors to dump the yuan,

monetary policy is also weighing the currency down. While China's central bank could cut interest rates or free up banks to lend more in coming months, the U.S. is expected to keep raising interest rates.

"This is very different from 2015, when it was the PBOC who initiated the move," said Eddie Cheung, Asia currency strategist at Standard Chartered Bank, referring to a previous devaluation. "This time around, it's driven by the market," Mr. Cheung said. "The PBOC has been leaning against all of this."

Oil Wavers on Mixed Supply Signals

BY DAVID HODARI

Oil prices ended the day mixed Thursday after wavering between gains and losses on varying supply signals.

Light, sweet crude for August delivery fell 5 cents, or 0.1%, to \$70.33 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, increased 1.4% to \$74.45.

Global prices rebounded after a steep decline on Wednesday, when crude tumbled amid concern over resurgent Libyan supply and the U.S.-China trade dispute.

Brent sank 6.9% that day, its biggest drop since February 2016, while WTI plunged 5% for its worst retreat in more than a year.

Libya's state-run National Oil Corp. lifted the force majeure on eastern oil ports that had kept the country's crude off global markets amid continued civil war. Analysts estimated that those ports could contribute approximately 700,000 barrels of oil a day to the global market.

However, prices stabilized as the International Energy Agency warned that recent outages could stretch the world's spare-capacity cushion and hinted that it would be ready to access emergency



An oil tanker arrives in Libya, which is poised to export more crude as its eastern ports restart.

supplies if needed.

"When you get a market move and poor liquidity, it snowballs and you get declines of greater magnitude," said Harry Tchilinguirian, global head of commodity markets strategy at BNP Paribas.

According to the U.S. Energy Information Administration, crude inventories fell by 12.63 million barrels in the week ended July 6, exceeding

analyst estimates.

While the Libyan supply squeeze had been among the largest price drivers, supply problems in Canada, strikes in Norway and expectations of dropping exports from Venezuela and sanction-hit Iran also have boosted prices in recent weeks.

That said, the Organization of the Petroleum Exporting Countries released its first

2019 production forecasts Wednesday, in which it estimated an increase in non-OPEC supply of 2.1 million barrels a day. On the strength of that report, "the oil market would be sufficiently supplied next year," Commerzbank said in its research note.

Gasoline futures rose 0.5% to \$2.0717 a gallon and diesel futures rose 1.1% to \$2.1231 a gallon.

Export Forecast Mashes Soybean Prices

BY BENJAMIN PARKIN
AND FRANCESCA FONTANA

Soybean prices fell to their lowest point in nearly a decade, after a report forecast that Chinese tariffs will cut into exports and push up stocks of one of America's most widely grown crops.

The U.S. Agriculture Department on Thursday projected stocks of soybeans for the 2018-19 crop year at a

would-be record of 580 million bushels, around 50% higher than its previous estimate and more than analysts expected.

Beijing last week introduced retaliatory tariffs on U.S. soybean imports, as both countries lash out with duties on tens of billions of dollars in goods amid an escalating trade dispute.

China "is trying to put the fear into us right now," said Brian Grossman, a market

strategist at Zaner Group, of the USDA's figures.

The USDA expects exports to China—the largest buyer of American soybeans—to suffer as a result of the duties. Soybean exports next year will fall 11% to 2.04 billion bushels, the agency said, with higher market share in other countries failing to offset the lost demand.

Soybean prices slid after the report. July-dated contracts touched \$8.26 a bushel

at the Chicago Board of Trade, trading at the lowest point since December 2008.

Analysts say many U.S. farmers, who this year planted more soybeans than corn for the first time in 35 years, will struggle to turn a profit at such low prices.

The tariffs are also expected to hurt Chinese consumers of soybeans who will have to deal with higher domestic prices.

MARKETS

Chinese Bonds March to a Different Drum

BY SAUMYA VAISHAMPAYAN
AND MIKE BIRD

HONG KONG—When currencies tumble in developing nations, bond investors often rush for the exits. In China, the opposite is happening.

Bond prices continued to rise even after the yuan started to drop rapidly against the dollar and other major counterparts last month.

The yield on 10-year government debt, which moves inversely to prices, has fallen to 3.51% from 3.88% at the end of last year, according to Wind Info.

In emerging-market countries like Indonesia and South Africa the opposite has occurred in recent months, following a more familiar pattern. Prices have fallen and the yield on a Bloomberg Barclays gauge of local-currency debt has surged to 7.5% as of Wednesday, from 4.5% at the end of December.

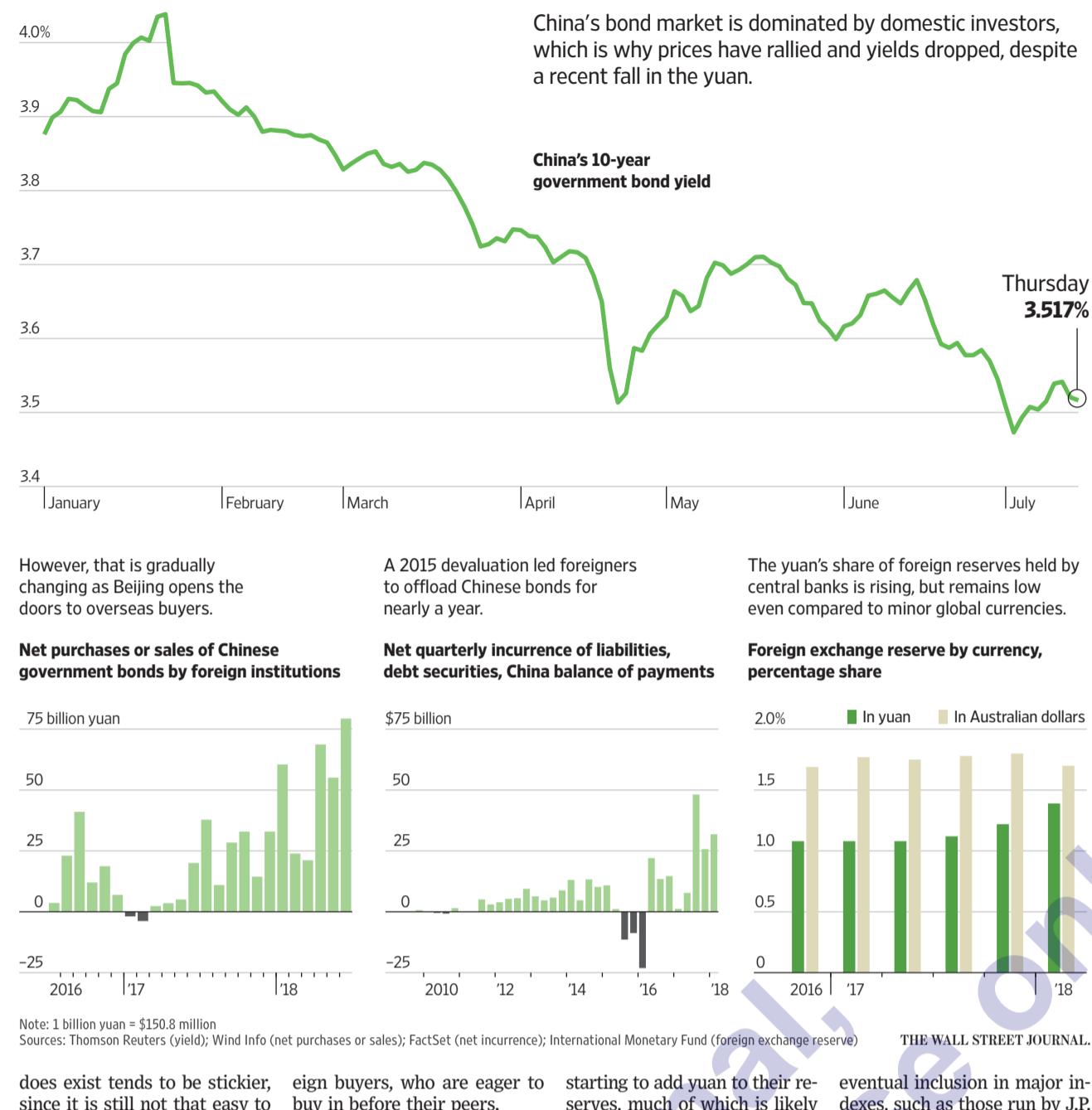
That illustrates the unusual dynamics of the Chinese market: In contrast to emerging destinations like Indonesia that are popular with foreign investors, it is overwhelmingly dominated by local buyers.

Foreigners own just 1.7% of China's \$12 trillion local-currency debt market. And the main holders of this debt—domestic banks, insurers and mutual funds—are less affected by a falling yuan.

A selloff in stocks and rising corporate defaults have also left Chinese owners with few alternatives, especially as capital controls restrict their ability to buy abroad. That means government debt serves as a haven, much like U.S. Treasuries do for global money managers.

"Because it's very much locally sponsored and held, you have institutions from government agencies to banks who do take a flight to those government bonds in times of risk off," said Eric Wong, a fixed-income portfolio manager at Fidelity International in Hong Kong.

Even foreign investment that



China's bond market is dominated by domestic investors, which is why prices have rallied and yields dropped, despite a recent fall in the yuan.

"There's a lot of money trying to front-run this index inclusion," said JC Sambor, deputy head of emerging-market fixed-income at BNP Paribas Asset Management in London. He said he became positive on Chinese sovereign debt last year, anticipating growth would slow and the central bank would have to lower interest rates.

A key consideration is how much the currency will tumble, since that cuts into potential returns. For example, a government bond maturing in May 2023 has already returned around 4.5% for investors in yuan terms this year. Yet in dollar terms the return has been just 2.3%.

The last major depreciation in 2015 fed panic about financial stability. However, the central bank has slowed the yuan's decline in recent days and pledged to keep it largely steady.

Mr. Sambor of BNP Paribas said he thought the yuan selloff was over, and now owns bonds from the People's Republic on an unhedged basis—rather than guarding against exchange-rate moves by buying so-called currency forwards, for example. Others disagree.

"We're still advising clients to buy Chinese bonds, but also to hedge the currency," said Pierre-Yves Bureau, chief investment officer of emerging market debt at J.P. Morgan Asset Management in London.

"It's different from 2015 because policy makers really lost control at that time. This time it's a more clear easing directive, leaning against the tariffs" imposed by the U.S., he said.

For now, the lack of outsiders has advantages, according to some asset managers: While large, developed bond markets tend to move in sync, China's marches to a different drum. Edmund Goh, Asian fixed-income investment manager at Aberdeen Standard Investments, said investors should see it "as an independent market that can have a negative correlation to the rest of the world."

does exist tends to be stickier, since it is still not that easy to buy or sell, China's government debt in the first place.

As China's place in global bond portfolios grows, the country's debt could become more sensitive to the mood of international investors. But for now it is being bolstered by interest from a vanguard of for-

ign buyers, who are eager to buy in before their peers.

Overseas institutions were net buyers of Chinese government bonds for the 16th straight month in June. They boosted their holdings to a record 915 billion yuan (\$138 billion), based on data going back to 2014, according to Wind Info.

Other central banks are

starting to add yuan to their reserves, much of which is likely stashed in sovereign bonds. And Beijing has taken steps to open up. It recently allowed offshore investors to access the so-called interbank market, the main venue for fixed-income trading, through a Hong Kong trading link called Bond Connect.

Investors are also banking on

eventual inclusion in major indexes, such as those run by J.P. Morgan, which should attract passive money and boost prices further. Bloomberg LP said in March it would add China to its Bloomberg Barclays Global Aggregate Index next year, adding that those bonds would eventually make up more than 5% of the benchmark.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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#MeToo Trend Isn't a Dip to Buy

Locker-Room Stock

Nike share price, year to date



Beyond the loss of Mr. Wynn, the company has seen the resignation of its general counsel, who knew about a \$7.5 million settlement Mr. Wynn reached with one of his accusers; lost a shareholder vote on executive pay; and could end up selling a half-built, \$2.5 billion casino resort outside Boston if it faces pressure from Massachusetts regulators.

Then there is Nike, whose investors have sent its stock to a record, despite stories of alleged inappropriate workplace behavior and the exit of 11 top executives, including the company's No. 2.

One reason the stocks have rebounded is that the fundamentals at Wynn Resorts and Nike haven't changed. "#MeToo issues are not seen as so serious as to

be material, at least in the short term," said Jon Hale, director of sustainability research at Morningstar.

For long-term investors, that may be a mistake. Weak governance has historically been tied to blowups such as Volkswagen's diesel-emissions cheating scandal, just as weak environmental controls have been a cause of oil spills at companies like BP.

Ignoring sexual-harassment complaints can lead to costly discrimination claims and it can drive away talent. It turns out that people don't enjoy working in toxic environments and their productivity suffers.

Investors are increasingly demanding that companies provide information about their impact on the environment and on society and their policies on governance. They should also ask about executive behavior. While Nike and Wynn have recovered, investors should press for real change.

—Elizabeth Winkler

More Twists Coming in Disney-Comcast Duel

A potential resolution to the takeover battles for **21st Century Fox** and **Sky** seemed to emerge Wednesday, but investors can expect more twists before this drama ends.

The contrast between **Comcast**'s rapid reaction to Fox's improved offer on Wednesday for European pay-TV leader Sky—a counterbid the same day—and the cable giant's slow response to **Walt Disney's** improved offer for the Fox assets for sale is striking. It is now three weeks since Disney raised its bid for the Fox assets and Comcast still hasn't responded.

This, and a Wall Street Journal report that Comcast could decide to focus its efforts on the European operator and drop its pursuit of Fox's assets suggest a path forward: Comcast could end up buying Sky, while Disney takes the other Fox assets.

This looks like a reasonable outcome that would avoid pushing the prices of these assets even higher.

Another argument in favor of Comcast backing off from a deal with Fox came late Thursday when the U.S. Justice Department appealed

its loss in the antitrust case involving AT&T and Time Warner. A Comcast-Fox deal is seen as more likely to draw regulatory scrutiny than a Disney-Fox deal.

If Disney leaves Sky to Comcast, the 39% stake currently owned by Fox, which gives it effective control, would become a less valuable minority stake. That would call into question the amount Disney is paying for Fox. Arguably, the only way for Disney to justify what it bid for Fox is to keep control of Sky, which means bidding higher.

Another question is whether Comcast can get its offer for Sky over the 50% threshold without Fox selling its stake.

It would make sense for Comcast and Disney to hammer out a face-saving, value-preserving compromise. In an extremely complex takeover situation framed by fear of **Netflix**, however, sense may get lost in the mix.

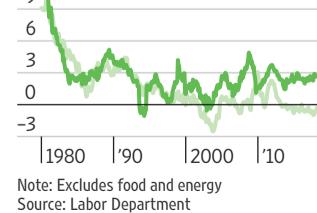
The only real winners, as the bidders prepare to pile on debt, will be the current shareholders of Fox and Sky—and perhaps debt-light Netflix.

—Stephen Wilmot

Inflation Puts U.S. Companies in Bind

Squeeze Play

Change in prices, year over year



Note: Excludes food and energy

Source: Labor Department

THE WALL STREET JOURNAL.

Inflation is warming up. There are still some cool spots, however. While prices for services are rising, prices for goods aren't. Indeed, prices for consumer goods excluding food and energy

were down 0.3% year over year in June.

That isn't as large as the 1% decline they registered in October, but it stood in sharp contrast with what is happening with the prices retailers and other consumer-facing companies are paying for goods. In a separate report, the Labor Department on Wednesday said wholesale prices for core consumer goods were up 2.7%.

Price changes for wholesale and retail consumer goods used to track each other more closely. That changed starting in the 2000s—around when **Amazon.com** Inc. really came onto the scene and widespread internet use made it

easier for Americans to comparison shop. This is one reason why retailers have struggled so much even in a strong economy.

The tariffs the White House has threatened to impose on Chinese-made consumer goods, as well as the tariff-induced increases in steel and aluminum prices that are already making their way up the supply chain, could create more trouble. Consumers won't easily accept those price increases, meaning retailers might have to eat them to keep sales going. This could further squeeze already tight margins, and that could cause plenty of indigestion.

—Justin Lahart

OVERHEARD

Chip maker **Broadcom** offered a reasonable 20% premium in its \$18.9 billion bid for **CA Technologies**. Little did they know the price of the deal would double in minutes.

Broadcom shares plunged nearly 14% on Thursday. That development erased about \$14 billion from Broadcom's market value. Those losses amount to most of the proposed deal price.

Investors might have been questioning what business a

chip maker had buying a software company. Or they could be concerned that Broadcom is reliant on deals to keep its growth going.

Whatever it is, they don't believe the Broadcom CEO, who called the deal "an important building block" on the way to creating "one of the world's leading infrastructure technology companies."

Leading or not, Broadcom is definitely one of the cheapest tech companies.

Michael Cohen buys
Manhattan apartment
for \$6.7 million



M2

MANSION

Newport, Rhode Island, that
breeding place—that stud farm,
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aristocracy of the American type.

—Mark Twain

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THE WALL STREET JOURNAL.

Friday, July 13, 2018 | M1



JULIE BIDWELL FOR THE WALL STREET JOURNAL (2)

BE MY GUEST A 2,000-square-foot ballroom at Belcourt, the Newport, R.I., mansion owned by Carolyn Rafaelian, below. Belcourt is open to the public after a restoration that cost more than \$15 million.

A Bejeweled Queen's Many Castles

Founder of Alex and Ani, a line of New Age-y baubles, billionaire Carolyn Rafaelian has collected many homes, including a gilded Newport mansion fit for a princess.

BY CANDACE TAYLOR

NEWPORT, R.I.—“I love this room!” Carolyn Rafaelian declared as she stepped into a roughly 2,000-square-foot ballroom at Belcourt, the Gilded Age Rhode Island mansion she’s spent more than \$15 million restoring.

Under a 30-foot-high vaulted ceiling, antique suits of armor stand guard between stained glass windows. A towering fireplace mantel is shaped like a medieval castle. It is a scene straight out of “Sleeping Beauty,” though Ms. Rafaelian is quick to point out that the roughly 44,000-square-foot, circa 1894 house long predates Walt Disney.

Ms. Rafaelian, a high-spirited 51-year-old sporting wedge heels and stacks of bracelets, is a



self-made billionaire. Raised about 30 miles away in working-class Cranston, she grew up working in her father’s jewelry factory. In 2009, Ms. Rafaelian founded Alex and Ani, a jewelry and accessories company known for affordable bangles with charms titled “Cosmic Balance” and “Path of Life.” Each is sold with explanations of its meanings. The company now has about 100 stores in North America, and Forbes estimates Ms. Rafaelian’s net worth at roughly \$1 billion.

And as her empire has grown, Ms. Rafaelian has collected homes the way Alex and Ani fans collect her bracelets. The old-world aesthetic at Belcourt—which she bought in 2012 for roughly \$3.5 million—bears little resemblance to her other, far more modern, properties. In her home

Please turn to page M7

A REALLY OLDE ENGLISH MANSE FOR SALE

INSIDE

Luddesdown Court dates back at least 800 years, experts say, and was once owned by William the Conqueror’s half-brother; its current owners restored much of the property and have listed it for \$4.7 million.

BY RUTH BLOOMFIELD

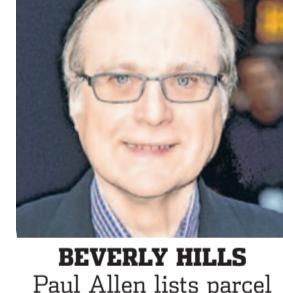
CHRISTINE SUNDT spent her childhood at Luddesdown Court, a 6,821-square-foot house set in the English countryside. The home is at least 800 years old, but that didn’t stop her and her siblings from having fun.

Ms. Sundt, her brother Jack and sister Josephine would roll back the rugs in the great hall to roller-skate around the huge, double-height space with a minstrel’s gallery, where musicians once played for the household seated below. They played epic games of hide and seek on the 23 acres of grounds.

“It was really magical,” she said.

This child’s play can’t diminish the home’s place in history. The property is Grade I listed—the highest heritage designation available in the U.K. According to Historic England, which is responsible for deciding which buildings merit this status, its oldest flint-built section dates from the early 13th century.

Some local historians believe it could be even older—



BEVERLY HILLS

Paul Allen lists parcel for \$150 million M10



LOVE THE PROCESS

Oregon couple takes a decade to build M4



‘GATOR’ MADE

Pitcher Ron Guidry’s Cajun fastball M5

ROLLER-SKATE READY The five-bedroom Luddesdown Court has the highest heritage designation available in the U.K.

the village of Luddesdown, 32 miles east of London, certainly existed in 1086 when it was included in an ambitious survey of land ownership in Britain, the Domes-

day Book, commissioned by William the Conqueror, the first Norman king of England.

One of Luddesdown’s former owners is thought to be

Odo of Bayeux, the king’s half-brother (born around 1035). Odo was a key figure in the Norman invasion of England and subsequently commissioned the Bayeux

Tapestry, an epic depiction of the invasion’s decisive Battle of Hastings in 1066.

Subsequent owners, according to research by

Please turn to page M6

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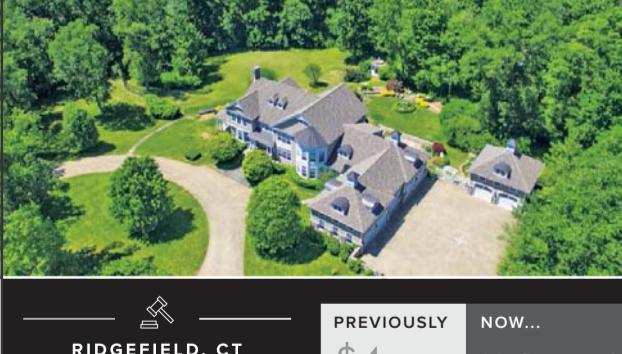
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MANSION

PRIVATE PROPERTIES | KATHERINE CLARK

Michael Cohen Buys Manhattan Apartment for \$6.7 Million

Michael Cohen, Donald Trump's former personal lawyer who is under federal investigation, bought a \$6.7 million apartment in a new Manhattan skyscraper that is being developed by two of Mr. Trump's longtime friends, according to people familiar with the transaction.

Located at 111 Murray Street in New York's Tribeca neighborhood, the project, seen in a rendering here, is being developed by a partnership of real-estate companies Fisher Brothers, Witkoff and New Valley. New Valley is headed by Howard Lorber, a real-estate developer and longtime friend of Mr. Trump. Steve Witkoff, a founder of Witkoff, is also a longtime friend of Mr. Trump.

On the 19th floor, Mr. Cohen's unit is about 2,697 square feet, with four bedrooms and 4½ bathrooms, according to listing website StreetEasy. It had been on the market for \$7.475 million, according to the website. Amenities in the building include a Turkish bath, a private dining room, a 75-foot lap pool, a fitness center, an arcade and a concierge service that books private aircraft.

The glassy condominium project launched sales in the summer of 2015, and more

than 70% of its 157 units were sold as of May, Lauren Witkoff, an executive vice president at Witkoff, said at the time.

The unit went into contract on November 2017, public records show, and the deal closed in early April 2018. Mr. Cohen's purchase is the only closing in the building thus far, according to public records.

Mr. Cohen financed the purchase by securing a \$3.5 million short-term mortgage from the developers, according to public records. While developers occasionally offer to finance purchases in their projects, such developer financing is unusual in Manhattan, real-estate attorneys say. People familiar with the deal said Mr. Cohen would have had trouble securing traditional financing because his unit did not yet meet the city's legal requirements for occupancy.

People familiar with the transaction said Mr. Cohen had been in a rush to close. He had sold a unit at New York's Trump World Tower for \$3.3 million in October, 2017, and needed to reinvest the profits within a fixed time frame to avoid paying immediate taxes on the sale, they said. Mr. Cohen and his

wife personally guaranteed the loan, they said. Mr. Cohen didn't respond to requests for comment.

Mr. Cohen recently hired attorney Guy Petrillo to represent him in a federal investigation into his business dealings. Federal prosecutors in New York have been investigating Mr. Cohen for bank fraud, campaign-finance violations and other possible crimes. The Wall Street Journal has previously reported. Mr. Cohen hasn't been charged with any crime.

A spokesman for the listing brokerage Douglas Elliman declined to comment.

—Rebecca Davis O'Brien and Joe Palazzolo contributed to this article.



EDWARD ALBEE'S HAMPTONS COMPOUND SEEKS \$20 MILLION

An oceanfront Montauk, N.Y., home long owned by the late playwright Edward Albee is coming on the market for \$20 million.

If it sells for its asking price, the home would be among the priciest to have sold in Montauk, public records show.

Mr. Albee bought the property in the 1960s, following the success of his play "Who's Afraid of Virginia Woolf?"

Actress Uta Hagen, who originated the role of Martha in that play, convinced him to buy a home in the area, according to Jakob Holder, executive director of the Edward F. Albee Foundation. Mr. Albee lived at the property part time until his death in 2016.

On almost 3 acres, the property includes a 2,100-square-foot main house with

three bedrooms and 3½ bathrooms, an 817-square-foot one-bedroom guesthouse and a small pool house. There is also a tennis court and a pool.

Rex Lau, a caretaker for the property, said Mr. Albee, who spent his summers

there, was a keen gardener and could be seen pruning trees well into his 80s. Mr. Albee kept Irish wolfhounds on the property at one point, and later became fond of feeding the area's feral cat population. "I was always

telling him not to feed the raccoons," Mr. Lau said.

The playwright wrote several of his most famous works, including the Pulitzer Prize-winning play "Seascape," from the second-floor study, which overlooks the beach, Mr. Lau said. "He would walk on the beach for long periods of time," Mr. Lau said. Playwright Tennessee Williams and artist Lee Krasner visited the property, said Messrs. Holder and Lau.

The home is owned by the foundation, which hosts residencies for artists and writers.

Paul Brennan of Douglas Elliman has the listing.

Paul Allen lists for \$150 million, and a townhouse sells for a record. M10

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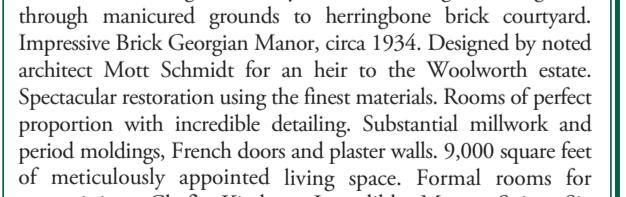
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MANSION

THE TRADE

A Honed or Glossy Marble Tub? Who Decides?

In a crowded luxury market, developers enlist agents, even before construction, to learn what buyers want

BY AMY GAMERMAN

Although real-estate agent Fredrik Eklund hobnobs with celebrities as a star of reality television's "Million Dollar Listing New York," he is perhaps most in his element when scrutinizing burnished-brass door handles and marble bathroom tile for planned luxury condominium developments—often years before he is able to earn a commission selling them.

"I say to developers, 'If this was a movie, we would be the director, you would be the producer,'" said Mr. Eklund, speaking of himself and his business partner, John Gomes. "We sit in on every construction meeting and showing."

The partners, who head their own development-marketing team at Douglas Elliman Real Estate, have collaborated with developers on the architecture, interior design and amenities of more than 50 high-price residential projects in New York. One of their latest is the just-completed Steiner East Village, a seven-story Danish brick-clad complex on the city's Lower East Side, with 82 units priced from \$1.1 million to \$11.25 million. All but three are sold.

"I remember meetings where we looked at grout," Mr. Eklund said.

High-profile agents like Mr. Eklund and Mr. Gomes are helping shape the landscape of luxury real estate in New York. There, as in other cities where millions of dollars can ride on the sale of a single apartment, developers are bringing in brokers at the earliest stages to conceptualize the design, identify target buyers and set the price point.

"It's a collaboration," said Doug Steiner, the developer of Steiner East Village. "Fredrik and John have sold a lot more apartments than we have; they know the buyer."



FROM TOP: EVAN JOSEPH; DOROTHY HONG FOR THE WALL STREET JOURNAL; SCOTT HARGIS

In New York, where inventory of new condominiums is at its highest in a decade, a competitive market has pushed brokers from their traditional spot behind the curtain to center stage. To attract attention to buildings in such a crowded field, they are urging developers to add amenities such as steam rooms and libraries, raise ceiling and window heights and pile on rich materials like Pompeii basalt and matte-finished white oak floors.

"If you roll back the clock on New York real estate 30 years, there weren't so many condos being developed, and if they were, they were usually pretty cookie-cutter. The brokers were more like order-takers," said Dan Hollander, managing principal of DHA Capital, a New York developer. "Now, you have to have star power."

Mr. Hollander has teamed with Mr. Eklund and Mr. Gomes on several buildings, including 75 Kenmare, a boutique condominium in New York's Nolita district slated to open next year. The project, which will have 38 homes priced from \$1.6 million to over \$12 million, is being designed by Lenny Kravitz, the rock star turned interior designer.

"The developer wanted a big number for those apartments. We felt we had to create something that would really stand out," Mr. Eklund said.

Steiner East Village—at the site of a former church just off Tompkins Square Park, home of New York's annual Wigstock drag festival—was originally envisioned as a modestly appointed rental building, with almost double the number of units. When Mr. Steiner decided to develop it as a luxury condominium instead, he brought in Mr. Eklund and Mr. Gomes.

Their collaboration has resulted in a building with a host of lavish amenities in the once-gritty East Village, including an indoor pool, a sauna and steam room, a library with a fireplace and a 4,000-square-foot roof deck.

"That way, we lure buyers who would never consider Avenue A," Mr. Eklund said.

Every apartment has oversized windows, 10-foot-plus ceilings and a stylish powder room. The brokers recommended the designer Paris Forino for the project and sat in on her presentations, weighing in on everything from the herringbone window frames to the herringbone-pattern marble mosaic for bathroom floors.

"If they want things tweaked, we tweak them," said Ms. Forino. "They have the voices of the buyer in their ears."



THE 'DIRECTORS' Real-estate agent and TV personality Fredrik Eklund, above right, with his development-marketing partner, John Gomes. Top, the team suggested oversized windows and 10-foot-plus ceilings for units at the Steiner East Village complex in Manhattan. The building also has an indoor pool.

cific's eight penthouses were built as shells with utilities but no walls. All but one have sold.

"I had one billionaire say, 'Thank you for not finishing it, we had a condo in New York where we had to rip everything out and replace it,'" Mr. Hearing said.

The remaining penthouse, listed for \$13.85 million, is the building's only unsold unit. The Pacific has racked up \$290 million in sales to date, according to Trumark Urban's development team.

In more intensive collaborations, brokers are teaming up with developers in exchange for exclusive listing rights when the condominiums come to market.

Without their input early on, brokers say, a developer may make critical decisions that will hurt sales. "The mistakes can run the gamut from buying the wrong site,

to buying the wrong building—all the way down to minutiae, like closets that are too small," said Raphael De Niro, an agent who heads his own team at Douglas Elliman Real Estate.

Mr. De Niro has invested several years in the development of 108 Leonard—a landmark McKim, Mead and White building in New York's Tribeca neighborhood. Set to open in 2019, 108 Leonard will have over 150 residences priced from \$1.535 million to more than \$20 million; the developer is the Elad Group. "Before the building was even acquired, I was touring it with one of the developers," Mr. De Niro said.

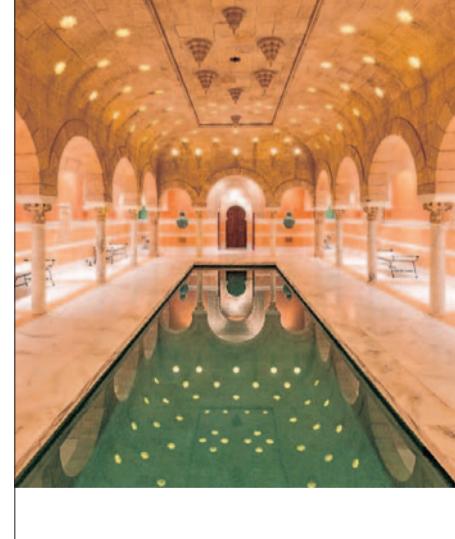
At Mr. De Niro's suggestion, one of the building's three entrances will be a private underground "motor reception" for paparazzi-shy residents.



BY DESIGN Trumark Urban, developers of the Pacific building in San Francisco with units up to \$15.5 million, had a broker advisory board of top-selling agents.



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MANSION

INSIDE STORY

A Dream Home a Decade in the Making

Like an oil painting created in layers, constructing the \$1.2 million Portland, Ore., property was a process

BY NANCY KEATES

HOME FOR Andy Russell and his wife, Brigitte Kolloch-Russell, started in 2006 with a large, open shell on a steep, $\frac{3}{4}$ -acre lot in Portland, Ore. They moved in one year later, but then over the next 10 years, altered that space to create a refined, cozy abode.

"It's like oil painting, which starts with a base layer of color and a rough design, and then you rework and rethink it," says Ms. Kolloch-Russell, an artist. "With the house, we started with the outline and then put on layers as time progressed."

Perched above a narrow road in the wooded West Hills area, the 3,500-square-foot, four-bedroom contemporary home has cost an estimated \$1.2 million overall. Its tall, three-level facade is clad in charcoal-gray siding interlocked with corrugated steel and natural-cedar siding. An apple-green glass guardrail on the balcony and three glass cubes used as outdoor lighting punctuate the rectilinear parameters with color.

Mr. Russell, the 52-year-old son of former Pittsburgh Steelers linebacker Andy Russell, and Ms. Kolloch-Russell, also 52, who grew up in Pfullingen, a town south of Stuttgart, met in Frankfurt in 1990. They moved to Portland, via stints around the world, including Australia, Chicago and Northern California, at the end of 1999, expecting to stay only a year while Mr. Russell worked on a consulting project for Nike.



WOOD, METAL AND GLASS The 3,500-square-foot, four-bedroom contemporary home, above, built by Brigitte Kolloch-Russell and Andy Russell, top right. At right, the master bedroom.



NATURALLY Surrounded by an arboretum, the house has extensive woodwork. Above, the living room. At right, an outdoor seating area. Far right, Ms. Kolloch-Russell, who is an artist.

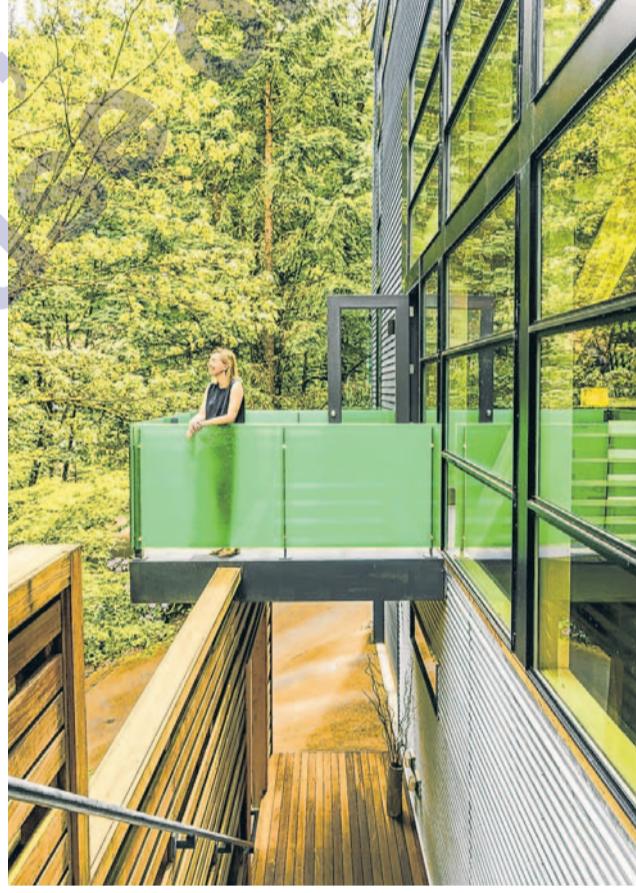
Four years later, Mr. Russell was working full time for Nike and the couple had two

children. It was time to look for a bigger house. Unable to find the kind of contempo-



rary design they wanted in the neighborhood they liked, they bought their lot for \$200,000 in 2005 and hired Portland architect Jeff Lamb.

The house is surrounded by a 190-acre park called the Hoyt Arboretum, about a 10-minute drive from downtown Portland. Accordingly, both trees and woodwork play a starring role in its design: A 700-pound cedar pocket door separates the office from the main living area and is textured to look like birch trees. A balcony overlooking the living room has a glass panel with imagery of tree branches; glass chandeliers in the powder room and the dining room resemble branches. The master-bedroom curtains feature Marimekko fabric in a brown-and-white tree pattern.



Many of the finishes are wood, including reclaimed Douglas fir exposed vertical beams, cedar planks on the

ceiling in the entryway, floors made of Chilean cherry, and kitchen cabinets and furniture designed by Mr. Lamb in Kaya mahogany.

The kitchen, dining room and living room are open to each other, creating a large space. After living there for two years, they added floor-to-ceiling bookshelves to the living room to reduce its volume. They put a concrete surround on the fireplace to make it look less raw and unfinished and added a dropped, white-ash floating ceiling in the dining room. In the kitchen, they replaced some of the upper wood cabinets with glass to bring in more light.

The design tweaks continue. Coming soon: sliding glass doors to replace the windows that separate the living room from the back courtyard. "It's still progressing. They're doing it in a carefully, thought-through manner," says Mr. Lamb, who designed the house and most of the cabinets and furniture.

The couple has two sons, one away on a gap year and the other going into 11th grade, thus the big trampoline on the front deck and a game room on the bottom floor. Not surprisingly, there are sneakers all over, piled in closets and bedrooms—but only Nikes are allowed, said Mr. Russell, who is a global vice president in Nike's consumer digital technology realm. "When my kids' friends come over, we make them take off their shoes if it's another brand," says Mr. Russell.

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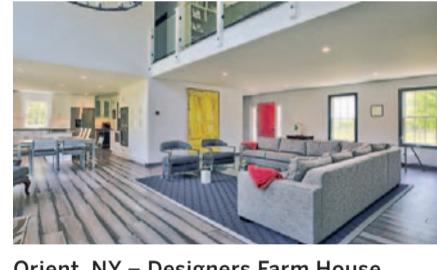
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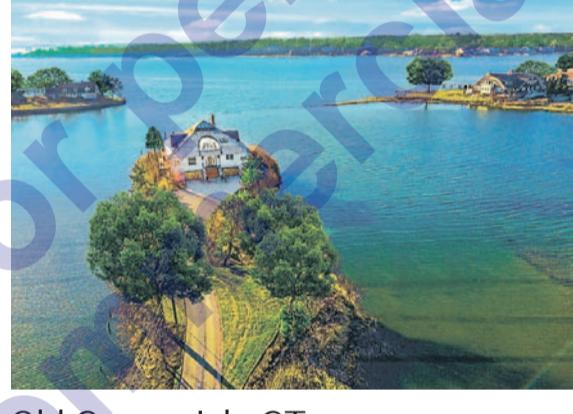
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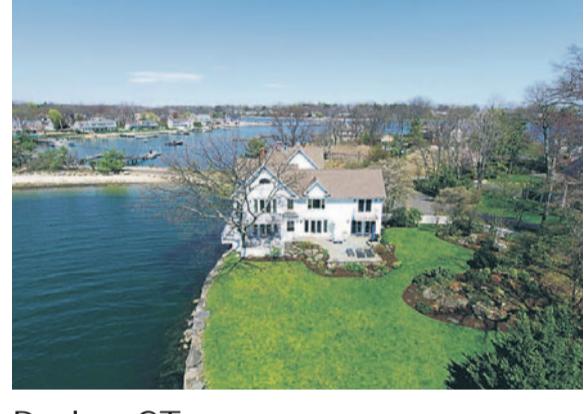
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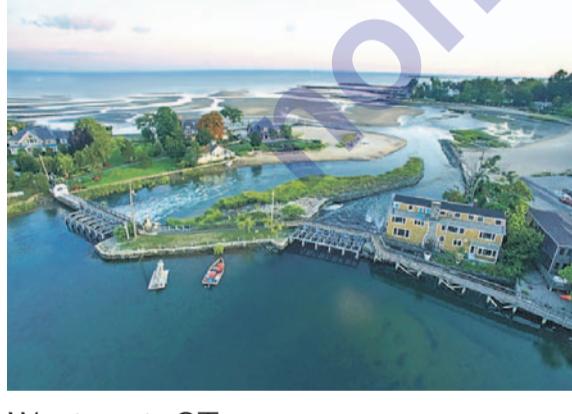
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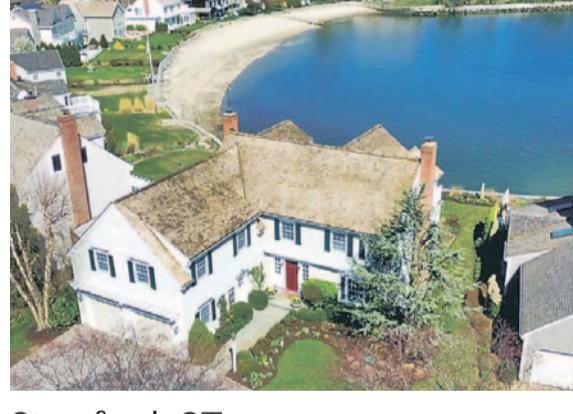
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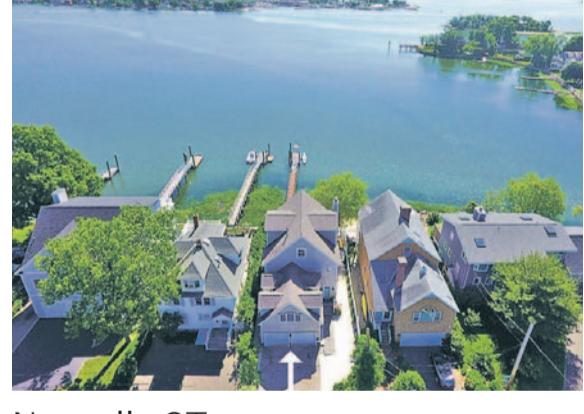
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MANSION

HOUSE CALL | RON GUIDRY

'Gator' on a Hot Tin Roof

The former New York Yankees pitcher hurled his first no-hitter against a Louisiana barn

The first thing I threw that went fast was a rock. There was this barn with a tin roof near our house in Lafayette, La. When I was 5, I stood about 150 feet away and fired a rock that hit the barn's side. Soon, my rocks were landing on the roof.

I told myself that one day I'd throw a rock over the roof. That happened at age 7. Next, I threw rocks so they'd land in certain spots on the roof and stay there without rolling off.

We lived in a small, one-story house with green stucco siding at the end of Edison Street. At age 7, I was an only child. My brother, Travis, wouldn't arrive until I was 10, so I spent a lot of time alone outdoors or with my grandfather, hunting. Lafayette is the heart of Cajun country, where families lived off the land.

My father, Roland, worked on the railroad. He was a brakeman on a freight train between Lafayette and Houston, Texas. He'd be away for days at a time. My mother, Grace, was a homemaker.

Her favorite baseball team was the New York Yankees. Her passion for the Yankees began in the mid-'50s, when dad bought our first TV set. Yankees and Dodgers were the only teams broadcast on network stations in our area then.

When day games came on and dad was away, mom called me into the house and locked the doors. She wanted to watch without worrying. Mom loved baseball, but she didn't



CAJUN HEAT Ron Guidry at his home near Lafayette, La. He grew up in the area watching baseball games on television with his mother, Grace, a Yankees fan. Top right, Mr. Guidry playing American Legion baseball around 1968.

want me to play. Her brother, James, had been hit by a line drive when he was young and always walked with a limp after.

I liked walking three blocks up Edison Street to North Saint Antoine, the only paved street in our area. At the corner was a grocery where kids hung out. I'd overhear them talking about a playground two blocks beyond North Saint Antoine. I wasn't allowed to cross.

In the summer of 1958, when I turned 8, I decided it was time to visit that playground. I crossed North Saint Antoine, but before I reached the playground, there was a baseball field.

A man was hitting balls to kids. Just as I began crossing the field to

get to the playground, a ball went by the kid in the outfield and rolled in front of me. Everyone screamed to throw it back. I picked up the ball and fired it. The ball went past the man and into the backstop. He began jogging out to me. I took off running.

Eventually he cut me off. He said his name was Chuck. He asked if I wanted to play on the Half Pints. He said he'd talk to my dad.

A couple of days later, my father said to me, "Chuck tells me you went to visit the ball field. Does your mother know?" I told him she didn't. He asked if I wanted to play. I said I didn't know how.

My dad knew I had a good arm. He reached into his truck and pulled out a new baseball glove. He said,

"If you want to play, you can have this." He handed me a MacGregor with a Tri-X web. It had that great new-leather smell.

I began playing in the outfield. The glove took a while to get used to. I played with the Half Pints and then other teams as I got older.

My high school didn't have a baseball program, but I played American Legion ball. Then I pitched at the University of Southwestern Louisiana. In June 1971, when I was 20, I was part of the Major League Baseball draft.

That day, the Yankees called our house. I answered. They drafted me and someone was coming down the next day to sign me. I got off the phone and calmly told my parents.

FROM LEFT: WILLIAM WIDMER FOR THE WALL STREET JOURNAL(2); RON GUIDRY

My dad looked at my mom and she looked at him in silence. My father seemed to be reassuring my mother I'd be just fine. I grabbed my shotgun and went hunting.

When I got up to New York, Yankee relief pitcher Dick Tidrow gave me my nickname, "Gator."

Today, my wife, Bonnie, and I live 10 minutes from Lafayette. In the early 1990s, we built a house to resemble an old antebellum home, with big white columns and two balconies. Inside, it's contemporary, with lots of open space. My parents live 2 miles down the road.

Bonnie is a superb Cajun cook. My favorite dish of hers is crawfish etouffee. Or any of her gumbos. And she makes a brown chicken gravy that's outstanding.

I still have the glove my father gave me. It's stored in a box. As for that new-glove smell, it's long gone.

—As told to Marc Myers

Ron Guidry, 67, pitched for the New York Yankees from 1975 to 1988 and helped the team win two World Series. He is the author, with Wall Street Journal reporter Andrew Beaton, of "Gator: My Life in Pinstripes" (Crown Archetype).

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MANSION

The Charm And Quirk Of A Manse

Continued from page M1

Gravesham Borough Council, include the powerful and wealthy Aymer de Valence, born around 1275 and a close adviser to King Edward II, and Owain Glyndŵr, born circa 1359, a Welsh prince and nationalist who fought to free his country from English rule.

Now anyone with \$4.7 million to spend and a willingness to cherish the quirks of an old house could take on Luddesdown Court, which has been listed for the first time in almost four decades.

The Sundt family moved to Luddesdown in 1979, when Ms. Sundt's father, scion of a Norwegian shipping family, relocated to Britain with his English wife.

"They found this crazy house—in fact I don't even think my mother saw it before my dad bought it," said Ms. Sundt, who is 41 years old. "Then they moved in in November 1979, with no heating, which must have been a challenge."

During the 1980s, Ms. Sundt's parents threw themselves into "pouring antiques, and love, and fresh paint" into the old house, while preserving its many original features, which range from vast inglenook fireplaces to monumental mullioned windows, blackened beams, stone floors and archways, and even a dovecote where birds destined for the table were kept and fattened.

This is a house that will be anathema to those who like their architecture light and bright and their décor minimal.

Windows in its oldest parts are small, and ceilings



FIT FOR A KING'S HALF-BROTHER Christine Sundt, below, whose family has owned Luddesdown Court since 1979, and her siblings used to roller-skate in the great hall, above. While many rooms have original features, such as heavy wood beams, below left, the family added modern conveniences, including an indoor pool.



in the downstairs rooms are low. "Originally they would have kept animals downstairs, and the family would have lived above," explained Ms. Sundt, who trained with the Royal Ballet and now works as a choreographer and runs a company offering holistic retreats.

Along with working on the main house, a project rigorously overseen by English Heritage (the precursor to Historic England) the Sundt family put their own mark on their home. They demolished a rundown collection of outbuildings and installed an indoor swimming pool and sauna complex, a garage with clock tower and a walled garden in front of the house.

Ms. Sundt notes that the two bathrooms and kitchen need updating. "But if you buy into this sort of house, you would probably not want to do much with the rest of it. It is quirky and fun and kind of brilliant." Maintaining a house like Luddesdown is a never-ending task. Ms. Sundt estimates the cost of



basic upkeep—utilities, maintenance, a housekeeper and yardwork—runs about \$120,000 a year.

Ms. Sundt's parents divorced about 15 years ago, which left the house in the hands of Ms. Sundt and her siblings Jack, 40, and Josephine, 37, who are settled in other parts of Britain.

"We are here with friends at weekends and high days and holidays," said Ms. Sundt, who is expecting her first child this month. "We kept it with the idea that

one of us would make it their family home, but sadly that has not been the case.

We felt really strongly that we wanted it to remain a family home for someone."

In May, the house was listed with Knight Frank. A 746-acre organic farm founded by the family is listed separately, with Savills, for about \$10 million.

"It will break my heart the day we leave, but it is not everyone who gets to keep their childhood home well into adulthood," said Ms. Sundt.



IN THE ROUND The property's 23 acres includes a circular stone walled garden. The Sundt family demolished a rundown collection of outbuildings to make room for it.

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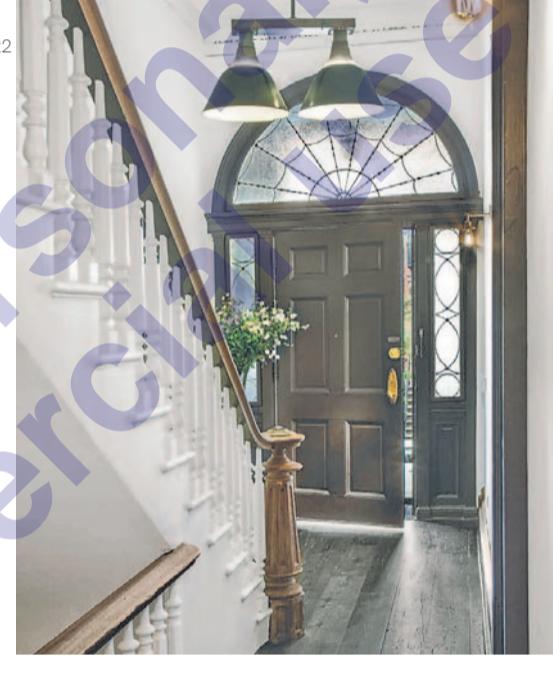
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JULIE BIDWELL FOR THE WALL STREET JOURNAL

A Queen's Many Castles

Continued from page M1

state, her portfolio includes a contemporary Jamestown house on Narragansett Bay, a hilltop house in Providence and a vineyard estate in rural Sakonnet. In Florida she owns a newly constructed home on the Intracoastal Waterway and a smaller Mediterranean. Finally, there is the steel-and-glass Manhattan townhouse as well as a naturally themed home on California's Venice Beach.

Ms. Rafaelian said her properties provide inspiration: A rose on the wallcovering of a Belcourt bedroom appeared on Alex and Ani's "Rose of the Blessed Mother" charm. "Since I'm a Libra, beautiful environments are where I thrive," she said. Her goal for her homes is "to fuel creativity for me and everybody around me." To that end, the homes also serve as de facto offices-cum-crash-pads for her top team members, who accompany her as she travels around the country.

When Ms. Rafaelian first saw Belcourt in 2012, "it was screaming for help," she recalled. It took about 24 dumpsters to cart away junk from the home.

Over the next six years they replaced the slate roof, installed around 5 miles of electrical wiring and restored the elaborate plasterwork, said Shahin Barzin, the project's architect. (A plaster worker surprised Ms. Rafaelian with a bust of her likeness.) Ms. Rafaelian saved all the copper removed from the house and said she plans to use it in a coming jewelry line influenced by the motto that appears throughout the house: "Sans Crainte," or "without fear."

Ms. Rafaelian has started offering tours of the property several days a week. For her own use, she converted what was originally staff quarters on the mansion's top floor into a two-bedroom suite; she said she wanted to preserve the historical character of the rooms downstairs, rather than altering them for 21st-century life.

Two-hundred miles away, the six-story townhouse in New York's Tribeca neighborhood feels like a different universe. The home is sleek and modern; a glass staircase is offset by bright red walls and round windows. The décor is whimsical, with Midcentury Modern and Art Deco furniture, a liberal dose of animal prints and pinup-girl calendars from the 1940s and 50s. The look, which also can be seen in her other homes, reflects the influence of Gail Melikian, Ms. Rafaelian's best friend and decorator who owns an antique store in Cranston.

Purchased for \$13.8 million in 2015, the house has an Alex and Ani showroom on the ground floor and unofficially serves as the company's New York headquarters, although the company also has office space in Soho. The house functions as a pied-à-terre for Ms. Rafaelian and her staff. She calls one of the bedrooms Kate's Room because it is so frequently occupied by her consigliere Kate Richard, Alex and Ani's senior vice president for brand and creative.

Ms. Rafaelian said she brings work into her personal homes not for any potential tax benefits—she said she hasn't attempted to take any write-offs—but rather as a reflection of the company's free-spirited ethos. "I'll sit here with the CEO or the president of any other company and just hang out and



New York, N.Y.

DOROTHY HONG FOR THE WALL STREET JOURNAL



WORK FROM HOME Carolyn Rafaelian said her properties provide inspiration. 'Since I'm a Libra, beautiful environments are where I thrive,' she said. The homes also serve as de-facto offices-cum-crash-pads for her top team members, who accompany her as she travels around the country.



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Providence, R.I.

JOHN DOUCETTE

have tea, coffee and chitchat about what we want to do," she explained while seated at the dining table in her Tribeca house. The casual setting is "the environment I like to conduct business in."

In the living room, the wine rack contains bottles from Carolyn's Sakonnet Vineyard, the Rhode Island winery Ms. Rafaelian bought in 2012 for \$8.45 million. She renovated the roughly 2,800-square-foot, two-bedroom house, which is surrounded by grapevines and overlooks the nearby Watson Reservoir. "It's a little gem," said Ms. Rafaelian, who frequently refers to real estate in jewelry terms.

To escape "brutal" Rhode Island winters, she spent \$3 million in 2012 on a four-bedroom, Mediterranean-style home in Palm Beach, a few blocks away from the Alex and Ani store (though that location has since closed). Then in 2016 she bought a brand new, five-bedroom house on the Intracoastal Waterway in nearby Manalapan for \$6.7 million. She kept the first Palm

\$9.4 million. (Alex and Ani is in the midst of a push to open around 10 new stores on the West Coast.) At her Manhattan townhouse, a cluster of crystals sits on a high shelf on the fifth floor. Ms. Rafaelian caresses them as she talks, explaining that she always keeps crystals on hand at work and in her homes. "Millions of years it took to get this," she said. "It's valuable beyond dollars."

OLD VS. NEW The old-world aesthetic at Belcourt, the Gilded Age Newport mansion, bears little resemblance to Ms. Rafaelian's other, far more modern, properties, where décor can include Art Deco furniture and animal prints.

Beach home for employees on work trips. "I want my team to...be in an environment where they're excited to come," she said. The same spirit motivated her to buy a home overlooking Venice Beach in 2016 for

\$9.4 million. (Alex and Ani is in the midst of a push to open around 10 new stores on the West Coast.)

At her Manhattan townhouse, a cluster of crystals sits on a high shelf on the fifth floor. Ms. Rafaelian

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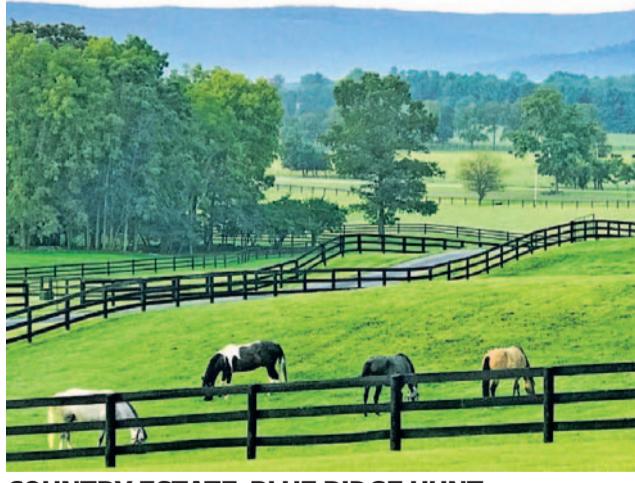
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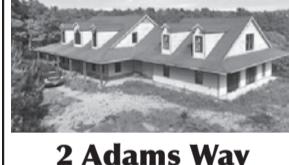
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PRIVATE PROPERTIES | KATHERINE CLARKE

Microsoft Billionaire Paul Allen Is Listing 120 Acres of Beverly Hills for \$150 Million

Paul Allen, the billionaire co-founder of Microsoft, is listing one of the largest undeveloped parcels left in Beverly Hills—a sprawling 120-acre development site known as the Enchanted Hill—for \$150 million.

Mr. Allen had planned to develop a private compound there, but didn't get around to it, according to Zach Goldsmith of Hilton & Hyland, one of the listing agents. The property has five flat lots that could be used for development. For example, a new estate could include a main house plus guest houses, a winery and an equestrian facility spanning a total of about 80,000 square feet, Mr. Goldsmith said.

Mr. Allen paid about \$20 million for the site in the late 1990s and demolished an existing home on the property. He declined to comment.

The home that was demolished—a 20-room mansion with equestrian facilities, a tennis court and a 70,000-gallon pool—was



built in the 1920s by screenwriter Frances Marion and her husband, movie-star cowboy Fred Thompson, according to the book "The Legendary Estates of Beverly Hills," written by Jeff Hyland, another of the listing agents.

Neighbor Greta Garbo coined the moniker Enchanted Hill, Mr. Hyland said in the book. The Spanish Colonial-style home had been designed by architect Wallace

Neff, and was his first-ever commission in Beverly Hills.

Other business titans who have built megahomes in the area include billionaire Anthony Pritzker, an heir to the Hyatt Hotel fortune who owns a 49,300-square-foot compound with a bowling alley, hairdressing area and gym on nearby Angelo Drive.

Mr. Hyland and Mr. Goldsmith share the listing with colleagues Rick Hilton and Jesse Lally.

GREENWICH VILLAGE TOWNHOUSE SELLS FOR A RECORD \$37.2 MILLION

An interior designer's sleekly renovated Greenwich Village townhouse has sold for \$37.2 million.

The home wasn't formally on the market but was being shopped around quietly; the owners received numerous offers, said real-estate agent Robert Dankner of Prime Manhattan Residential, who represented the sellers.

The resulting deal represents the priciest townhouse sale to have closed in downtown Manhattan, said appraiser Jonathan Miller. The previous record was set by the 2007 sale of a townhouse on the same street for \$34.53 million.

Roughly 9,800 square feet across five levels, the five-bedroom house comes with an attached carriage house accessible via a glass-enclosed breezeway.

The sellers are Rebekah Caudwell, a British interior designer, and her husband, Nicolas Dupart, a real-estate developer. They purchased the West 10th Street home for roughly \$9.5 million in 2012, public records show.

The couple spent more than a year planning an overhaul, and spent three years renovating, ac-



cording to Mr. Dankner. They had originally planned to live there full time, but their circumstances changed and they are spending more time outside the city, he said. Ms. Caudwell declined to comment.

Meris Blumstein of the Corcoran Group represented the buyer, who Mr. Dankner identified as a New York family who would use it as a primary residence.

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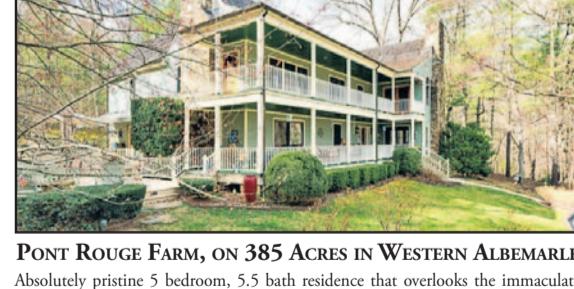
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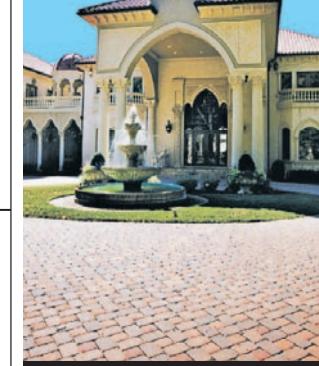
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PRIVATE PROPERTIES | KATHERINE CLARKE

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Mr. Allen paid about \$20 million for the site in the late 1990s and demolished an existing home on the property. He declined to comment.

The home that was demolished—a 20-room mansion with equestrian facilities, a tennis court and a 70,000-gallon pool—was

built in the 1920s by screenwriter Frances Marion and her husband, movie-star cowboy Fred Thompson, according to the book "The Legendary Estates of Beverly Hills," written by Jeff Hyland, another of the listing agents.

Neighbor Greta Garbo coined the moniker Enchanted Hill, Mr. Hyland said in the book. The Spanish Colonial-style home had been designed by architect Wallace Neff, and was his first-ever commission in Beverly Hills.

Other business titans who have built megahomes in the area include billionaire Anthony Pritzker, an heir to the Hyatt Hotel fortune who owns a 49,300-square-foot compound with a bowling alley, hairdressing area and gym on nearby Angelo Drive.

Mr. Hyland and Mr. Goldsmith share the listing with colleagues Rick Hilton and Jesse Lally.

An interior designer's sleekly renovated Greenwich Village townhouse has sold for \$37.2 million.

The home wasn't formally on the market but was being shopped around quietly; the owners received numerous offers, said real-estate agent Robert Dankner of Prime Manhattan Residential, who represented the sellers.

The resulting deal represents the priciest townhouse sale to have closed in downtown Manhattan, said appraiser Jonathan Miller. The previous record was set by the 2007 sale of a townhouse on the same street for \$34.53 million.

Roughly 9,800 square feet across five levels, the five-bedroom house comes with an attached carriage house accessible via a glass-enclosed breezeway.

The sellers are Rebekah Caudwell, a British interior designer, and her husband, Nicolas Dupart, a real-estate developer. They purchased the West 10th Street home for roughly \$9.5 million in 2012, public records show.

The couple spent more than a year planning an overhaul, and spent three years renovating, ac-

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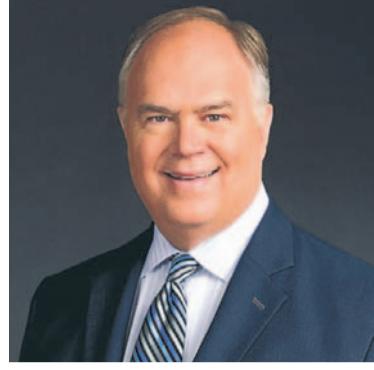
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INTERNATIONAL REALTY

FROM MY PERSPECTIVE

You Have 40 Seconds. What's Your Story?

Every week on TV's *Shark Tank*, enthusiastic contestants go before an intimidating lineup of potential investors, to make a sales pitch about their inventions. Six "sharks" — self-made millionaire and billionaire tycoons — listen intently as the eager entrepreneurs step into the spotlight for a few pressure-packed minutes, extolling the virtues of their products in hopes of attracting capital.



They pitch with passion and emotion. No one believes in their products more than they do. It makes for high drama — and great ratings.

As with those hopeful contestants, American businesses also teem with ideas. The impact of a well-formed narrative may very well be the deciding factor in whether a prospective client picks one company over another. If you can't tell your story convincingly, then it's unlikely your product or service will resonate with your target demographic. Storytelling is an art form that demands an emotional appeal. At the core, it is an effort to make an effective connection — really, the heart of any successful communication.

I recently participated in a panel hosted by Executive Connection, a membership group of leaders from all industries and job functions. The topic? Storytelling, and how to effectively build your brand. The event reinforced the importance of telling your business' story. Many believe that an elevator pitch is essential — that is, telling your story in the time it takes an elevator to go up or down a few floors. (Let's be honest: You never know how long you may have to tell your tale, in an elevator or anywhere.)

Inc. once published the seven essentials of a good elevator pitch. Here are the nuggets of a few:

Know what your audience wants. This is about them, not you.

Know that the pitch is an introduction — not the complete sale.

Practice your pitch — but don't be a robot. Authenticity and connection are as important.

Storytelling is an essential component of business communication, and having a succinct, effective and consistent story is a basic foundation for success in any business.

Have you honed your story?



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Your best life begins with a home that inspires you.



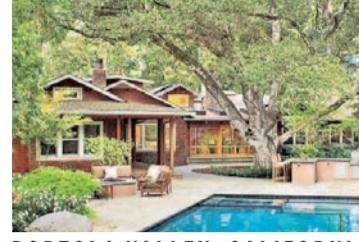
HARBOUR ISLAND, BAHAMAS
Located on Harbour Island's famous Pink Sand Beach, this 5 bedroom, 7 bath beachfront estate is an idyllic tropical retreat. Enjoy resort amenities, property management and resort rental program.
WEB: C62269. **\$11,995,000**. US.
Nick.Damianos@SIR.com

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PALO ALTO, CALIFORNIA
State-of-the-art, two-level home on a quiet street in downtown Palo Alto. Completed in 2017, the 5 bedroom, 5 bath design features light-filled living spaces, high-end finishes and appliances and unparalleled privacy and serenity.
\$6,395,000. Rachel King.

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PORTOLA VALLEY, CALIFORNIA
The best of California indoor-outdoor living in this quintessential Portola Valley 5 bedroom retreat. Lush grounds surround this sprawling home with a family-centric floor plan. A peaceful oasis in the heart of Silicon Valley. **\$6,495,000**. Michael Dreyfus.

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ROSS, CALIFORNIA
Quintessential shingle-style 6 bedroom, 6 bath residence graces a private acre in the heart of prestigious Ross, just steps from award-winning Ross School. Grand scale entertaining areas, chef's kitchen, multiple outdoor spaces and gardens. **\$4,450,000**. Stephanie Lamarre.

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SAN DIEGO, CALIFORNIA
Masterfully built craftsman with sweeping ocean views set on 1.55 acres. Like no other coastal property in SoCal. Surrounded by 80 acres of open parkland and virtually no neighbors. Incredibly private yet close to all. **\$24,995,000**. Corinne St. John.

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SAN DIEGO, CALIFORNIA
The Sundial House, by architect C.W. Kim, offers brilliant design and panoramic views. Set in La Jolla, the museum-worthy home offers exquisite craftsmanship, unexpected curves, and an undulated perfection of casted light and circles. **\$8,495,000**. Brett Dickinson.

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SAN DIEGO, CALIFORNIA
Located just steps away from the sand in Del Mar, this stunning, fully renovated, Cape-Cod style beach home offers fine finishes, privacy and ocean views throughout. Luxurious coastal living awaits.
\$7,895,000. Eric Iantorno & Clinton Selfridge.

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SAN DIEGO, CALIFORNIA
Perched atop a hill in Rancho Santa Fe sits an unforgettable estate where sheer natural beauty surrounds. From this one-of-a-kind setting, savor spectacular ocean views down the San Elijo Lagoon to the West and majestic mountain views to the East. **\$7,185,000** **\$7,885,000**. Eric Iantorno & Jason Davis.

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SAN DIEGO, CALIFORNIA
Immaculately-maintained, custom-built, single-level estate with fabulous indoor/outdoor living spaces. Resort-style living on 3.68 tranquil acres located near the Rancho Santa Fe Golf Course with direct Covenant trail access. **\$4,995,000**. Eric Iantorno & Clinton Selfridge.

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SAN DIEGO, CALIFORNIA
Sweeping Pacific, cove, village and mountain views in highly desirable La Jolla, featuring designer gourmet kitchen, private first-level master suite, guest suite with separate entrance, and expansive view deck.
\$3,900,000 **\$4,395,000**. Brett Dickinson.

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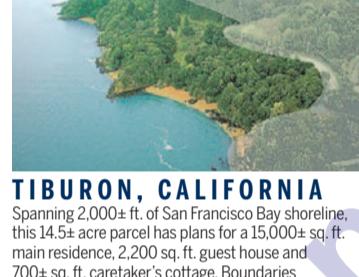
SONOMA, CALIFORNIA
Antique roof tiles from Dubrovnik top this modern Mediterranean nestled against Carriger Creek. Clean, cream interiors open wide to a pool with spa. Nearly new and high tech. A guest house completes the property. CalIBRE #01357054. **\$4,875,000**. Donald Van de Mark.

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SONOMA, CALIFORNIA
Richard Gluckman designed 5,100+ sq. ft. home on 14± acres in the hills above Sonoma. Views to San Francisco, small, top-flight Pinot Noir vineyard. 10 mins to historic Plaza, 60 mins to SF. DRE: 01357054. Price upon request. Betty Brachman and Donald Van de Mark.

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TIBURON, CALIFORNIA
Spanning 2,000± ft. of San Francisco Bay shoreline, this 14.5± acre parcel has plans for a 15,000± sq. ft. main residence, 2,200 sq. ft. guest house and 700± sq. ft. caretaker's cottage. Boundaries approximately depicted. **\$37,000,000**. Lydia Sarkissian, Magda Sarkissian and Bill Bullock.

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MADISON, CONNECTICUT
Totally private 8,000+ sq. ft. residence on 2 acres uniquely complete with pool, spa, gardens, outdoor kitchen, pool/guest house, patios, and outdoor fireplace. Walk or bike to beach and town.
\$3,250,000. Margaret Muir. mmuir@williamppitt.com

William Pitt Sotheby's International Realty
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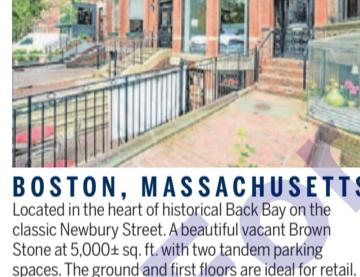
FREEPOR, ILLINOIS
Famous Fossil is a successful organic winery and tasting room in Northern Illinois. 22 picturesque acres, many outbuildings, a 4 bedroom, 2 bath 1839 home. Always dreamt of owning a winery? Here's your chance! **\$2,250,000**. J. Gibbons and A. Magliochetti. Jgibbons@jamesonair.com

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BETHESDA, MARYLAND
Incredible new home constructed by acclaimed Magruder Companies and designed by award-winning GTM Architects will impress the most discerning buyer. 12,000 finished sq. ft. Spectacular pool house. **\$7,500,000**. Marc Fleisher. marc@thefleishergroup.com

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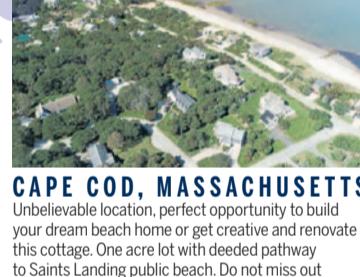
BOSTON, MASSACHUSETTS
Located in the heart of historical Back Bay on the classic Newbury Street. A beautiful vacant Brown Stone at 5,000+ sq. ft. with two tandem parking spaces. The ground and first floors are ideal for retail.
\$6,900,000. Michael L. Carucci.

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BOSTON, MASSACHUSETTS
Exceptional Victorian offering in Jamaica Plain's historic Summer Hill. Meticulously renovated, this grand residence boasts opulent period design with ultra-modern amenities. A unique property with lush gardens and lap pool. **\$2,700,000**. Gem Mutlu.

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Unbelievable location, perfect opportunity to build your dream beach home or get creative and renovate this cottage. One acre lot with deeded pathway to Saints Landing public beach. Do not miss out on enjoying the exquisite Cape Cod lifestyle. Price upon request. Brandy Salvador.

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WESTON, MASSACHUSETTS
A Georgian-style home on nearly 7 acres of private land defines luxurious living while maintaining its historical charm. 6+ bedrooms, 4 full/2 half baths, rich woodwork and oversized windows with views of the grounds.
\$4,150,000. Michael L. Carucci and Julie Harrison.

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Located on Lake Winnipesaukee and boasting an elevated sandy beach, 3 bay mahogany boat house, 4 slip dock, FAA approved helipad and more, this premier estate offers 18,594 sq. ft. custom designed for entertaining with intimate spaces for everyday living. **\$10,888,000**.

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NEW YORK, NEW YORK
Open and light 5 room, 2 bedroom Condo-op is a renovated home located on a high floor at 995 Fifth Avenue. **\$7,950,000**. Patricia A. Wheatley, Sheila Ellis and Nikki Field. pat.wheatley@sothebyshomes.com

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NEW YORK, NEW YORK
145 East 76th Street's design of grand scale. Rarely available 5 room penthouse condo with spectacular views and terraces. One-of-a-kind with 12 ft. ceilings, oversized windows & gracious layout. **\$7,500,000**. Olga Reindlava "Neulist." olga.neulist@sothebyshomes.com

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NEW YORK, NEW YORK
Hudson River views complement this triple-mint, renovated convertible 4 bedroom, 3.5 bath Hudson Square loft designed by renowned 1100 Architects. **\$6,495,000**. Jeremy Stein and Jennifer Henson. Jeremy.Stein@sothebyshomes.com

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Live in this one of a kind, sun-drenched SoHo loft with zero maintenance and zero real estate taxes for life! Expansive penthouse with access to incredible outdoor space. **\$5,395,000**. Gary Kabol and Lisa Maysonet.

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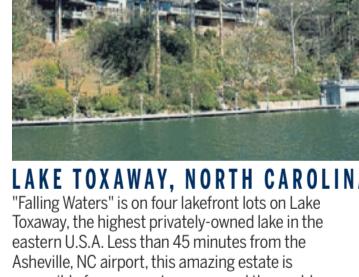
CHARLESTON, SOUTH CAROLINA
Charleston Single House with pool and separate guest house. Includes private pool, patio, rooftop deck with panoramic city & harbor views, theatre room, custom wine cellar, elevator. **\$7,280,000**. Middleton Rutledge. mrutledge@danielravenelsir.com

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SULLIVAN'S ISLAND, SOUTH CAROLINA
This exceptional custom home has wide panoramic views of the Atlantic Ocean, private sandy beach, deep water dock with lift, award winning pool design, and separate guest cottage. **\$5,350,000**. Ruthie Ravenel. ruthie@danielravenelsir.com

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AUSTIN, TEXAS
Stunning contemporary on 1.63 flat acres in Westlake and Eanes ISD. Remarkable views of the city skyline and within 10 minutes of downtown. Originally designed by James LaRue and built by Greg Hurd. **\$6,995,000**. Kumara Wilcoxon. kumara@sothebysrealty.com

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AUSTIN, TEXAS
Exquisite contemporary designed to showcase unparalleled views of Downtown Austin and Lady Bird Lake. Columnist Michael Barnes called it "jeweled glass box on the hill overlooking the city." **\$6,950,000**. Kumara Wilcoxon. kumara@sothebysrealty.com

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In tax-friendly Wyoming, at the gateway to Grand Teton and Yellowstone National Parks, the exclusive Bar BC Ranch offers Snake River fly-fishing, exceptional wildlife viewing and Tetons views. Elevated and valley 35+ acre parcels. Prices from **\$7,950,000**. TomEvansRE@JHSIR.com

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