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THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, APRIL 21, 2017 ~ VOL. CCLXIX NO. 92

WSJ.com

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DJIA 20578.71 ▲ 174.22 0.9% NASDAQ 5916.78 ▲ 0.9% STOXX 600 378.06 ▲ 0.2% 10-YR. TREAS. ▼ 11/32, yield 2.239% OIL \$50.27 ▼ \$0.17 GOLD \$1,281.90 ▲ \$0.50 EURO \$1.0718 YEN 109.32

What's News

Business & Finance

The Trump administration has opened a probe into whether to curb steel imports in the name of national security. **A1, A4**

◆ Verizon posted its first-ever net loss of wireless subscribers, despite slashing prices and bringing back unlimited-data plans. **A1**

◆ Markets are signaling that economic growth may remain slow as Treasury yields drop and investors move to safer stocks. **A1**

◆ U.S. stocks rallied Thursday, with the Dow industrials gaining 174.22 points to 20578.71. **B1**

◆ GM became the latest multinational company to exit Venezuela, after the seizure of its plant there. **B1**

◆ Anthem filings indicate the insurer will offer plans on ACA marketplaces in Virginia and Kentucky in 2018. **B1**

◆ The CFPB sued Ocwen, alleging that the mortgage-servicing firm botched basic services. **B10**

◆ The FCC reversed a curb on TV-station ownership and voted to deregulate business-data services. **B3**

◆ Virtu reached a deal to acquire rival electronic-trading firm KCG Holdings for \$1.4 billion in cash. **B12**

◆ O'Reilly will exit Fox News with severance valued at about \$25 million. **B3**

World-Wide

◆ The White House has thrust a new set of proposals into talks to avoid shutdown of the government next week, while also seeking to revive a health-care overhaul that collapsed last month. **A4**

◆ The administration will release a tax-overhaul plan "very soon," Treasury Secretary Mnuchin said. **A4**

◆ A gunman opened fire on Paris's Champs-Élysées, killing a police officer, just days before France's presidential vote. Officials called the assault a likely terror attack. **A1**

◆ French business leaders are urging voters to reject euroskeptic candidates in Sunday's first election round. **A7**

◆ Pakistan's high court ordered a criminal probe of Prime Minister Sharif over corruption allegations. **A6**

◆ Trump said Iran is "not living up to the spirit" of the nuclear deal, adding to his administration's criticism of the agreement. **A6**

◆ A panel charged with vetting candidates disqualified Ahmadinejad from Iran's presidential race. **A8**

◆ GOP Rep. Chaffetz, who heads the House oversight panel, said he may step down before his term ends. **A2**

◆ Arkansas was preparing to execute an inmate after its high court cleared the use of lethal-injection drugs. **A3**

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Gunman Kills a Police Officer in Paris, in Attack Claimed by ISIS



ON ALERT: Police secure the Champs-Élysées in Paris Thursday after one police officer was killed and two others were wounded in a shooting ahead of France's presidential vote on Sunday. Islamic State claimed responsibility for the attack, which prosecutors are investigating as terror. **A7**

Verizon Customers Defect As Competition Ramps Up

By RYAN KNUTSON
AND JOSHUA JAMERSON

Verizon Communications Inc. is having to slash prices and offer more data to stem an unprecedented wave of customer losses, a maneuver that benefits consumers but hurts its bottom line.

During the first three

months of the year, the company posted its first-ever quarterly net loss of wireless subscribers, showing the extent of the damage resurgent rivals T-Mobile US Inc. and Sprint Corp. have inflicted on the nation's largest carrier by subscribers.

To stanch the bleeding, Verizon unexpectedly brought

back unlimited data plans in February, which it had stopped selling in 2011, seeking to blunt the appeal of similar offers from T-Mobile and Sprint.

That offer hit financials: Verizon had a 5.1% decline in revenue in its wireless business, which fell to \$20.9 billion. Total revenue has now declined four quarters in a

row. The results will put pressure on Verizon's management to either find a way to turn things around or make moves that will diversify the company away from the wireless business, where most Americans already have a smartphone and price wars have pinched profits, analysts said.

Please see PHONE page A8

INSIDE



CUSTOM CLOSETS FOR TEENS

MANSION, MI



WAL-MART'S GROCERY PRICE WAR

BUSINESS & FINANCE, B1

Moves in Markets Show Signs Investors Souring on Economy

By JAMES MACKINTOSH

Markets are flashing red on growth as investors begin to return to pre-election bets on the "new normal"—a persistently weak economic expansion.

The shift back is far from complete. And the assessment is muddled by geopolitics and the uncertain French election.

But there are signs that the sugar rush of Donald Trump's victory and global-growth hopes has faded, raising doubts among some investors about whether stocks can stay high.

On Thursday, the Dow Jones Industrial Average rose 174.22 points to 20578.71, boosted by Treasury Secretary Steven Mnuchin's remarks that a tax-reform proposal would be released soon.

The recent sharp drop in government-bond yields is the most obvious signal that some

Falling Back

Yield on 10-year U.S. Treasury note



Note: Yields fall as bond prices rise.
Source: Tullett Prebon

THE WALL STREET JOURNAL.

thing is amiss. It is backed up by ominous signs from raw-materials markets, where copper and iron-ore prices have tumbled, and a swing in leadership of the stock market away from go-go bank shares and cheap

"value" stocks to safety-first utilities, real estate and companies with high-quality balance sheets and reliable earnings. All this has come as inflation expectations priced into bonds have fallen and as some weak data has led to downgrades of economic forecasts.

Technology stocks' return to favor also suggests investors are looking for companies able to deliver growth even if the economy is weak.

"The new normal's still with us," says Scott Miner, chief investment officer of Guggenheim Partners. Investors, at least for a time, thought the promise of change that came with Mr. Trump's election could help break the U.S. economy out of slow-

Please see WORRY page A7

◆ Investors shift gears amid tumult..... B3

What Makes Britons Grumpy? Voting, Voting and Voting Again

* * *

Three national elections in just over two years have 'Brenda from Bristol' in a snit

By WIKTOR SZARY
AND JENNY GROSS

LONDON—Earlier this week, after U.K. Prime Minister Theresa May called a snap national election for June, a reporter for the British Broadcasting Corp. thrust a microphone in front of a woman on a Bristol street and asked her what she thought.

"You're joking. Not another one!" the interviewee said. "Oh, for God's sake, I can't, honestly. I can't stand this."

Her exasperation struck a chord. The video of the woman identified as 75-year-old

"Brenda from Bristol" became an online sensation with its own Twitter hashtag, #Brenda-forPM.

This will be the U.K.'s third nationwide poll in just over two years and some parts of the country have voted even more often. There was a 2015 parliamentary election and the Brexit referendum in 2016. Scots voted on independence, the people of Northern Ireland chose a new assembly and Londoners elected a mayor. There have also been local and legislative polls.

Please see POLL page A9

POLLING STATION



U.S. NEWS

White House Softens IMF Stance

BY IAN TALLEY

The Trump administration appears unlikely to upend seven decades of global financial cooperation by scorning the International Monetary Fund and World Bank, a source of comfort to central bankers and finance ministers gathering this week in Washington.

In recent days, the new administration has shown signs that the U.S. is taking a more traditional approach to economic diplomacy and the use of "soft power" than early administration rhetoric suggested.

President Donald Trump, after meeting with the North Atlantic Treaty Organization's chief this month, praised the alliance and reaffirmed Washington's commitment to it. Nikki Haley, U.S. ambassador to the United Nations, has been leveraging the institution to advance Mr. Trump's foreign-policy agenda.

Other signals of the shift seen by some officials at the meetings include the administration's relatively modest proposed changes to the North American Free Trade Agreement and its about-face last week on censuring China for its currency policy.

Meantime, Treasury Secretary Steven Mnuchin has reaffirmed the IMF's role in promoting global economic growth and stability, saying at a gathering of global finance chiefs last month that multi-



MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY

IMF Managing Director Christine Lagarde attending an event in Washington on Wednesday.

lateral institutions can be "very important" to projecting U.S. interests abroad.

Indeed, the U.S. signed off on an official communiqué by the Group of 20 largest economies that reaffirmed commitment to an international financial system "with a strong...and adequately resourced IMF at its center."

"There're a number of things that global institutions can do to help strengthen global growth for all," a senior Treasury official said ahead of

the semiannual meetings this week of the World Bank and IMF's member countries.

He said the U.S. would seek to use the institution's surveillance of member countries to highlight economic policies that distort global trade.

Valdis Dombrovskis, the European Union's vice president for the euro and the EU's top finance chief, said in an interview that the signals the administration have sent recently "are indeed more reassuring than what we heard a couple months ago."

Meg Lundsager, who served in the George W. Bush and Barack Obama administrations as the U.S. representative to the fund, said Mr. Mnuchin understands the value of the IMF. "I expect that support for the IMF will be pretty solid," said Ms. Lundsager, now a fellow at the Wilson Center.

Despite the administration's softened tone, global policy makers remain on edge about Mr. Trump's trade plans, his comments indicating he would prefer a weaker dollar and ris-

Lawmaker Chaffetz Weighs Early Exit

BY NATALIE ANDREWS

WASHINGTON—The Republican who leads the House committee primarily responsible for conducting oversight and investigations of the federal government said Thursday he was weighing stepping down from Congress before his term ends.

"If I do step down early, it will be months from now," Rep. Jason Chaffetz of Utah said in an interview a day after announcing he wouldn't run for re-election in 2018. "It's hard for people to believe, I really do want to be with my family more. Maybe it's more a midlife crisis more than anything else."

Mr. Chaffetz, 50 years old, said he was exploring private-sector work and hadn't ruled out a future run for higher office. As rumors swirled in Washington and Utah about his plans, officials in Salt Lake City began preparing for a special election to choose his successor, said Lt. Gov. Spencer Cox.

James Evans, chairman of the Utah Republican Party, said: "It's my impression that Congressman Chaffetz still has a few legislative measures that he wants to shepherd through, but we are preparing in case he steps down before his term ends."

As chairman of the Committee on Oversight and Government Reform, Mr. Chaffetz leads the House panel that investigates waste, fraud, abuse or mismanagement in the executive branch. Mr. Chaffetz promised to be an independent watchdog despite being in the same party as President Donald Trump, but many critics, including congressional Democrats, urged him to be more aggressive—particularly in investigating conflicts of interest involving the president's businesses.

It is unclear who would succeed Mr. Chaffetz leading the House committee. Rep. Jim Jordan (R., Ohio) ran for committee chairman against Mr. Chaffetz in 2014. The most senior member of the committee is Rep. John Duncan (R., Tenn.).

A successor to Mr. Chaffetz in Utah's Third District likely would be a Republican. Mr. Chaffetz won 73% of the vote in the 2016 election. Utah's entire congressional delegation is Republican, and the state hasn't voted for a Democratic presidential candidate since 1964.

Should Mr. Chaffetz, who was first elected in 2008, leave the job early, he would be the second Republican to step aside from a role monitoring the Trump administration.

House Intelligence Committee Chairman Rep. Devin Nunes of California was leading an inquiry into Russia's involvement in the 2016 presidential election and possible collusion with the Trump administration, which the White House has denied. Mr. Nunes recused himself from the investigation this month, citing the need to confront a congressional ethics inquiry into allegations that he improperly disclosed classified information to the public in the course of the probe.

On Thursday, Mr. Chaffetz said he had "poked around for a bit" for another job but was advised he had to first announce he wasn't running for re-election. Mr. Chaffetz said he wouldn't challenge Sen. Orrin Hatch in the 2018 Republican primary but didn't rule out running for Utah governor in 2020. Gov. Gary Herbert, a Republican, is in his third term but could opt to run for a fourth.

States Pinch Funds For Public Colleges

BY MELISSA KORN

States remained stingy in funding public institutions of higher education last year, while midyear cuts to fiscal-2017 budgets and early signs from fiscal-2018 discussions suggest many states will continue to dole out limited funds to their local colleges and universities.

Average per-student funding fell to \$6,954 in fiscal 2016 from \$7,082 in fiscal 2015, according to a new report from the State Higher Education Executive Officers Association.

The nationwide decline, which takes into account an inflation measure based on higher-education costs, was in large part because of a significant

As public financing diminishes, schools have to rely more on tuition revenue.

cant drop in Illinois, where a nearly two-year-old fiscal crisis has all but frozen the state's coffers.

Thirty-three states increased their allocations for higher education last year, but average state- and local-government support was still lower than prerecession levels in 45 states.

Funding rose slightly in Indiana, Montana and Nebraska, and by a few thousand dollars per student in Wyoming and North Dakota. Nationally, local per-student funding is 17% below 2008 levels.

"The recovery has been kind of tenuous" over the past year, especially in oil-rich states, said Andy Carlson, principal

policy analyst at the association of state higher-education officials.

While North Dakota, Wyoming and Alaska had been plowing more money into higher education in recent years, some of those gains already have been reversed, with Alaska and North Dakota implementing cuts in fiscal 2016.

As public funding for public universities has diminished, schools have had to rely more on tuition revenue to cover operational expenses.

The California State University system last month approved a nearly 5% tuition increase for next school year, while the University of California system's oversight board approved a 2.5% increase.

Tuition funds covered 47.8% of all educational expenditures in fiscal 2016, near the record 48% reached in fiscal 2013. Schools in half of the nation's states now get more money from tuition than from their local governments, according to the report.

"Some states, to even call it a state system is stretching it," said Mark Hagerott, chancellor of the North Dakota University System.

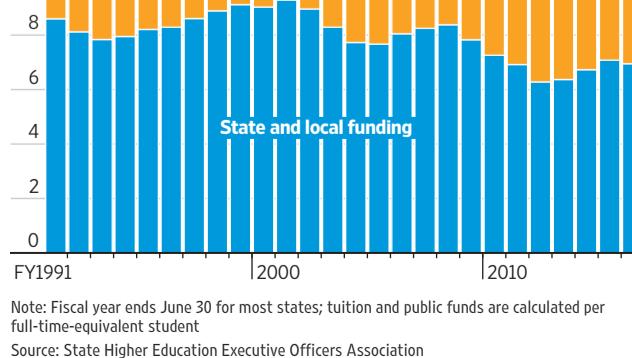
In that state, where an oil and gas boom helped fuel a 44% increase in higher-education funding over the past decade, tuition accounts for slightly less than half of all education revenue.

In Alabama, meanwhile, more than two-thirds of total educational revenue comes from net tuition, compared with 45.1% a decade earlier. Schools in Delaware rely on tuition to cover three-quarters of educational expenditures, and in Vermont tuition contributes 86.3% of all educational revenue.

Higher Education, Lower Funding

With states providing fewer dollars for each student, public colleges and universities are relying more on tuition to fund their operations.

\$14 thousand



Note: Fiscal year ends June 30 for most states; tuition and public funds are calculated per full-time-equivalent student

Source: State Higher Executive Officers Association

Washed Up on a Florida Beach



LANNIS WATERS/THE PALM BEACH POST/ZUMA PRESS

BARGING IN: Officials Thursday on Singer Island in Riviera Beach, Fla., where a barge had come ashore after breaking loose from a tugboat.

U.S. WATCH

CALIFORNIA

Berkeley Says It Can Host Coulter Speech

Officials at the University of California, Berkeley reversed course Thursday and announced they will allow conservative commentator Ann Coulter to speak at the school next month.

Chancellor Nicholas Dirks said the April 27 event was not possible because the school has "very specific intelligence regarding threats that could pose a grave danger to the speaker, attendees and those who may wish to lawfully protest the event." But Dr. Dirks said in a statement that the school "identified an appropriate, protectable venue that is available on the afternoon of May 2." Ms. Coulter says she will appear at the school next week as scheduled.

The logistics of the rescheduling was criticized by the Berkeley College Republicans, who invited her.

—Douglas Belkin and Alejandro Lazo

MEDICINE SAFETY

FDA Expands Its Warnings on Drugs

The Food and Drug Administration has expanded its safety warnings about the use of codeine and tramadol products for pain or cough relief with children, saying the medicines carry serious risks, including slowed or difficult breathing or even death.

The FDA in 2013 insisted that labeling for prescription codeine products contain a boxed warning and contraindication for children up to 18 regarding the risk of life-threatening respiratory depression after the removal of tonsils or adenoids.

Now, the agency is making several other specific warnings on the drugs.

First, the FDA is attaching its strongest warning that neither drug should be used in children younger than 12. Another contraindication warns against use of tramadol in patients under 18 following tonsil- or adenoid-removal surgery.

Helping the roughly 450 current students complete their degrees is "obviously our top priority," Ms. Herzberger said.

—Sara Randazzo and Jacob Gershman

A final warning regarding both drugs recommends against their use in adolescents between 12 and 18 who have obstructive sleep apnea or severe lung disease, or who are obese.

—Thomas M. Burton

CALIFORNIA

Law School Won't Enroll New Students

Whittier Law School in Southern California will no longer enroll new students, the Whittier College board of directors said Wednesday, citing problems the school faced turning its graduates into working lawyers. The private law school in Orange County wasn't preparing its students well enough to pass the bar exam and secure legal jobs, Whittier College President Sharon Herzberger said.

On Thursday, Mr. Chaffetz said he had "poked around for a bit" for another job but was advised he had to first announce he wasn't running for re-election. Mr. Chaffetz said he wouldn't challenge Sen. Orrin Hatch in the 2018 Republican primary but didn't rule out running for Utah governor in 2020. Gov. Gary Herbert, a Republican, is in his third term but could opt to run for a fourth.

CORRECTIONS & AMPLIFICATIONS

Of the \$8.3 million Georgia Democrat Jon Ossoff raised during the first quarter for his congressional campaign, only \$2.6 million needed to be itemized in Federal Election Commission disclosure reports, which detail donations of more than \$200 each; 97% of the funds identified in the FEC filings came from outside Georgia. A Page One article and chart on April 12 about out-of-state efforts

in special elections didn't make clear that the FEC tracks only a portion of campaign contributions.

John Thune is a Republican senator from South Dakota. In some editions Thursday, a U.S. News article about Todd Ricketts's withdrawal from his nomination as a deputy commerce secretary incorrectly referred to Mr. Thune as a senator from North Dakota.

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

Housing Crunch Pinches Booming Reno

Tech firms and jobs pour in, but builders and the city struggle to meet high demand

BY JIM CARLTON

RENO, Nev.—When a development company in 2015 acquired a ranch once owned by a casino magnate, managing partner Chip Bowlby thought homes could be quickly built on the land to help meet the demands of a historic jobs boom.

But nearly two years later, the project of 691 homes at the late Bill Harrah's Rancharrah property remains tied up in permitting, even as the inventory of homes in Reno is drying up amid soaring sales.

"We can sell everything we build," said Mr. Bowlby of **Reno Land Development Co.**, which is selling other homes as Rancharrah awaits final approval within weeks. "It's limitless with the demand now."

During the 2007-09 recession, Reno was a poster child for the risks of overbuilding. Now, Nevada's second-largest city is facing what many local business officials call a looming housing crisis after enticing Tesla Motors Inc. and scores of other technology companies to open manufacturing facilities here in recent years.

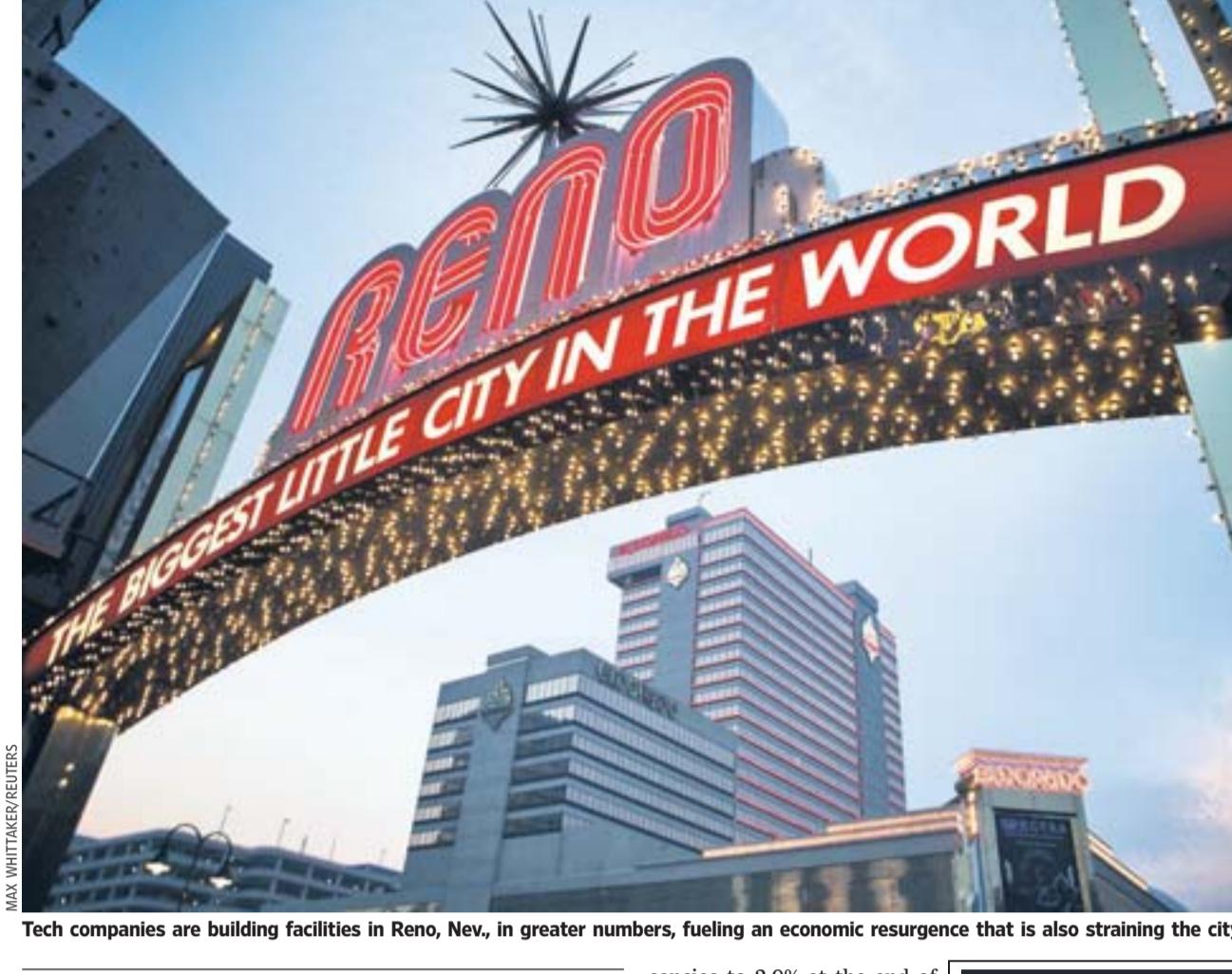
Part of the problem stems from the recession itself. The city of Reno cut its workforce by a third during the downturn, and a current lack of staffing is contributing to delays in securing permits, according to Mayor Hillary Schieve.

The latest sign of the boom came last week, when Alphabet Inc. unit Google bought 1,210 acres at the Tahoe Reno Industrial Center, where it aims to eventually build a data center.

Reno has become a tech manufacturing hub as local officials have cleared a regulatory path and the state has offered hundreds of millions in tax breaks for companies willing to invest. Nevada's "Biggest Little City in the World" features a comparatively low cost of living and proximity to Silicon Valley.

But the city is struggling to keep up with its own success.

The labor market is so tight that economists say Reno needs to count on workers moving in to fill many of the new jobs. Reno's unemployment rate was 4.6% in February. The nationwide average



Tech companies are building facilities in Reno, Nev., in greater numbers, fueling an economic resurgence that is also straining the city.

On the Decline

Unemployment rate for the Reno-Sparks metro area



Source: Labor Department

that month was 4.7%.

Since 2012, about 30,000 jobs have been created in the Reno metro area, according to the Economic Development Authority of Western Nevada, with another 30,000 expected by the end of the decade. Those figures don't include the Google deal, whose projected job numbers haven't yet been disclosed.

In that same period, building permits have been issued for about 8,600 single-family

homes and apartments in Washoe County, which includes most of the greater Reno-Sparks metropolitan area of a half-million people.

The imbalance between supply and demand has driven the median price of an existing single-family home to \$320,000 as of February, more than double from \$145,500 in the same month in 2012, according to the Reno/Sparks Association of Realtors.

A decline in apartment va-

cancies to 2.9% at the end of 2016 has sent average monthly rents to \$1,066 from \$822 in 2012, when vacancies were 5.6%, according to the most recent quarterly Johnson Perkins Griffin LLC apartment survey.

Many business leaders warn of an imminent housing shortage that could damp the economic resurgence. Permitting now takes 2½ years. Builders say 18 months is a more typical span.

"This will be a serious crisis if we don't address it quickly," said Mike Kazmierski, president and chief executive officer of the Economic Development Authority of Western Nevada.

But some builders still feel burned from the last recession, when unemployment soared to 14%. Reno builder Perry Di Loreto said he has lived through five boom-and-bust cycles and is in no hurry to overextend himself.

"My view is we are in another boom period, but that doesn't mean you throw caution to the wind," said the 70-year-old Mr. Di Loreto. He plans to build the same 100 homes this year as he has every year since 2013.

Ruling May Pave Way for Execution

BY JOE PALAZZOLO

Arkansas officials were preparing to execute Ledell Lee on Thursday after the state's highest court freed them to use lethal injection drugs that a county judge had barred in an earlier ruling.

The order came out of a sprawl of litigation filed in response to Gov. Asa Hutchinson's plans to execute eight men, two a day for four days between April 17 and April 27. The unprecedented execution schedule has placed Arkansas at the center of the death penalty debate.

State and federal courts have halted the executions of half of the inmates, who were scheduled to die before the April 30 expiration of Arkansas's supply of the sedative midazolam, one of three drugs in its lethal-injection protocol.

Don Davis and Bruce Ward were originally scheduled to be the first to die in back-to-back executions in Arkansas beginning Monday at 7 p.m., followed by Stacey Johnson and Mr. Lee on Thursday. The Arkansas Supreme Court postponed the executions of Messrs. Davis and Ward in a ruling on Monday and then halted Mr. Johnson's execution on Wednesday.

The execution of Mr. Lee, 51 years old, looked unlikely Thursday morning. The prior evening, Pulaski County Judge Alice Gray had prohibited the state from "using or disposing of" the vecuronium bromide it purchased from a unit of drugmaker McKesson Corp.

After condemned inmates are sedated with midazolam, they are given injections of vecuronium bromide, which relaxes the respiratory system, and a third drug that stops their heart.



Death penalty opponents Randy Gardner, right, and Abraham Bonowitz on Monday in Arkansas.

The company accused the state of acquiring the drug under false pretenses by leading McKesson to believe it was for medical purposes rather than executions, allegations Arkansas officials denied. Without the drug, the state couldn't carry out any executions.

On Thursday afternoon, the Arkansas Supreme Court granted an emergency request by the Arkansas attorney general to suspend Judge Gray's ruling.

Soon after, the U.S. Supreme Court denied requests by Mr. Lee and the other inmates to suspend their executions and review a range of legal questions, including whether the compressed schedule violated the Eighth Amendment's pro-

hibition against cruel and unusual punishment.

Justice Neil Gorsuch's first known official act was to side with the conservative bloc of the court and permit the executions to proceed. The four liberal justices said they would have stayed the executions.

Justice Stephen Breyer, writing in dissent, said an execution schedule dictated by the expiration date of a drug was

"close to random."

The rulings meant Mr. Lee's execution, his punishment for the 1993 beating and strangling death of 26-year-old Debra Reese, would likely go forward unless federal courts approved his last-minute plea for more time to allow for DNA testing of hairs and blood used to convict him.

Mr. Lee has maintained his innocence since his arrest.

Marcel Williams and Jack Jones are scheduled to be executed on Monday and Kenneth Williams on April 27.

Earlier in April, a judge postponed the execution of Jason McGehee, after a parole board recommended his sentence be commuted to life in prison without parole.

Firms Get Creative In Putting Up Staff

Companies in Reno are taking unusual measures to cope with the housing shortage.

Tesla Motors Inc. and partner Panasonic Corp. have arranged to rent dormitory rooms at the University of Nevada, Reno this summer to temporarily house 800 workers for Tesla's big battery factory here, said Marc Johnson, president of the school.

Tesla didn't respond to requests for comment.

Reno Mayor Hillary Schieve is forming a housing task force to help relieve the problem. While the city is still getting back on its feet after the recession, local agencies can do a better job of trying to process permits in a more timely fashion, she said.

Ms. Schieve also rejected calls by some builders for more radical streamlining.

"We want to do it not necessarily fast, but right," she said.

—Jim Carlton

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U.S. NEWS

Trump Focuses on Funding Talks

WASHINGTON—The White House has thrust a new set of proposals into talks to avoid shutdown of the government next week, while also seeking to revive a health-care overhaul that had collapsed last month.

With less than a week to pass legislation funding the government for the rest of the

By Louise Radnofsky,
Siobhan Hughes
and Kristina Peterson

fiscal year, negotiations are beginning to take shape.

Democrats are demanding that the legislation include money for insurance companies, without which fragile insurance markets could implode, while the White House in return wants additional money for defense, the border wall and border enforcement.

Failure to extend the funding would trigger a partial gov-

ernment shutdown on April 29, the 100th day of Donald Trump's presidency.

Republican leaders will need Democratic votes in the Senate, and likely in the House, to pass a spending bill, giving the minority party unusual leverage in negotiations. Discussions now hinge on Democratic demands that the government continue payments that help support Affordable Care Act insurance plans.

The money, known as "cost-sharing" payments, helps insurers lower costs for low-income consumers.

On Thursday, White House budget director Mick Mulvaney said the administration was proposing, in return, increased defense spending, money to expand a border wall and funding to hire more immigration officers. Mr. Mulvaney said the White House was willing to give Democrats a commitment to continue payments to health

insurers, provided that the Democrats agree to some White House conditions.

"We want more money for defense, we want to build a border wall, and we want more money for immigration enforcement, law enforcement," Mr. Mulvaney said Thursday at

Democrats have said fresh White House demands for funds are nonstarters.

an Institute of International Finance conference. "We're willing to have that discussion if they want to have it."

The White House request put a set of controversial elements into the negotiations.

Democrats have said that

money for a wall on the Mexican border or for increased immigration enforcement were nonstarters. The White House framed the request as reasonable in exchange for acceding to Democratic demands that the Trump administration continue "cost-sharing" payments.

"Everything had been moving smoothly until the administration moved in with a heavy hand," said Matt House, a spokesman for Senate Minority Leader Chuck Schumer (D, N.Y.), who is a principal negotiator. "Not only are Democrats opposed to the wall, there is significant Republican opposition as well."

Mr. Trump said Thursday that he was eager to push ahead with the health-care measure. He said a deal among Republicans could come together as soon as next week, though there was no clear sign from GOP lawmakers that divi-

sions that sank the bill last month had been bridged.

Mr. Trump, at a joint news conference with Italian Prime Minister Paolo Gentiloni, said he was committed to passing new funding for the federal government and suggested that his ambitions for reviving the health bill could slip as a result.

"I believe we will get it, and whether it's next week or shortly thereafter," Mr. Trump said of the health bill. "As far as keeping the government open, I think we want to keep the government open, don't you agree?"

Rep. Luke Messer of Indiana, a member of House GOP leadership, said: "The broad consensus is we need to avoid a government shutdown—we're sent here to keep the government open."

◆ Health insurers turn their focus to 2018..... B1

Sweeping Tax Plan Is Coming 'Very Soon'

White House officials said Thursday they are developing a sweeping plan to overhaul both corporate and individual taxes, dismissing concerns that a more modest proposal might be more viable in today's political climate.

By Peter Nicholas,
Kate Davidson
and Nick Timiraos

Speaking at a conference of international financial firms, Treasury Secretary Steven Mnuchin said the administration would release its tax overhaul "very soon."

The remarks ended weeks of mixed signals from the White House about the breadth of President Donald Trump's plan and came as some of his former campaign advisers cautioned against an aggressive approach.

Four of Mr. Trump's 2016 advisers wrote an op-ed in the New York Times laying out a strategy that would focus on corporate and small-business taxes while leaving for 2018 what they called the "maddeningly complex individual income tax system."

The authors of the op-ed included Stephen Moore, an economic adviser to Mr. Trump's campaign, and Arthur Laffer, a well-known adviser to President Ronald Reagan and also to the Trump campaign.

Sen. Tom Carper (D., Del.), a member of the Senate Finance Committee, also called for a focus on business taxes, saying in an interview: "Maybe we could try and take in bite-size pieces."

But Mr. Trump's top economic aides, Mr. Mnuchin and Gary Cohn, director of the National Economic Council, rejected that approach.

Calling for an expansive plan, Mr. Mnuchin said the Trump administration is determined to enact "the most significant change to the tax code since Reagan"—a reference to the last comprehensive tax rewrite, passed in 1986.

A rewrite of the complex tax code is a goal that many business leaders have been pressing for years.

The Dow Jones Industrial Average rose 43 points on Thursday while Mr. Mnuchin was speaking.

Orders Target Tax, Regulatory Burdens

President Donald Trump will sign three documents Friday to advance his administration's push to reduce tax and regulatory burdens, including a measure that could roll back Obama administration efforts to prevent U.S. companies from shifting operations overseas to avoid taxes, administration officials said late Thursday.

One executive order will direct Treasury Secretary Steven Mnuchin to review all tax regulations the Treasury issued last year to examine whether any impose excessive financial burdens on U.S. taxpayers or add complexity to the tax code.

The review could cover regulations the Obama administration issued last year to crack down on inversions, in which U.S. companies take up foreign addresses through mergers with other firms to cut their tax bills.

Mr. Trump will also sign two previously announced presidential memos on financial regulation. One will direct Mr. Mnuchin to review authorities granted to banking regulators in the Dodd-Frank financial-overhaul legislation, known as Orderly Liquidation Authority, which gives the government the ability to take over and lend to a failing financial firm.

The other memo will seek an assessment of the powers handed to a committee of financial regulators that includes the heads of the Federal Reserve and Securities and Exchange Commission known as the Financial Stability Oversight Council.

—Nick Timiraos

Bid to Stem Imports of Steel Faces Hurdles

BY BOB TITA

President Donald Trump's bid to stanch imports flowing into the U.S. steel market is fighting strong currents: domestic prices that are among the world's highest and a buoyant dollar that pushes down the cost of imports.

High labor costs have long pushed up the price of U.S. steel. Domestic producers increased prices further last year after new tariffs helped trim the share of imports in the U.S. steel market in 2016 for the first time in three years. Washington imposed those duties, up to 500%, on some steel products from competitors in China and other countries after U.S. steelmakers complained they were benefiting from unfair government subsidies and selling steel in the U.S. for less than it cost to make.

Meanwhile, the U.S. dollar's recent strength has made imported steel a bargain for domestic manufacturers and construction companies.

Wider duties on imports could encourage U.S. producers to further drive up their prices, complicating another of Mr. Trump's campaign pledges: to support U.S. manufacturers.

"For every steelworker, there are 60 workers in steel-using industries," said Lewis Leibowitz, a Washington attorney who has worked on trade cases involving steel in the past. "You need competitive steel prices for those industries to be competitive and to export."

The Trump administration



President Donald Trump toured Snap-On Tools with CEO Nick Pinchuk, right, and others in Kenosha, Wis., earlier this week.

on Thursday authorized a special investigation under the little-used 1962 Trade Expansion Act to consider emergency trade sanctions against foreign steelmakers on "national security" grounds.

Following a memo-signing event at the White House, John Ferriola, chief executive of Nucor Corp., said he hoped the investigation would result in a "level playing field" for the U.S. steel industry.

Asked whether he believed the U.S. industry could operate at 100% capacity—it is currently operating at 71%, Commerce Secretary Wilbur Ross said earlier Thursday—Mr. Ferriola said: "We can come very close to 100%. Give us a chance to show you what we can do."

Asked whether that would drive up consumer prices, Mr. Ferriola said: "It would make sure that we get a fair price for

our product."

Nucor on Thursday reported strong first-quarter earnings, thanks to a 21% gain in its average sales price per ton from a year earlier.

"A strong steel industry is at the foundation of America's economic and national security," United States Steel Corp. said Thursday, welcoming the administration's effort.

"For too long, China and other nations have been conducting

economic warfare against the American steel industry."

Investors reacted positively to the news. Nucor's shares rose 4.7%, while shares of U.S. Steel gained 7.4% and AK Steel Holding Corp. climbed 8.6%.

The U.S. steel industry has been battling price pressure from imports since the 1980s. Beginning in the late 1990s, an abundance of cheap foreign steel hastened a collapse of the U.S. steel industry.

TRADE

Continued from Page One
represents U.S. manufacturers and has long advocated the more expansive approach to national security Mr. Trump is now exploring.

In the past, Mr. Stewart said, administrations concluded that if key products were available from allies—like Canada, South Korea and Mexico, three of the largest steel providers to the U.S.—then losing manufacturing capability wasn't considered a threat. The new administration, he said, has a view "contrary to that, believing we need a strong manufacturing base for adequate national security."

Ohio Democratic Sen. Sherrod Brown, who has long called for tougher limits on steel imports, offered cautious praise, saying "today's announcement is an important step." But he added the probe won't mean much "unless it is followed by tough action that addresses

China's overcapacity."

A Chinese foreign ministry spokesman said it was too early to take a position on the announcement, adding "we need to see the scope of the investigation and its targets, then we can issue a judgment."

Foreign steelmakers were quick to criticize the move. The U.S. investigation "will be very bad for the U.S. economy, very bad for steel-consuming industries—such as construction and manufacturing, which depend on a reliable supply of steel imports—and bad for foreign steel producers such as the Japanese industry," said Tadaaki Yamaguchi, chairman of the Japan Steel Information Center, the U.S. voice of the Japanese industry.

Despite Thursday's action, there is still uncertainty over just how far Mr. Trump intends to go in fulfilling his campaign promises to steer a new American trade policy based more on blocking imports and curbing trade deficits than on keeping global markets open. There have been signs in recent

Steel Split

The import share of U.S. steel consumption has risen, while steel production in North America, where the U.S. is the top producer, has declined.

Import share of the U.S. steel market

2016 25.4%

30% 25% 20% 15% 10% 5% 0%

1970s '80s '90s 2000s '10s

North American crude steel production

2016 110.6M

140 million metric tons

120 100 80 60 40 20 0

1996 2000 2005 2010 2015

Sources: American Iron and Steel Institute (imports); World Steel Association (production)

THE WALL STREET JOURNAL

weeks he was tempering his rhetoric, offering to ease demands on China to cut its trade surplus in exchange for helping limit North Korea's nuclear-weapons program.

Mario Longhi, CEO of U.S. Steel Corp. joined Mr. Trump in the Oval Office, and praised

him saying the inquiry "demonstrates your understanding of the fundamental importance" of our industry.

It remains unclear just how far Mr. Trump will actually go in trying to block steel imports, as opposed to using the threat to win concessions from trading partners. The trade law he invoked requires a study that must be submitted to a Commerce Department agency that independently assesses the national-security claim. That agency regularly rejects such claims.

Mr. Trump's strategy involves significant risks of retaliation. Any unilateral declaration of import restrictions for national security "could have severe economic repercussions," the White & Case law firm wrote in a recent memo posted on the firm's website assessing possible measures the Trump administration could invoke to toughen

U.S. trade policy. "A target country would likely retaliate with equivalent measures on U.S. goods," it said.

Import limits could provoke a backlash among steel users—one reason previous administrations chose to avoid the sweeping approach to protect the steel industry that Mr. Trump said he is considering.

"For every steelworker, there are 60 workers in steel-using industries," said Lewis Leibowitz, a Washington attorney who has worked on cases involving the trade act. "You need competitive steel prices for those industries to be competitive and to export."

Some analysts raised questions about why new steel-import limits were needed, since the U.S. regularly imposes curbs in response to "dumping," where foreign manufacturers sell steel below production costs and home-market value.

As of December, the U.S. had 113 such "remedies" in place against steel exporters, according to the WTO. That helped push steel imports down in 2016 to \$22.3 billion, or 26% below 2015 levels, according to the Census Bureau.

But Trump officials say conventional import limits are easily averted by foreign companies, and the broader national-security justification allows for tougher sanctions.

Mr. Trump said that "very soon, we're going to impose very, very strict regulations on unfair competition from the outside world."

When asked if the investigation was mainly focused on China, he said, "this has nothing to do with China."

—Bob Tita

contributed to this article.

Trump said he wants to avoid a federal government shutdown next week, and acknowledged that his ambitions for reviving a failed Republican health-care bill could slip as a result, even as he pressed for a vote as soon as next week.

◆ **White House visit:** Mr. Trump welcomed Italian Prime Minister Paolo Gentiloni to the White House, calling Italy a "key partner" in the antiterror fight.

◆ **Regulation:** The FCC reversed an Obama-era rule that has hin-

dered major television-station owners from buying stations or selling themselves.

WHAT'S AHEAD

◆ The president will spend the weekend in Washington, D.C., rather than at Mar-a-Lago, his Florida resort.

QUOTE

"In your nation, as in mine, religion unifies—it doesn't divide."

—Vice President Mike Pence, to Joko Widodo, president of Indonesia, the world's most populous Muslim nation.

The administration's latest actions and agenda at a glance

THURSDAY

◆ **Tax proposal:** Treasury Secretary Steven Mnuchin said the administration plans to release its tax reform proposal "very soon" and promised a major overhaul of the tax code will get done.

◆ **Health law:** President Donald

SAMSUNG

Galaxy S8

Introducing the new Galaxy S8 with the world's first Infinity Screen that gives you less to hold and infinitely more to see.

WORLD NEWS

Pakistan Premier Faces Graft Probe

High court says Sharif must explain family's ownership of property documented in leak

BY SAEED SHAH
AND QASIM NAUMAN

ISLAMABAD, Pakistan—The Supreme Court ordered a criminal investigation into Prime Minister Nawaz Sharif over corruption allegations.

Thursday's 3-2 decision was actually a narrow escape for Mr. Sharif, as the two dissenting judges voted for his removal from office. Still, the court came down harder on the prime minister than analysts had expected.

The dissenters found Mr. Sharif had "not been honest" in his explanation of his family's ownership of property that the April 2016 Panama Papers leak had revealed.

The court order, representing all the judges, lays out questions that "need to be answered" about the funds used to acquire the property.

The case, filed by the opposition, accuses the Sharif family of using money acquired through corruption to purchase upscale apartments in London.

Both sides claimed victory, the prime minister's camp focusing on Mr. Sharif's remaining in office, the opposition saying he has lost all moral and political authority.

"The bottom line is that they're doing an investigation, which the prime minister has wanted all along," said Musadik



Supporters of Nawaz Sharif in Lahore on Thursday celebrated the Supreme Court's decision that kept the prime minister in office.

Malik, Mr. Sharif's spokesman. "The verdict has not found the prime minister guilty."

The court ordered a 60-day investigation by a team including military-intelligence officers. The court said it would revisit the case once it has the investigators' report.

"History has been made today," said Imran Khan, an opposition leader who had

brought the case. "I say to Nawaz Sharif, on behalf of the entire nation: Resign immediately. At least step down until the investigation is completed."

Mr. Sharif has consistently denied wrongdoing, saying the properties were bought using money generated by the family's decades-old businesses and belong to his son.

With opponents demanding

Mr. Sharif's removal and further court action possible, the case could end a period of political stability in coup-prone Pakistan. The country had its first democratic transition in 2013.

The offshore-property controversy was sparked by a massive leak a year ago of documents from Panamanian law firm Mossack Fonseca & Co. published by the International

Consortium of Investigative Journalists. The documents purport to show offshore accounts owned by individuals linked to top political figures in several countries. The Wall Street Journal hasn't independently verified the documents.

The leaked documents don't allege any wrongdoing, and owning an offshore company is legal in Pakistan.

Trump Adds To Criticism Of Iran Over Nuclear Deal

BY FELICIA SCHWARTZ
AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump, adding to strong criticism of the Iran nuclear deal voiced by his administration, said on Thursday that Tehran is "not living up to the spirit of the agreement."

His comments, in a joint press conference with Italy's Prime Minister Paolo Gentiloni, added to signals from Secretary of State Rex Tillerson and others that the Trump administration could back away from the landmark deal reached in 2015 between six world powers and Iran.

"We're analyzing it very, very carefully and we'll have something to say about it in the not-too-distant future," Mr. Trump said. "Iran has not lived up to the spirit of the agreement and they have to do that."

Mr. Trump's comments come a day after Mr. Tillerson made a rare public appearance to list U.S. complaints against Iran and faulted the agreement for focusing only on the nuclear issue.

Next week, Tom Shannon, the undersecretary of state for political affairs, will attend a meeting in Vienna with Iran and the other world powers who were party to the accord in what will be the first session with Trump administration representation.

In Israel, a Rival to Netanyahu Emerges From the Center



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

"In a country as complicated and threatened as Israel, the need is for responsible leadership, not the inflammatory leadership," Mr. Lapid said in an interview. "The core idea of being a centrist is to understand that reality is complex and that there are no one-dimensional solutions to multidimensional problems."

H is strategy seems to be working. Almost all recent polls show Mr. Lapid's Yesh Atid (There is a Future) party, established in 2012, would come out as the largest faction in the Knesset, or parliament, if an election were held today—and therefore get the opportunity to form a governing coalition. Yesh Atid would nearly triple its current number of seats, according to these polls.

A minister of finance under Mr. Netanyahu in 2013-14, Mr. Lapid is in opposition, but his plan would be to turn to Mr. Netanyahu's Likud party among others to form a government. His party's rapid rise in



the populist wave he says was evidenced by Brexit and Donald Trump's election.

Israeli politics are fragmented and even if Mr. Lapid's party comes in first in the next election, it's unlikely to garner much more than a quarter of all Knesset seats—the current amount held by Likud—and won't find it easy to assemble a ruling coalition.

M r. Lapid's critics on the left and the right say he is deliberately fudging his positions on key issues so as to broaden his electoral appeal—a criticism also levied against Mr. Macron in France.

"Yair Lapid doesn't have an ideological backbone. He is a populist who reads opinion polls of what the public wants and that is what he chooses to do," said Ayman Odeh, the leader of the Arab parties' bloc in the Knesset.

Mr. Lapid dismissed such criticism as unfair. In the interview, he outlined his views of how the Israeli-Palestinian conflict should be settled through the eventual,

and conditional, establishment of a Palestinian state.

"We do not buy into the liberal version that says all we have to do is lay down our arms, hug the Palestinians, and it will all be nice and dandy. This is not going to happen because we've tried," Mr. Lapid explained.

"And I do not buy into the other side of it, which says we are capable in the long term to control 2.9 million Palestinians in the West Bank. I am for the two-state solution. But my No. 1 goal is not justice for all. It is security for my people."

While Mr. Lapid insisted East Jerusalem and the major Jewish settlement blocs in the West Bank should remain under Israeli control, he signaled an openness to withdrawing other settlements.

"There is a general understanding of the vast majority of Israelis that the more isolated settlements will be part of the negotiations, which is painful," he said. "These are good Israelis and this is the land of our fathers. This is our biblical homeland."

Freed Aid Worker Lands in U.S.

BY FELICIA SCHWARTZ

WASHINGTON—An Egyptian-American aid worker imprisoned in Egypt for three years returned to the U.S. Thursday evening after being released earlier this week, in a diplomatic victory for President Donald Trump.

The release of Aya Hijazi and her husband followed a high-level intervention from the administration, according to an organization that worked on her case. "We are deeply grateful to President Trump for his personal engagement," said Kerry Kennedy, president of Robert F. Kennedy Human Rights.

Ms. Hijazi, 30 years old, was cleared of child abuse and human-trafficking charges in Cairo on Sunday and released from prison Tuesday. Her husband and others they were arrested with in 2014 were released Wednesday.

The release of Ms. Hijazi and her husband follows a meeting between Mr. Trump and Egyptian President Abdel Fattah Al Sisi this month.

—Gordon Lubold contributed to this article.

To Many Arabs, Erdogan Remains Model Reformer

BY NOUR MALAS

ISTANBUL—Syrian merchant Bassel Fouad was once active in the opposition to his country's president, Bashar al-Assad, and sees him as a tyrant who destroyed Syria with his iron-fisted authoritarian rule.

Mr. Fouad, who now lives in southern Turkey, said he doesn't understand intensified concerns in his host nation over the growing power of President Recep Tayyip Erdogan in the wake of Sunday's constitutional referendum. He called Mr. Erdogan "a reformer who led his country forward."

His view reflects a paradox on Turkey among its Arab neighbors: Even as Mr. Erdogan's moves have raised concerns over the direction of Turkey's democracy, some still see him as a fair and strong Muslim leader in a region largely ruled by dynasties and resurgent autocrats.

The results of the referendum, in which Turks voted by a slim margin to concentrate more power in the presidency, were met with supportive nods in corners of the Arab world, though the vote was marred by allegations of irregularities.

Some of the nods came from citizens of countries led by



monarchs or repressive regimes—a sign of how deeply split the Middle East is over ideas of reform and Islamist rule, and how relative and fluid those notions can be.

Barakat Alshamrani, who was visiting Istanbul from Saudi Arabia, said he realized Turkey was divided over Mr. Erdogan, but he shrugged off the debate. "What we know is that he is a

good, fair, popular Muslim leader," Mr. Alshamrani said.

Saudi Arabia's King Salman congratulated Mr. Erdogan on the referendum victory, even though Turkey has supported affiliates of the Muslim Brotherhood, an organization Saudi Arabia and other Gulf monarchies oppose.

There is some objection to Mr. Erdogan's moves. Among

secular Arabs who once saw the Turkish leader as a moderating force, or those fearful of the growing clout of Islamists at home, Turkey now looks like an example of how the ballot box can help Islamists consolidate power in divided societies.

Antigovernment Syrians believe the Turkish president because he vociferously sup-

ported their rebellion, and many say they feel indebted to Turkey for hosting about three million Syrian refugees. But Mr. Erdogan has for the past decade held special stature for many Arabs as the type of leader they wished for their own countries: a pious Muslim who modernized his nation and embraced democracy, on his own terms. Mr. Erdogan rode this wave of popularity into the early years of the Arab Spring, supporting protesters and rebels in Syria, Egypt and Libya. As Turkey waded into the region's crises, including the Syrian conflict and the struggle against Islamic State, views of Mr. Erdogan in the Middle East splintered along the polarized lines of those conflicts. In Egypt, whose president gained power in a military coup against an elected Muslim Brotherhood-led government, state media covered Turkey's referendum critically. Brotherhood supporters, meanwhile, turned a blind eye as Mr. Erdogan purged thousands of rivals or perceived enemies from civil service, academia and the press after a failed coup last summer.

—Nour Alakraa in Berlin contributed to this article.

WORLD NEWS

Terror Strikes Champs-Élysées Days Before Vote

PARIS—A gunman opened fire on the Champs-Élysées on Thursday, killing a police officer and wounding two others in an assault authorities said was likely a terror attack, just days before France's presidential elections begin.

French officials said the as-

gence Group, which monitors the extremist group's communications.

"We can't exclude whether there's one or several accomplices," Pierre-Henry Brandet, the Interior Ministry spokesman said.

The attack sent immediate ripples across the political landscape as the closely fought election was entering its final stretch. France 2, the state TV channel, briefly interrupted a live broadcast in which the 11 presidential candidates were outlining their platforms to broadcast footage showing the Champs-Élysées in lockdown.

"This threat will remain part of daily life for the coming years," centrist Emmanuel Macron said on the live broadcast as details of the assault began to trickle out. "The first duty, the first mission of the president is to protect."

The timing and location of the assault, in the shadow of the Arc de Triomphe, was likely to shift the focus of a campaign that has been largely centered on economic



Police on patrol Thursday in Paris after what authorities were investigating as a terror attack. Islamic State claimed responsibility.

FRANCK FIFE/AGENCE FRANCE PRESSE/GETTY IMAGES

sault began at 8:50 p.m., when a car pulled alongside a police patrol and the gunman jumped out wielding an automatic rifle. Police returned fire, killing the gunman, who was identified by an official as Karim Cheurfi, a French national.

A spokeswoman for antiterrorism prosecutors in Paris said they had opened an investigation into the assault. French President François Hollande said authorities were convinced it was a terror attack and expressed "great sadness" over the police officer's death.

Islamic State claimed responsibility for the suspected terror attack, said SITE Intelli-

issues. A string of attacks—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 in Paris and the truck attack in Nice that killed 86 people on Bastille Day last July—has put France on edge. The government has declared and renewed a state of emergency, but the crackdown hasn't stopped the drumbeat of periodic attacks.

François Fillon, a conservative who has focused his campaign on countering what he calls "Islamist totalitarianism," sought to draw contrast with Mr. Macron moments later, saying: "We can't keep living in this fear, this terror that weighs on the future of the country."

The shooting unleashed pandemonium along the cele-

brated shopping thoroughfare as police sealed off the area and police helicopters hovered above, probing the area with searchlights. One foreign tourist was hit by shrapnel, prosecutor François Molins said.

"Everyone started running," said Rob McKenzie, who was dining inside a pizzeria on the Champs-Élysées when he heard the gunfire. People came

pouring into the restaurant seeking cover, said Mr. McKenzie, an Australian in Paris on a business trip.

In Washington, U.S. President Donald Trump offered his condolences to the city of Paris.

"What can you say? It just never ends," he said. "We have to be strong and we have to be vigilant."

French Executives Warn on Candidates

By NICK KOSTOV

PARIS—French business leaders have taken the rare step of publicly urging voters in Sunday's first round of presidential elections to reject euroskeptic candidates from the ends of the political spectrum, saying they would seriously damage the national economy.

Polls show a close four-way race between two mainstream politicians—centrist Emmanuel Macron and conservative François Fillon—plus nationalist leader Marine Le Pen and leftist firebrand Jean-Luc Mélenchon.

Ms. Le Pen has pledged to pull France from the European Union and the euro. Mr. Mélenchon has said that if the EU won't renegotiate France's relationship with the bloc he would seek a referendum on whether to leave.

"For us there are really only two candidates," said Olivier Duha, founder of customer service firm WebHelp, referring to Messrs. Macron and Fillon. "We have to block the extremists."

Earlier this week, more than 200 French business leaders counseled voters to forsake political extremes when they cast their ballots—or abstain from voting altogether.

In an op-ed piece in the daily newspaper *Le Monde*, the business leaders said a vote for "the extremists"—a thinly veiled reference to Mr. Mélenchon of the far left and Ms. Le Pen—would set in motion an economic meltdown that would see interest rates explode, the costs of imports soar and foreign investors flee France.

Compounding the alarm of France's business establishment, Mr. Mélenchon has called for higher wages and a shorter workweek, while Ms. Le Pen, an economic nationalist, wants to impose a special tax on foreign workers.

Pierre Gattaz, the head of Medef, France's biggest business lobby, said he was "very alarmed" by the economic programs proposed by Ms. Le Pen and Mr. Mélenchon.

"Le Pen wants to leave the euro with all the consequences that we know: devaluation, inflation, a decline in purchasing power," he said. "And with Mélenchon the less said the better."

The public warnings reflect the panic that has spread through business circles here. Traditionally, French companies and business leaders have refrained from taking an open position on political candidates to avoid a public backlash.



Goodyear closed its plant in Amiens, France, in January 2014, idling more than 1,000 workers.

Factory Bloc

Marine Le Pen's message of economic protectionism resonates among workers, who have seen French industry lose ground to Germany and Eastern Europe.

Cumulative change in industrial production indexes



Support among factory workers in the first round of elections



Sources: Eurostat (industrial production); Elabe (April 17 polls)

THE WALL STREET JOURNAL.

Industry Downturn Helps Le Pen's Chances

By MATTHEW DALTON

AMIENS, France—President candidate Emmanuel Macron is one of this industrial city's most famous natives. But when Whirlpool Corp. said it would shut its factory here and move production to Poland, it was one of his rivals, far-right nationalist Marine Le Pen, who grabbed the spotlight.

Ms. Le Pen excoriated the American appliance maker and pledged a 35% tax on imports from Whirlpool and other companies that shift manufacturing outside France. "We can no longer accept this massive deindustrialization," she said in a video message to workers.

With days to go before the start of France's presidential

elections, Ms. Le Pen's anti-establishment and euroskeptic message is resonating with voters here and in other struggling industrial cities, where years of declining fortunes have fueled deep anger with the country's political elite and the European Union.

"We need someone to defend us workers," said Gilles Jourdain, who started at the Whirlpool factory 39 years ago. "I have never voted Le Pen, but why not?"

Public-opinion surveys show Ms. Le Pen, leader of the National Front, running neck-and-neck with Mr. Macron for the lead in a field of 11 candidates competing in Sunday's first round. The mainstream conservative, François Fillon,

and far-left politician Jean-Luc Mélenchon are close behind.

The top two finishers will face off in a second vote in May. Polls indicate that Ms. Le Pen would lose to Mr. Macron, Mr. Fillon or Mr. Mélenchon in that final round. Whether she wins or not, the strength of Ms. Le Pen's following shows she has built a potent political force in rural and industrial areas to challenge the French establishment in the years ahead.

France's blue-collar regions are a major weak point for Mr. Macron and the country's other mainstream candidates. An April poll by survey firm Elabe found that in the election's first round, 48% of factory workers would vote for Ms. Le Pen, compared with

16% for Mr. Macron.

Around Amiens, factory jobs have been steadily draining away for years. In 2014, Good-year Tire & Rubber Co. closed shop, idling more than 1,000 workers. Now, Whirlpool is moving on, too, to an EU country with lower wages.

Mr. Macron's response to France's economic woes has been a vocal defense of trade as well as the EU and its common market.

A former economy minister, Mr. Macron says he wants to shake up France's rigid labor market, making it easier for companies to hire and fire workers, cut corporate taxes and invest in research and development to make manufacturers more competitive.

Ms. Le Pen's National Front has argued that only ditching the euro can revive French industry.

Mr. Macron has been reluctant to weigh in on the looming Whirlpool plant closure. In a television interview, he said: "What will I do? I'll go in a truck and say, 'With me, it won't close.' We know that it's not true." He also urged Whirlpool to find a buyer for the factory so the workers don't lose their jobs.

Philippe Theveniaud, a labor leader and local official, said if a mainstream candidate is elected and nothing is done to help workers in places like Amiens, Ms. Le Pen and the National Front will be even stronger in the next elections.

WORRY

Continued from Page One
growth mode, Mr. Miner said. "So far, we're long on promise and short on delivery. The market's waking up to that."

There are two big question marks around the market portents: Are they right? If so, do they spell doom for shares?

One way the omens could be wrong is if they are caused by something other than a slowdown.

The most obvious candidate is geopolitics, with money seeking havens ahead of Sunday's French election and amid the concern about North Korea's nuclear threats. It is impossible to know how much this has depressed bond yields, but buying of bondlike utility and real-estate stocks might be a result of falling bond yields, rather than supporting evidence of a slowdown.

Commodity prices need a separate explanation, but their fall might just be coincidence.

The market message could also be wrong if the economy is just fine.

Evidence is gathering that the hoped-for rebound didn't come through in the first quarter, with the Federal Reserve Bank of Atlanta's "nowcast" of first-quarter growth down to just 0.5%, from above 3% in early February. Economic surprises—the degree to which reported data beat

Warning Signals

Commodity prices and bank stocks are slipping, while utility shares are rising.

Some investors worry that these and other signals point to an economic slowdown.



Sources: Thomson Reuters (copper, index); FactSet (sectors)

fell to 3.97% from 4.08% last week, Freddie Mac said Thursday, the first reading below 4% since mid-November.

The second question is trickier. The past five years have shown that high and rising share prices are compatible with weak economic growth, so long as yields stay low. Economically sensitive cyclical stocks might underperform—Ford, General Motors and Fiat Chrysler are all down close to 10% since bond yields began to fall in mid-March. But in an era of low bond yields, equities as a whole have been held up by the argument that there isn't a better alternative for investors.

Vincent Mortier, deputy chief investment officer at Amundi, Europe's biggest asset manager, says lower bond yields "are saying to us we had better be more cautious on equities." Investors have been buying the dips because U.S. profits haven't been questioned, but he worries that any correction will be brutal.

As long as low growth means low interest rates and doesn't threaten profits, it's fine for shareholders. But with the economy near full capacity, even tepid growth could be enough to push up wages and inflation, hurting profits and keeping the Fed on alert to raise rates.

Rising rates and weak growth are a terrible combination, so investors should take the warnings seriously, and hope that the signs are wrong.

forecasts—are now barely positive, too, having dropped back from a three-year high in March, according to Citigroup. But there is a long history of first-quarter numbers being wrong due to seasonal adjustment errors, and the "soft" survey data is still strong, if less so than it was. The White House and Congress have failed so far to

make progress on tax cuts or infrastructure spending, either of which could give the economy a boost. But Mr. Trump is nothing if not flexible, and a deal later this year is plausible.

Nick Gartside, international chief investment officer for fixed income at J.P. Morgan Asset Management, says there is contradiction between still-high stock prices and tumbling

bond yields. But he expects it to be resolved by yields rising and the market again pricing in a faster pace of rate increases by the Federal Reserve, as it did earlier this year.

Sliding Treasury bond yields over the past month have pushed down mortgage rates, a boon for refinancing homeowners. The average rate for a 30-year fixed mortgage

WORLD NEWS

Korean Candidates Echo Trump

Presidential hopefuls gain ground ahead of May vote with harder stance on Pyongyang

BY JONATHAN CHENG

SEOUL—Just weeks ago, Hong Joon-pyo, the flag-bearer for South Korea's embattled ruling party, was a rounding error in polls ahead of next month's presidential election.

But Mr. Hong has found new hope in escalating tensions with North Korea over its nuclear program, a development that has changed the dynamics of the South Korean race. His hard-line policies and his alignment with U.S. President Donald Trump's aggressive approach to Pyongyang have become increasingly attractive to South Korean voters.

Front-runner Moon Jae-in, who has pushed rapprochement with North Korea and more independence from the U.S., has suddenly found himself on the defensive as his electoral momentum slows.

Mr. Hong's gains, and the ascent of another candidate who has taken a tougher line on North Korea, Ahn Cheol-soo, reflect the sudden importance of national security in a vote that was widely expected to focus on domestic issues.

Mr. Hong, a former prosecutor who was the governor of impeached former President Park Geun-hye's southeast province, backs the reintroduction of tactical nuclear weapons in South Korea. The U.S. pulled them out in 1991.

He has described electing Mr. Moon, of the left-leaning Democratic Party, as tantamount to giving North Korean



Hong Joon-pyo, third from right, campaigned in Pyeongtaek on Thursday. He has taken a hard-line stance toward North Korea.

leader Kim Jong Un control over South Korea's policy toward Pyongyang. Mr. Moon, he said, is "anti-U.S. and pro-North Korea."

"This election was supposed to be the impeachment election, but the frame has changed," Mr. Hong told The Wall Street Journal in his first interview with a Western media outlet as a candidate. "National security is what the South Korean people care about."

A Moon spokesman called Mr. Hong "an extreme rightist" who was using provocative comments to try to lift his meager support.

To be sure, Mr. Hong remains a long shot for the pres-

idency. But his support has risen to 7% from less than 1% about six weeks ago, according to Gallup Korea, emerging as a potential spoiler that could help determine whether Mr. Moon wins the May 9 vote. Mr. Ahn, a former Moon ally, has pulled nearly even with him.

Mr. Hong says Mr. Moon's conciliatory remarks toward North Korea have hurt his standing amid concern over a showdown between Washington and Pyongyang. Mr. Moon had said this year that if elected he would consider going to Pyongyang before Washington if that would help resolve the nuclear issue. He later said his remarks were taken

out of context. But he has also written that South Korea must learn to say "no" to the U.S.

Scott Seaman, a Korea analyst for Eurasia Group in Washington, lowered the probability of a Moon victory to 55% this week, from 70% in March, citing in part "Moon's perceived softness on North Korea."

Mr. Hong argues that Mr. Moon's support of engagement with North Korea would clash with the Trump administration. He cast himself as more aligned with the current U.S. mood.

The Trump administration will not talk to the South Korean leftist government before they carry out a strike, because if South Korea is told,

they are likely to let North Korea know," Mr. Hong said. "If I am elected, I'll have close cooperation with the U.S. and stop a war from happening."

Messrs. Moon and Ahn have also tried to portray themselves as being closely in tune with the U.S. president. Mr. Ahn has said the Wharton education he shares with Mr. Trump will give the two men something to bond over. Mr. Moon has softened his opposition to a U.S. missile-defense system designed to protect the country from North Korean attacks, and has said he shares Mr. Trump's pragmatism.

—Min Sun Lee

contributed to this article.

China Rift Worsens Chances For Casino

BY MIN SUN LEE
AND JONATHAN CHENG

YEONGJONG ISLAND, South Korea—Northeast Asia's first Las Vegas-style casino resort opened here on Thursday, but to widespread concern about whether the South Korean gambling venue—six years in the making—will become the latest victim of Chinese retribution.

Paradise City, a glitzy \$1.1 billion casino, hotel and conference complex, sits a short stroll away from South Korea's main international airport. It was conceived as a venue mainly for Chinese high rollers from the northeast of the country, in the same way that Macau has become a gambling mecca for those who live in southern China.

Those hopes have been threatened by China's retaliation against the decision by South Korea to deploy a controversial U.S. missile-defense system Beijing strongly opposes.

Chinese tourist arrivals to South Korea peaked in July, but have tumbled sharply in recent weeks.

"There is an attempt in the Northeast Asia to weaponize its market for political and security purposes," South Korean Vice Foreign Minister Ahn Chong-ghe said recently at a seminar in Seoul on international trade.

With restricted access to China's gamblers, Paradise City could struggle to build any critical mass, said Richard Huang, a Hong Kong-based casino analyst for Nomura.

Vote Brings Back Indonesia Elite

BY BEN OTTO
AND ANITA RACHMAN

JAKARTA, Indonesia—This week's defeat of one of President Joko Widodo's close allies in a gubernatorial election marked a resurgence of the elite the president defeated three years ago and stakes out battle lines for the 2019 presidential election.

The runoff election loss for Jakarta governor by Basuki Tjahaja Purnama, Mr. Widodo's former deputy when he ran the capital from 2012 to 2014, puts Indonesia's most important province in the hands of the party led by retired Gen. Prabowo Subianto, who lost the close 2014 presidential race to Mr. Widodo and is a onetime son-in-law of former dictator Suharto.

On Thursday, the new political landscape also meant an end to the destabilizing demonstrations Islamic hard-liners had orchestrated against Mr. Purnama, a minority Christian. Mr. Purnama was defeated by Anies Baswedan, a former university rector who promotes moderate Islam but drew on strong support from the Islamists.

Just how much the establishment supported that hard-line became clear at Mr. Baswedan's victory celebration,



President Joko Widodo, left, with his likely rival in the 2019 vote, Gen. Prabowo Subianto, in October.

when a cast of tycoons dating back to the Suharto era gathered alongside him. Leading that group was Mr. Subianto, who thanked hard-line leaders.

Five years ago, Mr. Subianto, then considered the front-runner to succeed President Susilo Bambang Yudhoyono, backed the bid by Mr. Widodo, then a largely unknown small-city mayor, to run for the governor of Jakarta.

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Mr. Widodo unexpectedly captured the public imagination and won. Two years later he ran for the presidency and defeated his former backer.

Mr. Widodo remains deeply popular almost three years after he defeated Mr. Prabowo, and analysts say he remains the odds-on favorite for 2019.

But Wednesday's results were a blow, depriving his party of control of the capital

and resurrecting opponents he has largely outmaneuvered since assuming the presidency.

The campaign also introduced a bruising form of identity politics that many expect will take aim at Mr. Widodo. Opponents tried to bring him down ahead of the 2014 election by questioning whether he was Muslim, a challenge he saw off in part by making a last-minute pilgrimage to Mecca.

The government broadened a crackdown on immigration with plans to test citizenship applicants on their acceptance of the country's culture—a change it denies targets Muslims.

The new citizenship test, which the government says is meant to gauge a migrant's attitude toward "Australian values," is expected to include questions on issues such as child marriage, female genital mutilation and domestic violence. The current 20-question test covers subjects that include the constitution and World War I history.

—Rob Taylor

GERMANY

Finance Minister Backs Trade Surplus

German Finance Minister Wolfgang Schäuble defended the nation's vast trade surpluses to a U.S. audience and called on world governments to stop relying on debt-fueled growth and easy money from central banks.

At two speeches Thursday in Washington, where global economic leaders are gathering for a series of semiannual meetings, Mr. Schäuble attributed Germany's trade surpluses in part to the policies of the European Central Bank.

He also blamed the economic problems of some eurozone countries on their failure to put in place what he called "unpleasant reforms."

"We simply have too much debt," Mr. Schäuble said.

—Tom Fairless

PHONE

Continued from Page One

"The telecom industry is growth challenged," analyst Craig Moffett wrote in a research note to clients, adding upcoming results from other carriers could be just as bad.

The industry's bruising price war has been a boon to consumers. Wireless bills are a major household expense, and their continued decline had a big impact on March's surprising 0.3% drop in the consumer-price index. Prices for wireless telephone services fell 11.4% in March from a year earlier, after a 7% decline from February.

"We're confident in executing our strategy organically, but if there's the right opportunity out there to accelerate the strategy inorganically in a way that adds holder value, we're always looking at those opportunities," said Verizon Chief Financial Officer Matt Ellis on a call with analysts on Thursday.

Rival AT&T Inc. has diversified with its acquisition of DirecTV and proposed purchase of media giant Time Warner Inc. But Verizon doubled down on its wireless business in 2014 with its \$130 billion purchase of Vodafone Group PLC's 45% stake in their Verizon Wireless joint venture.

The company has also explored bigger transactions, including with Charter Communications Inc., The Wall Street Journal has reported, though executives have recently signaled the two sides are far apart. More Verizon customers used the unlimited plans introduced in February to reduce their bills—moving from expensive data plans to the cheaper unlimited one—than choosing to pay up. Average revenue per account, including device payments, declined by \$3, to \$166 from \$169 in the final three months of 2016.

Delia Brown, a nurse's assistant in Sandusky, Ohio, upgraded three of her Verizon phone lines to unlimited data and her monthly bill dropped more than \$40. "I was happy

Core Loss

Verizon's net new wireless subscribers*



*Postpaid Source: the company

THE WALL STREET JOURNAL.

about it," she said of the price drop. It means "more gas in my car."

The introduction of unlimited plans, along with a "safety mode" feature launched last year, also chipped away at lucrative "overage" revenue, which comes from the fees Verizon charges when customers

For Verizon, Tablets Turn on Tablets

As growth in the wireless industry began to slow, wireless carriers gave away tablets to boost subscribers.

Hundreds of thousands of customers got a free generic Android tablet when signing up for a two-year tablet data plan, which often cost as little as \$10 a month. That decision is coming back to haunt the carriers, as many customers aren't renewing those data plans.

In the first quarter, Verizon Communications Inc. shed 307,000 core customers,

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The introduction of unlimited plans, along with a "safety mode" feature launched last year, also chipped away at lucrative "overage" revenue, which comes from the fees Verizon charges when customers

drove in large part by tablet declines. Verizon lost 250,000 tablet subscribers. During the same period last year, Verizon netted 507,000.

Verizon had expressed optimism about tablet growth. But many consumers have found they don't need a cellular connection for their tablet—they can either use free Wi-Fi or link to their cellphone's connection to their tablet.

Verizon has said part of the problem was the tablets were free. Charging even a small amount for the device ensures the customer is more likely to actually want it. It has since curbed the free tablet offer.

—Ryan Knutson

tively changed the trajectory of customer additions" in the quarter, but it still reported a net decline of 307,000 retail postpaid connections during the first three months of the year, including 289,000 phone losses. That compares with 640,000 retail postpaid net additions in the year-ago period.

Much of the pain Verizon is going through began as a result of moves T-Mobile began making in 2013, such as ending two year contracts and canceling overage fees. John Legere, T-Mobile's chief executive, mocked Verizon's results on Twitter. Verizon's rivals are slated to report their latest results in coming weeks.

Verizon expects improvement in wireless service revenue this year, with total revenue "fairly consistent" with 2016. But that would leave Verizon in a familiar position: slowing growth on the top and bottom lines, and a sliding stock price. Overall, for the first quarter, Verizon reported net income of \$3.45 billion, or 84 cents a share, down from \$4.31 billion, or \$1.06 a share, in the year-ago period.

FROM PAGE ONE

PHONE

Continued from Page One

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The introduction of unlimited plans, along with a "safety mode" feature launched last year, also chipped away at lucrative "overage" revenue, which comes from the fees Verizon charges when customers

exceed monthly data limits.

The company's revenue and profit came in at less than Wall Street analysts were expecting. The stock, already down 8.3% so far this year, fell another 1% to \$48.41 Thursday.

Verizon said Thursday the unlimited data plans "posi-

IN DEPTH

FARMS

Continued from Page One
gest soybean exporter in 2012-13, according to the U.S. Department of Agriculture. It's projected to be the second-largest corn exporter, on the heels of the U.S., this season. As of the last crop year, Russia now beats America in shipments of wheat.

It's a reversal for a country that has long identified as the world's bread basket. America's share of global corn, soybean and wheat exports has shrunk by more than half since the mid-1970s, the USDA says. In soybeans, the most exported U.S. crop, U.S. supplies make up about 40% of world exports, down from more than 70% three decades ago.

Other countries' rising share of global trade and their bin-busting harvests have helped fuel a multiyear downturn in crop prices that is pushing some U.S. farmers out of business.

"We're going to have to learn the table manners of sitting at a bigger table," says Mr. Gaffner, whose soybeans often make their way down the Mississippi to be shipped overseas from New Orleans ports. For U.S. farmers, he says, "that's hard for our psyche."

American farmers' fates are inextricably tied to the broader economy. Farmers produce three-quarters of the nation's food. U.S. agricultural exports in 2015, the latest year for which data is available, generated more than \$300 billion in economic output and directly supported more than one million jobs, according to the USDA.

Agriculture is among the few U.S. industries that exports more goods than it imports, helping to narrow the nation's overall trade deficit, which last year hit its largest point since 2012, the Commerce Department says.

U.S. taxpayers are tied to farming through the billions spent each year by the government to help insure farmers against crop shortfalls or lost income. For the 12 years ending in 2027, the USDA is expected to spend nearly \$87 billion to help protect farmers, according to estimates from the Congressional Budget Office.

Anxiety over the U.S. role in agricultural trade has grown in recent months amid moves by President Donald Trump to withdraw the U.S. from the Trans-Pacific Partnership, which was backed by many farm groups, and potential changes to the North American Free Trade Agreement, which they say helped develop exports to Canada and Mexico.

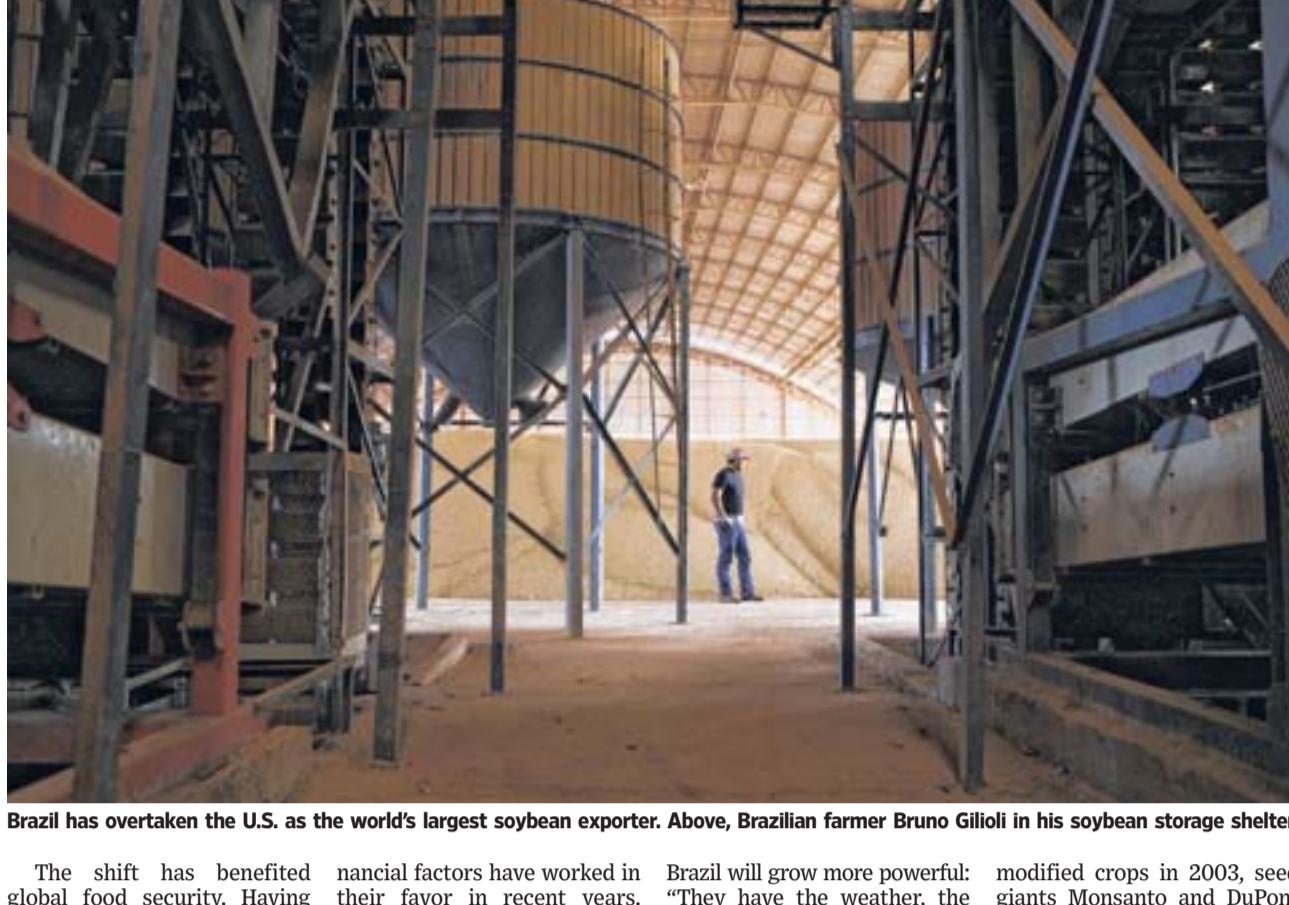
Boosted acres

Russia over the past decade boosted its wheat harvests by 61%, the USDA forecasts. Corn acreage has nearly tripled in Russia, and more than doubled in Ukraine. Brazil and Argentina have also ramped up output of the grain.

Foreign farm powers in South America and Eastern Europe owe some of their grain-market victories to favorable exchange rates—a strong dollar, the currency used for global trade, means foreign grain priced in local currencies can reap bigger profits.

Other countries have structured trade policy to benefit their farm sectors and have invested in infrastructure such as barge terminals and railroad networks to cut transport costs.

In the U.S., about one-third of the corn crop is used for fuel production, and conservation programs have removed land from farming.



JESSE NEWMAN/HE WALL STREET JOURNAL

Brazil has overtaken the U.S. as the world's largest soybean exporter. Above, Brazilian farmer Bruno Gilioli in his soybean storage shelter.

The shift has benefited global food security. Having multiple, strong exporters of grain around the world can help prevent supply disruptions due to weather or trade, farm economists say.

Also part of the silver lining: booming international revenue for U.S. companies such as Monsanto Co., Deere & Co. and Mosaic Co., who sell genetically engineered seeds, satellite-guided tractors and fertilizer to farms outside America. In some cases, U.S. companies design products and seeds specifically for foreign markets.

Bruno Gilioli, who grows soybeans near the heart of Brazil's vast grain belt, is running out of room to store his huge crops. A concrete shelter the size of a football field holds less than half of this year's harvest; the rest has been squeezed into nearby storage bins or trucked to a far-off grain elevator.

"The past five years have been very good for us," he says.

Using high-tech machinery and the advanced seeds and chemicals common on U.S. farms, Mr. Gilioli, 37, has pulled record yields from his 5,000 acres in Brazil's Goiás state.

"Inside the farm, it looks just like the U.S.," says Mr. Gilioli, who wears an Iowa State Cyclones hat, Levi's T-shirt and Wrangler bluejeans. Mr. Gilioli lived on a farm in Iowa for a year as an exchange student and has made four visits to tour farms across the Midwest.

He plans to trade in a still-shiny 3-year-old Case IH harvesting combine for a newer model.

Brazil's agricultural growth-spurt began about four decades ago, as farmers were lured north to its savanna, known as the cerrado, by the promise of cheap land and climbing soybean demand and prices.

The region stretches over 500 million acres, an area three times the size of Texas and nearly 50% bigger than all the land in the U.S. used to grow crops.

Armed with soil treatments like lime and fertilizer, settlers brought huge tracts of scrubland—once considered ill-suited for growing crops—into cultivation. Farm operations can dwarf U.S. counterparts in size, including some with multiple parcels that when added up are larger than Yosemite National Park.

Farmers have been aided by Brazil's lower land costs, macroeconomic reforms and a year-round growing season, which allows them to stack soybean and corn crops back to back.

Low crop prices are hurting farmers in Brazil, but other fi-

nancial factors have worked in their favor in recent years. Farmers are typically paid in dollars for their grain, but pay about 38% of their expenses in reais, which dropped sharply against the dollar in 2015.

Brazil has less-developed infrastructure. Heavy rains routinely trap trucks shuttling soybeans single-file down poor roads in the country's north, requiring bulldozers to wrench them from the mud. Earlier this year, wet weather hobbled transport on BR-163, a key agricultural thoroughfare, stranding ships at Brazil's northern ports for weeks before forcing some to reroute south to collect soybeans, according to Michael Cordonnier, president of Soybean and Corn Advisor Inc., an Illinois-based agricultural consulting firm.

Still, Mr. Cordonnier predicts

Brazil will grow more powerful: "They have the weather, the know-how and the area."

U.S. companies have helped develop the sector. Global grain giants Cargill Inc., Bunge Ltd. and Louis Dreyfus Commodities dotted the countryside with soybean processing plants in the 1970s and '80s, and built export terminals at the country's ports. Some grain companies offered financing to farmers.

Equipment manufacturers such as Deere and CNH Industrial NV since 2000 have set up Brazilian factories and assembly lines to roll out tractors. Minnesota-based Mosaic agreed to buy most of Brazilian miner Vale SA's fertilizer business for \$2.5 billion last year to produce in the country.

After Brazil gave farmers the green light to grow genetically

modified crops in 2003, seed giants Monsanto and DuPont Co. ramped up production and research there.

In 2013, Monsanto introduced a soybean gene designed to repel pests common to Brazilian fields, their first biotech seed specifically designed for the Latin American market.

The world's largest seed company by sales now generates about 11% of its revenue from Brazil. It plans to roll out a new genetically engineered soybean by 2021 to resist a wider range of bugs that befall devils crops in South America.

Back in Illinois, the largest soybean-producing state in the U.S., Mr. Gaffner is adapting his operation to ensure his farm, in the family since the 1930s, survives the worst slump in decades. He is focused on keeping costs down on his 1,000 acres.

He buys 10-year-old farm machinery and keeps the equipment running. He uses GPS technology to avoid blanketing fertile areas of fields with unneeded nutrients. Similar systems help measure the exact number of seeds he needs to plant per row.

Storage bins

"That's enabled us to stay ahead of the financial distress," says Mr. Gaffner, 51. He considered trying his hand at farming in Brazil two decades ago but ultimately decided against it.

He has also built an array of steel storage bins behind his family's farmhouse. With profit margins so tight, and price shifts so rapid, Mr. Gaffner says the space provides flexibility to stash crops until prices turn favorable.

He has had to spend more money for extra herbicides to fight palmer amaranth and waterhemp, weeds that have developed resistance to a herbicide widely used with the genetically engineered seeds that revolutionized farming in the 1990s.

Seed costs are higher. The price of soybean seeds for U.S. farmers has more than quadrupled in the past 20 years, according to USDA data. Some farmers are settling for older, cheaper versions of seeds, though they may not produce as many beans.

"That's not going to be a good thing for us in competition with other countries," says Tommy Young, an Arkansas farmer on the U.S. Grains Council, an export-focused body for U.S. farmers.

Income in the U.S. farm sector will decline for a fourth year this year, falling to \$62.3 billion, half of the record \$123 billion farmers earned in 2013, the USDA projects. The last time income fell four years in a row was in the mid-1970s.

U.S. growers are adding soybean acres, wagering that robust demand from China and other importers will make soybeans more profitable than corn. The USDA projects a record 89.5 million U.S. acres will be planted with soybeans and that U.S. exports will expand modestly over the next decade.

Farmers could also dedicate more fields to specialized soybeans, tailored to yield healthier oils for processed foods, which can fetch a higher price. "Twenty years from now we may not be focused on squeezing more bushels out of each acre but on growing a more nutrient-dense crop," says Jim Sutter, chief executive of the U.S. Soybean Export Council.

Over all, U.S. farmland has shrunk by 12%, or 46 million acres, since 1982, partly due to urban development. In contrast, in Brazil, about 150 million more acres in the cerrado could eventually come under the plow, as farmers convert more pasture into fields for crops, according to the USDA.

Brazil's agricultural expansion has drawn criticism for deforestation, though over the past decade farmers have boosted production largely by converting pasture and increasing yields, instead of knocking down rain forest, according to the Nature Conservancy, a conservation group that has worked with grain companies.

Mr. Gilioli says his family farm has grown 10-fold since the late 1990s, when his father bought the first 500 acres with proceeds from the sale of his seed business, and he may expand further.

"It's easy to open new land," Mr. Gilioli says, gesturing toward a wide expanse of pasture land from the cab of his Ford pickup truck. "In two or three years, that will all be soybeans."

Competition for America's Farmers

The U.S. has lost share in the global export market for soybeans, corn and wheat.

Soybeans

Total global exports: 26 million metric tons
1985: 77% U.S.
2016*: 38%

143 million metric tons
2016*

Corn

55 million metric tons
1985: 56%
2016*: 37%

154 million metric tons
2016*

Wheat

82 million metric tons
1985: 30%
2016*

180 million metric tons
2016*

Revenue from Brazil and Latin America has become more important for farm companies.

Monsanto Co.

\$9 billion
U.S. sales (red)
Brazil sales (green)

6
3
0
'06 '08 '10 '12 '14 '16

Deere & Co.

\$16 billion
N. America (red)
Latin America (green)

12
8
4
0
'09 '11 '13 '15 '17

Mosaic Co.

\$4 billion
U.S. (red)
Brazil (green)

3
2
1
0
'10 '12 '14 '16 '18

Soybean production

120 million metric tons
Projected figure

Source: US Department of Agriculture, Foreign Agricultural Service, Securities and Exchange Commission

Total soybean area harvested

40 million hectares

30
20
10
0
'85 '95 '05 '15 '16*

20
15
10
0
'85 '95 '05 '15 '16*

THE WALL STREET JOURNAL.

Brazil has steadily increased soybean production as it expands the acres farmed.

POLL

Continued from Page One

Even in the U.K., where voting is a celebrated political right and civic ritual, the seemingly endless political campaigning is turning Britain's general stoicism—"mustn't grumble" is an unofficial national slogan—into a flood of complaining.

"I don't mind a bit of politics normally. But oh my Lord, this time I'm not excited at all," declared Barbara Harman, a 76-year-old retiree in south London. She said she would do her duty and "trudge down" to her local polling station—"Good thing it's only 200 meters away"—in June.

"I can't believe she'd just spring that on us, after she said

we wouldn't have another vote until 2020," said Mrs. Harman, referring to Prime Minister May. "If she wants another one, fine, but I'm voting Labour this time."

Mrs. May, who leads the governing Conservative Party,

"It's hard to keep all the balls in the air at once," an electoral officer said.

wants the vote to strengthen her political hand before talks start on Britain's withdrawal from the European Union.

For the civil servants and volunteers who handle elections, the prospect of yet an-

other vote is daunting. Officials need to ready more than 41,000 polling stations in schools, village halls, community centers and even pubs.

Jocelyn McCarley, the assis-

tant chief electoral officer in Northern Ireland, said as soon as Mrs. May made the announcement, her team began scrambling to organize voting equipment, lay the groundwork for setting up voting booths and map out staff schedules. Roughly 600 people have already phoned the election hotline with questions about the vote.

"Things have become very frantic, basically," she said over the phone from her office in Belfast. "It's hard to keep all the balls in the air at once."

British lawmakers in 2011

passed the Fixed-Term Parliament Act, which established

set, five-year terms for govern-

ments, a measure partly aimed at preventing prime ministers from timing elections when they are most advantageous for incumbents.

Under that law, the next

general election was set to be held in 2020. To move the vote up, Mrs. May relied on a provi-

sion that allows for an earlier

election if there is support

from two-thirds of the mem-

bers of the House of Commons.

Since 1945, British Parlia-

ments have lasted an average

of just under four years. The

mid-1970s saw a run of elec-

tions similar to today's, with

two general elections in a sin-

gle year in 1974, followed by a

referendum in 1975 on whether

the U.K. should remain in the

European Economic Commu-

nity, a forerunner of today's EU.

More than 67% voted to stay.

Pete Wishart, a Scottish Na-

tional Party lawmaker in the

</div

GREATER NEW YORK

School Expansion at the Shore Brings Out the Band



JERSEY JAZZ: A trio hit the Atlantic City Boardwalk on Thursday at the groundbreaking for a satellite campus of Stockton University.

New Job an Ethical Minefield

Melissa DeRosa will have to be vigilant as her family's positions could present issues

By MIKE VILENSKY

When the New York Senate and Assembly hit an impasse over budget negotiations earlier this month, Melissa DeRosa, Gov. Andrew Cuomo's chief of staff, headed late in the evening to the Senate office to try to work it out.

As Ms. DeRosa huddled inside a closed-door meeting, an Albany lobbyist paced outside the office: Giorgio DeRosa, Ms. DeRosa's father, and a familiar face around the Capitol.

Ms. DeRosa and her father have become two of Albany's most influential figures, leading to questions about how they keep their jobs at a distance. With Ms. DeRosa promoted on Monday to the top position in Mr. Cuomo's office, she is facing calls for more disclosure and said she is taking steps to allay concerns.

"There's no perfect solution," said Blair Horner, the director of state government watchdog New York Public Interest Research Group. "The best way to deal with it is to seek an outside opinion, and live within the spirit and the letter of that guidance."

On Wednesday, Ms. DeRosa's office said that is what she is doing. Dani Lever, a spokeswoman for the governor, said Ms. DeRosa, who is 34 years old, is "actively engaged" with the Joint Commission on Public Ethics, the state's ethics-advisory agency, "to ensure that even the appearance of impropriety is avoided" ahead of her starting her new position.

A spokesman for the Joint



Melissa DeRosa, right, would be the first woman to hold the position of secretary to the governor in Andrew Cuomo's office.

Commission, or JCOPE, said the agency routinely provides guidance to state employees but such correspondences are confidential so he couldn't comment on Ms. DeRosa.

"This is not a new issue for me—my father went into this line of work over 25 years ago, and I have been involved in government and politics for over a decade," Ms. DeRosa said in an email. "I have fully complied with the public-officers law recusal policy for years and am working with JCOPE to en-

sure the highest standards are met as I take on this new role."

The governor's office also provided a memo from the Executive Chamber Ethics Officer that Ms. DeRosa signed in 2015, saying she has "voluntarily recused" herself from any matters involving clients she "know[s] to be represented by Bolton-St. Johns," the lobbying firm where her father is a partner and her brother also is employed.

But because of Ms. DeRosa's great sway in the governor's orbit, and the sprawling list of

sought faculty from Puerto Rico for years. Many certified teachers on the U.S. territory are looking for jobs in the wake of school closures due to its economic crisis.

As American citizens, they don't face visa hurdles often encountered by candidates from abroad. Some school boards balk at recruiting from afar, however, saying they would rather hire local residents.

Jamie Warren, associate superintendent of human resources for Buffalo, said the trip for three officials cost less than its \$5,000 budget.

She said the job offers were contingent on teachers' references panning out, and the proposed annual salaries of \$39,000 to \$72,000, depending

New hires will have to take

clients represented by her father's firm, it would be difficult for her to have nothing to do with any of them, analysts said.

Ms. DeRosa would be the first woman to hold the position of secretary to the governor, succeeding Bill Mulrow, a former executive at Blackstone Group who is returning to the firm.

On Wednesday, Mr. Cuomo said Ms. DeRosa "is one of the young superstars in the business. Her father is a longtime, well-known lobbyist in Albany...So, I don't see the issue whatsoever."

Among the Bolton-St. Johns' clients are labor unions, tech firms, pharmaceutical companies, and dozens of other entities that are affected by state legislation, according to lobbyist filings disclosed by the Joint Commission and reviewed by The Wall Street Journal.

Mr. Cuomo attended Ms. DeRosa's wedding last year to Matt Wing, people present said. Ms. DeRosa sought the Joint Commission's guidance about Mr. Cuomo's attendance, her office said. Mr. Wing, a former Cuomo aide, is now an executive at Uber, providing an additional set of ethics concerns for watchdogs.

His name was listed among the company's lobbyists this year as it successfully sought approval to expand throughout New York, according to a letter provided by Uber to the Joint Commission and reviewed by The Journal. An Uber spokesman said he wasn't involved in pushing the state legislation and was listed there out of an "abundance of caution" as he transitioned roles from New York matters to national issues.

The 2015 memo Ms. DeRosa signed also said she "voluntarily recused herself from any matters involving Uber" and will continue to do so.

Firefighter Dies Battling Queens Building Blaze

By ZOLAN KANNO-YOUNGS AND MELANIE GRAYCE WEST

A veteran New York City firefighter died Thursday when he fell from a burning residential building in the Ridgewood section of Queens, city officials said.

William Tolley, 42 years old, was on the roof of the five-story building on Putnam Avenue at about 2:20 p.m. as part of the outside-ventilation team when he fell, FDNY Commissioner Daniel Nigro told reporters during a news conference at Wyckoff Heights Medical Center in Brooklyn.

Darryl White, 25, lives adjacent to the building that was on fire and, through his third-floor window, saw a firefighter climb up a firetruck ladder. On his way down, Mr. White said, the firefighter "missed his step or he slipped or something, and fell right on the cement."

"Everybody heard it," said Mr. White. "It was a loud bang. And everybody in the street was like 'Oh my God!'"

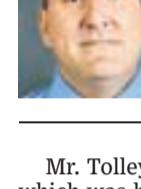
"All of the firefighters started running towards the guy. They crowded around him and started taking his equipment off," Mr. White said.

Mr. Tolley, a member of Ladder 135 in Ridgewood, had been employed by the Fire Department of New York for 14 years. The Bethpage, Long Island, resident leaves behind a wife, an 8-year-old daughter, a brother and parents.

New York City Mayor Bill de Blasio said that he and other city officials met with Mr. Tolley's wife on Thursday.

"Everyone is in a state of shock and grief," Mr. de Blasio said. "To his family, we say we will stand with you, not only today and the days ahead and for years and years to come. This is what the FDNY does."

Twenty-five fire engines and more than 100 firefighters responded to the two-alarm fire, which began on the second floor of the building in a one-bedroom apartment, Mr. Nigro said. The fire didn't appear to be suspicious, he said.

 William Tolley, 42 years old, was on the roof of the five-story building when he fell.

Mr. Tolley was on the roof, which was his usual position, and in the area of the bucket of the ladder and with other firefighters, the commissioner said. It was a routine operation, he told reporters, but "ladder failure" is "something to look at."

The fire didn't cause the accident, according to Mr. Nigro.

"I join with all FDNY members in honoring the memory of our brother who unfortunately lost his life in the line of duty earlier today," Jake Lemonda, president of the FDNY-Uniformed Fire Officers Association said in a statement on Thursday. "On behalf of the officers union, I offer condolences to his family and friends."

New York Launches Parking-Ticket App

By KIMBERLY S. JOHNSON

Need to fight a parking ticket? There's an app for that.

The New York City Department of Finance is trying to make it easier for drivers to pay—or fight—parking tickets using a smartphone.

While people can take care of tickets through a city website, there hasn't been a city-supported way to do so through an Apple or Android app on a smartphone, according to Eusebio Formoso, the department's chief information officer.

The app is called "NYC Parking Tickets: Pay or Dispute." It works similar to the website, allowing drivers to look up their tickets by violation or license plate number.

"We wanted to improve the citizen experience dealing with the Department of Finance," Mr. Formoso said. "We didn't have a lot of conversations about collecting [on] more tickets."

Fines associated with park-

ing citations in the city totaled \$1.5 billion for fiscal 2016, according to the comptroller's office. About 15%, or \$226 million, went unpaid.

More than 7,000 people have downloaded the app since its soft launch in March through last week, when the department began advertising the app on social media, its website and in city business centers.

People can pay tickets as soon as they are received, or send photo evidence such as a street-parking sign directly from their smartphone to protest a ticket.

Motorists don't have to wait hours or days before handwritten tickets show up in the system. Those tickets can be settled or disputed immediately using the violation number. The information is later entered into the system.

The app saves ticket, billing and license-plate information so serial offenders can quickly pay fines using the app. These options aren't available through the website.

Buffalo School District Recruits Bilingual Teachers in Puerto Rico

By LESLIE BRODY

Buffalo Public Schools had so much trouble finding bilingual teachers that its officials took a new tack: Three hopped on a plane to Puerto Rico to hunt for help.

They promoted their mission this month on Twitter and Facebook and told local media in San Juan. Applicants flocked to their hotel and took written tests.

More than 60 certified teachers snagged interviews during the three-day recruiting spree last week. Thirteen got job offers.

"This was bold outreach," said Buffalo's superintendent, Kriner Cash. "It yielded extraordinary."

Districts across the country

often struggle to find qualified bilingual teachers to serve the growing numbers of English-language learners.

The Council of the Great City Schools, which represents 68 large urban districts, reports that most of its members face shortages of certified bilingual staff.

Buffalo, the state's second largest district with nearly 34,000 students in prekindergarten through 12th grade, reports serving 5,668 English-language learners, roughly double the number a decade ago. The students speak 83 languages—the biggest continent, more than 1,800, speak Spanish.

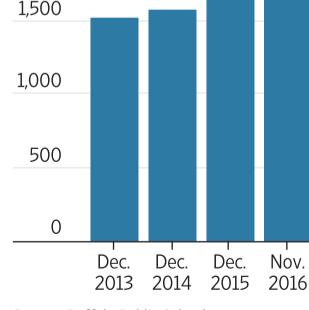
Buffalo officials borrowed the recruiting idea from Dallas and Houston, which have

online workshops and exams to get certified in New York.

Some plan to move their families to Buffalo, which has a large Puerto Rican community.

Se Habla Inglés

A rising number of Spanish-speaking students in Buffalo require bilingual services.



Source: Buffalo Public Schools

THE WALL STREET JOURNAL.

on experience, were much higher than in Puerto Rico. She said one applicant, for example, earned \$21,000 there as a music teacher.

New hires will have to take



Job candidates took a test at a hotel restaurant in Puerto Rico this month to land bilingual teaching positions in Buffalo schools.

the district's needs for bilingual teachers, however.

"It's a yearlong struggle to fill our vacancies," Ms. Warren said. "We really want top talent."

GREATER NEW YORK

New Lincoln Center Chief Sets a High Bar

BY CHARLES PASSY

In a nearly three-decade academic career, Debora Spar went from teaching at the Harvard Business School to becoming president of Columbia University's Barnard College. Now, she has an even bigger task: leading Lincoln Center for the Performing Arts.

In March, Ms. Spar, 53 years old, took over as president of the center, which is home to no less than 11 prominent arts organizations, including the Metropolitan Opera, New York Philharmonic and New York City Ballet.

She comes with one large mandate—to see that the center, in partnership with the Philharmonic, raises the \$500 million needed to renovate David Geffen Hall, the orchestra's home.

We sat down with Ms. Spar earlier in the month to discuss the challenge. Here are excerpts from the interview.

You come to Lincoln Center without prior experience as an arts administrator. Is that an advantage or disadvantage?

Clearly, I have to think it's an advantage or I wouldn't have taken the job. But there are always pluses and minuses to being an outsider. I do think it makes the learning curve steeper. But it does allow you to bring a fresh set of eyes.

In the broader sense, the mission of a place like Lincoln Center is not that dissimilar from the mission of Barnard College or Harvard. They're iconic institutions. And the challenge and the opportunity is to take this beautiful thing, preserve it, evolve it into the next generation and make it better. And worry about money along the way.

Talk about the \$500 million challenge you particularly face at Geffen Hall.



Debora Spar, who took over in March as president of Lincoln Center, wants to attract new audiences.

Center is to make sure it's getting new audiences for its existing art forms and it's evolving to embrace and experiment with new art forms as well.

Would you like to see more collaboration among Lincoln Center's constituents? And if so, how might that happen?

The obvious goal for Lincoln Center is to make the whole greater than the sum of its parts. Some of that already happens. But there's always room for more, and it ranges from the sublime to the ridiculous.

It would be great if we could do more collaborative work around ticketing and using data. (If) we know you saw "Traviata" at the Met, maybe you'd also like to see this particular classical-music concert that appeals to people who like "Traviata"?

You are the first woman president of Lincoln Center. Do you feel women are underrepresented in leadership roles in the arts community?

It's not a question of how I feel. It's just a fact: Women are underrepresented. This is true across all sectors of the country. By the time you get to the leadership positions, women are down to somewhere between 15 to 20 percent.

In the arts, it feels a little bit more egregious because women are so heavily represented at lower levels. If you look at things like art museums or ballet, the majority of curators are female, the majority of dancers are female. But if you look at who's running art museums and who's running ballet companies, they're mostly men.

You have studied dance. Do you continue to pursue it? And if so, how does it inform your work as a cultural administrator?

I take dance classes. I have zero talent, but I've always loved the arts. I have a tremendous respect for everyone who's out there working in these theaters.

GREATER NEW YORK WATCH

MANHATTAN

Video Shows Judge Walking Over 3 Hours

Police detectives have videos showing Judge Sheila Abdus-Salaam walked alone in the area between her Harlem home and the Hudson River for more than three hours the night before her body was found in the river, according to a senior law-enforcement official.

Nine surveillance cameras provided new details on the final hours of Ms. Abdus-Salaam, the first African-American woman on the New York Court of Appeals, said the New York Police Department official.

The 65-year-old judge's body had no visible signs of trauma or foul play, and law-enforcement officials have said her death likely was a suicide.

The fact that Ms. Abdus-Salaam was alone in the hours before her death indicated to officials that there was no criminality in the case, the law-enforcement official said.

Judge Abdus-Salaam was married to Rev. Gregory A. Jacobs of the Episcopal Diocese of Newark, who reported her missing on April 12. Mr. Jacobs released a statement Wednesday saying it was unlikely the judge committed suicide. "Those of us who loved Sheila and knew her well do not believe that these unfounded conclusions have any basis in reality," he said.

—Zolan Kanno-Youngs

NEW JERSEY

Jobless Rate Fell To 4.2% in March

The state lost more than 17,000 jobs last month, but the unemployment rate fell to 4.2%, the lowest level since May 2007.

The Treasury department's chief economist, James Wooster, says the monthly report from the Bureau of Labor Statistics can often show instability but that the state's economy is trending toward growth and recovery.

—Associated Press

Will 'Groundhog' Injury Hurt?

BY CHARLES PASSY

For most Broadway shows, rave reviews spur ticket sales. But for theatergoers considering the musical "Groundhog Day," the question is: Will they see the same show the critics did?

The musical, based on the 1993 movie about a television weatherman who must relive the same day over and over again, opened this week to generally strong critical reception. But the show is contending with the fact its male lead, Andy Karl, suffered a knee injury onstage last week that has forced him to bow out of several performances.

Mr. Karl was able to take on the role as snide-turned-sensitive weatherman Phil Connors at the show's opening on Monday night, a key requirement for him to be considered for a Tony Award nomination. But Mr. Karl has gone to a truncated schedule this week and is slated to appear only on Friday and Saturday nights.

Andrew Call, Mr. Karl's understudy, has been tapped for the rest of this week's shows.

The producers of "Groundhog Day" haven't announced whether Mr. Karl, who sustained a torn ACL, will return to the show full-time in the coming weeks. "We have no additional update on his medical condition," said a spokes-



JOAN MARCUS

Actor Andy Karl's knee injury is raising questions about the impact on the show.

woman for the show, adding that Mr. Karl wasn't available for an interview.

All this leaves potential patrons with a dilemma: Should they buy tickets not knowing if Mr. Karl will perform?

Further complicating matters is that surgery often is eventually required for a torn ACL. If that is true in Mr. Karl's case, it means he could be out of the show at some point for a few months, according to Dr. Laith Jazrawi,

chief of sports medicine at NYU Langone Orthopedics.

Many Broadway insiders say Mr. Karl's situation is sure to put a dent in ticket sales because the critical reception has focused so much on the actor's contribution to the production. "As they say in show business, he killed," noted The Wall Street Journal drama critic Terry Teachout in his review.

Still, others contend that the show, whose production budget is \$17.5 million, may not be financially hurt because its appeal is very much tied to the fact it is based on a popular movie. Theater experts also note that all of the attention from Mr. Karl's injury unwittingly may boost it.

"It's gotten the name 'Groundhog Day' out there," said Chris McKittrick, who covers Broadway for Show-Score, a theater website.

Either way, producers for "Groundhog Day" don't express concerns about ticket sales. They "are delighted" with the post-opening response, the show's spokeswoman said.

At Wednesday's matinee, in which Mr. Call filled in, audiences didn't seem particularly bothered by Mr. Karl's absence. Nedra Gusenberg said she appreciated how Mr. Call rose to the occasion. "I like rooting for the underdog," she said.

Taking a Stand for Housing



CUFFED: City Councilman Ritchie Torres was arrested Thursday as he and others protested proposed cuts to the budget of HUD.

CORRECTIONS & AMPLIFICATIONS

Robert S. Bookman is an attorney for the New York City Newsstand Operators Association and the New York City Hospitality Alliance. His comments in a Thursday article about proposed smoking legislation were made on behalf of the New York City Newsstand Operators Association, but the article incorrectly implied he was speaking for the New York City Hospitality Alliance by only referencing his affiliation with that organization.

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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LIFE & ARTS

TELEVISION REVIEW

An American Dystopia



Elisabeth Moss in "The Handmaid's Tale."

BY JOHN ANDERSON

ABOUT A HALF-HOUR INTO "The Handmaid's Tale," novelist Margaret Atwood appears out of the dystopian mist and slaps actress Elisabeth Moss across the face. Creative differences? No, exactly the opposite: A cameo by the creator bestows nothing if not an irrefutable blessing on the whole production. An undeniable endorsement. A totalitarian, one might say, seal of approval.

Whether viewers agree with Ms. Atwood may depend on whether they've read her best-known novel, which hasn't been out of print since 1985 and ranks with "Brave New World" and "1984" among visions of a nightmare future conjured out of the realities of a socio-political present. You can't quite call it a bad dream come true, yet. But given what might be termed "recent events," it's certainly cautionary, and more than urgent: In a day-after-tomorrow America, renamed Gilead, women have been forbidden to work, forbidden to possess money or property—forbidden to think, as much as that can be accomplished—and, naturally, forbidden to control their reproductive destinies. Those not sent to "the Colonies" (to clean up toxic waste and die) are assigned to one of four categories of slave: The Wives, who lead lives of quiet, barren desperation; the karo-like Aunts, who enforce discipline; the Marthas, who serve; and the Handmaids, who provide the breeding stock for a theocratic society rendered close to infertile by environmental pollution.

Among the last group is Offred (Ms. Moss), who has been judged a good candidate for procreation—which is achieved, when it's achieved at all, during something called The Ceremony: The Handmaid submits, the Wife observes, and the Commander does his duty. It's all quite dreadful.

The problem with Hulu's "Handmaid" is that nothing is dreadful enough. One of Ms. Atwood's signature achievements was the creation of a heroine who was

Please see HANDMAID page A11



Among her achievements, Jane Jacobs defeated a campaign to push Fifth Avenue south through the center of Washington Square Park.

FILM REVIEW | By Joe Morgenstern

In 'Jane,' a Real Urban Legend Comes to Life

STREET CRED GETS redefined in "Citizen Jane: Battle for the City." Matt Tyrnauer's valuable documentary chronicles the life, times and triumphs of Jane Jacobs. She's the visionary writer turned community activist who, beginning in the 1960s, challenged and eventually defeated a wrecking-ball alliance led by Robert Moses, the master builder, redeveloper and implacable scourge of New York neighborhoods.

Moses saw the city as a slate to be wiped clean; streets as conduits for cars; slums as blights to be expunged, rather than communities to be restored. Jacobs was the apostle of street life; her credibility stemmed from the clarity of her seeing. She saw the street as the indispensable matrix of civic vitality—a place for people to walk, talk, meander, shop or play. Her work remains a guiding light for city planners, although, as the film notes, the ghost of Moses rises again and again around the globe in megacities being built to keep up with humanity's headlong urbanization.

The story of the Moses-Jacobs conflict (which sounds biblical and was epic) has often been told. This film inevitably covers some of the same ground that Ric Burns explored in his fine documentary series about New York that ran on PBS almost two decades ago. But it's a story that needs periodic retelling—public spaces and vibrant

neighborhoods are always under threat from those who, as Jacobs put it, mistake complexity for chaos in city life—and Mr. Tyrnauer has heightened the human drama by focusing on Jacobs, an improbable David to Moses's Goliath.

A journalist, and a longtime resident of Greenwich Village, she had no formal training in the field she electrified with her 1961 book "The Death and Life of Great American Cities." It was a stirring evocation of what makes cities great—at bottom, our species' unquenchable need for connection—and a powerfully reasoned assault on the kind of lofty, bloodless thinking that Moses was promulgating as the only possible approach to urban renewal.

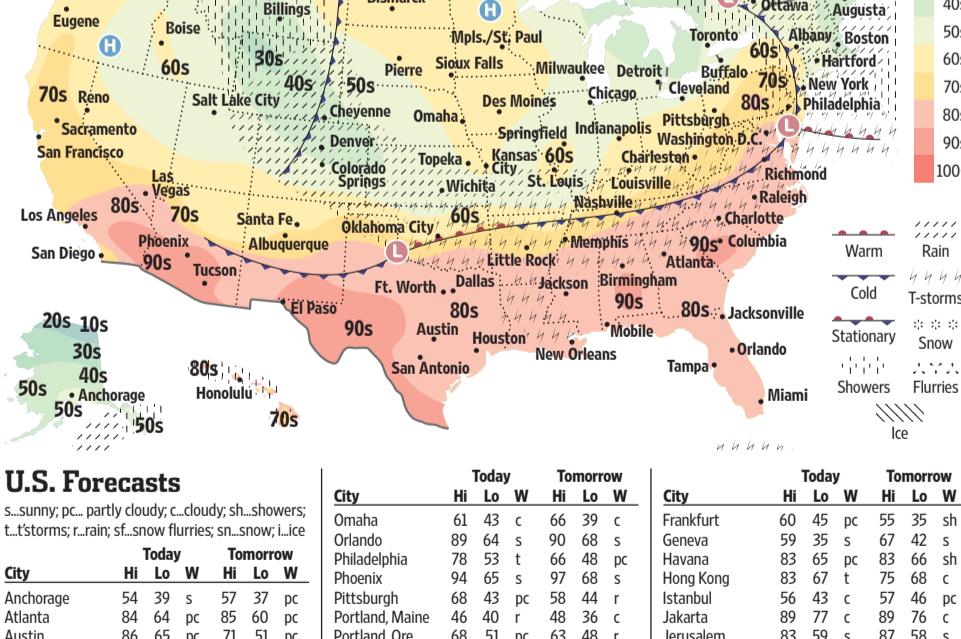
In the clips Mr. Tyrnauer uses, the man's arrogance is, even now, shocking. "You have a cancerous growth," he says scornfully, referring to the problem of slums, "you have to carve it out." Jacobs is a seemingly mild, housewife-looking woman who was, in fact, a wife and the mother of two. She speaks plainly in public, but with the growing urgency of a newly minted street fighter, as Moses seeks to carve out huge swaths of the city to make way for more cars and huge public-housing projects.

She led the successful opposition to his campaign to push Fifth Avenue south through the center of Washington Square

Park. Shortly after that victory, the publication of her book gave her greater prominence, and new power in a battle to defend her own turf: Moses proposed to raze large areas of the West Village to make way for the Lower Manhattan Expressway. The defeat of that project was a triumph for Jacobs and her allies, and it's the dramatic climax of Mr. Tyrnauer's documentary. (His previous documentary feature, "Valentino: The Last Emperor," was a smart and sumptuous portrait of the legendary fashion designer.)

Unfortunately, the climax comes with more than a half hour to go, and the film, losing its focus on Jane Jacobs, turns its attention to the urban-renewal plague that devastated cities across America. (The climax to that section, or rather the concussive coda, is a montage of deconstructo spectacles, decades later, in which failed public-housing projects were brought down by dynamite.) And though the principles Jacobs championed have become essential elements of enlightened city planning, the film offers no examples—if indeed they exist—of their influence on megacity construction in the developing world. All we see are vast, dispiriting vistas of the sort of faceless housing slabs she deplored. "China today is Moses on steroids," a political economist says. Some battles never end.

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 Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Anchorage 54 39 s 57 37 pc

Atlanta 84 68 pc 85 60 pc

Austin 86 65 pc 71 51 pc

Baltimore 81 53 pc 65 48 r

Boise 60 41 pc 71 49 pc

Boston 49 46 r 54 41 c

Burlington 55 43 r 53 40 c

Charlotte 86 64 pc 87 63 pc

Chicago 55 40 pc 54 38 pc

Cleveland 58 43 pc 55 43 c

Dallas 83 55 pc 68 50 pc

Denver 48 32 r 57 37 pc

Detroit 57 41 pc 59 39 c

Honolulu 83 73 r 83 73 sh

Houston 86 68 pc 80 53 pc

Indianapolis 61 44 c 55 42 r

Kansas City 60 45 r 58 40 r

Las Vegas 80 61 s 86 67 s

Little Rock 79 60 pc 66 46 c

Los Angeles 87 61 s 87 61 s

Miami 83 74 pc 85 75 pc

Milwaukee 54 39 pc 53 39 pc

Minneapolis 62 40 s 67 44 s

Nashville 76 59 t 70 50 t

New Orleans 83 67 s 83 58 pc

New York City 58 49 t 66 48 c

Oklahoma City 67 45 t 58 40 c

International

Today Hi Lo W Today Hi Lo W

City Hi Lo W Hi Lo W

Amsterdam 58 43 c 51 42 sh

Athens 63 53 p 61 49 t

Baghdad 91 64 s 99 68 s

Bangkok 100 78 s 102 81 s

Beijing 70 40 s 80 51 s

Berlin 53 39 c 50 37 sh

Buenos Aires 59 45 p 52 36 sh

Dubai 91 77 s 94 78 s

Dublin 59 43 pc 54 43 pc

Edinburgh 56 35 sh 52 38 sh

The WSJ Daily Crossword | Edited by Mike Shenk



The answer to this week's contest crossword is a TV program of the past.

Across

- 1 What co. directors sit on
4 "Get moving!"
9 Declaration at a poker game
14 Canterbury can
15 Stellar hunter
16 Certainly not an old pro at
17 Bring to a close
18 Songwriters' workplace of old
20 Show disdain for
22 Start of a Cuban count

- 23 South Pacific islanders
24 Casey in Cooperstown
28 "Today" rival, initially
30 Anticipatory night
31 Flummoxed
34 Peace Nobelist
35 Org. offering motel discounts
36 Org. providing
37 Colorful language (and where you'll discover a helpful question)
38 Show disdain for
40 Start for angle or athlete

- Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, April 23. A solver selected at random will win a WSJ mug. Last week's winner: Sarah Chinberg, Simpsonville, KY. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

Puzzle Contest



LIFE & ARTS

THEATER REVIEW | By Terry Teachout

Disaster Despite a Diva



Bette Midler stars in 'Hello, Dolly!'

New York

BETTE MIDLER is playing in "Hello, Dolly!" on Broadway. As far as most people are concerned, this review could end right here. The box office at the Shubert Theatre has been printing \$100 bills by the truckload ever since previews for the show started in March, and no matter what I or anybody else has to say, it will continue to do so as long as Ms. Midler doesn't slip and fracture a tibia. She is what she is, "Hello, Dolly!" is what it is, and putting the two together is as close as show business gets to a no-brainer: "Dolly" won't work without a superstar in the title role and Patti LuPone is otherwise occupied, so casting Ms. Midler as Dolly Gallagher Levi, the matchmaker with a big heart and an empty purse who longs for a rich husband to ease her life, makes perfect sense. That's the theory, anyway, and judging by the show-stopping shrieks of joy that greeted Ms. Midler when she made her first entrance on Wednesday night, her fans are going to love this revival. I've never seen a performance of anything at which there was so unanimous a consensus on the part of the audience that the diva could do no wrong.

Perhaps critics ought not to dash cold water on such displays of collective affection, but the producers of "Hello, Dolly!" are charging \$169 for an orchestra seat, for which reason it seems to me that I have an obligation to report honestly on what I saw and heard. So here goes: Ms.

Midler's singing voice is in a desperate, sometimes shocking state of disrepair. If you remember what Ethel Merman sounded like in her last years, you'll know exactly how she sounded in "Before the Parade Passes By." I'm not sure whether she's suffering from an acute case of laryngitis (her speaking voice was hoarse as well) or the inescapable effects of age (she is 71). Whatever the reason, her singing suggested that she'd have trouble making it through the curtain calls, much less the run of a show as demanding as "Dolly." As for the rest of the performance, Ms. Midler doesn't even bother to act: She simply comes on stage and plays her familiar self, albeit at a disturbingly low level of energy. Unlike Carol Channing, who created the role, she can't dance and isn't funny (I was actually embarrassed by her mugging in the courtroom scene). All she has to offer is the memory of a great career, and if that's enough for you, then you'll be happy to shell out to see her in "Hello, Dolly!"

Ms. Midler is playing opposite David Hyde Pierce, who is all wrong as Horace Vandergelder, the blustering miser who falls for Dolly after fighting off his inescapable fate right up to the finale. He is, to be sure, a talented actor, but his lightweight charm is utterly ill-suited to the role, and I've no idea what possessed him to speak his lines in a now-you-hear-it, now-you-don't Groucho Marx accent. What's

more, he and Ms. Midler have no romantic chemistry at all, which makes the show even less dramatically plausible.

Jerry Zaks and Warren Carlyle, the director and choreographer, have staged this revival in a cartoonish manner. That's appropriate in a way, since "Hello, Dolly!" is a cartoon version of Thornton Wilder's "The Matchmaker," the enduringly winning 1955 farce from which it was adapted by Jerry Herman and Michael Stewart in 1964. Nevertheless, it's possible to perform "Dolly" with the same unforced sweetness and underlying emotional seriousness that make "The Matchmaker" so satisfying a romantic comedy, and that's what's wrong with Mr. Zaks's staging: It's totally unfelt.

Every supporting performance is a grotesque caricature—even Kate Baldwin and Jennifer Simard, two of Broadway's best musical-comedy actors, are here reduced to the most benumbingly obvious of clichés—and every laugh is jerked out of the audience by brute force instead of emerging naturally from the script. As for the musical numbers, they're camped up to the hilt, an approach that puts an odd spin on "It Takes a Woman."

I very much liked Santo Loquasto's deliberately old-fashioned sets and costumes, which would have served a better production very well indeed. It was also a pleasure to hear the 22-piece pit band,

which played Larry Hochman's new orchestrations

with satisfying professionalism. But there is nothing else good to be said for this "Hello, Dolly!" While the show itself, like all of Mr. Herman's musicals, is lapel-clutchingly cheery to the point of diminishing returns, it's not hard to see why it was and is so popular, nor is it impossible for skeptics to appreciate a production that makes the most of its cornball charms. This one makes the worst of them.

Hello, Dolly!
Shubert Theatre,
225 W. 44th St. (\$79-\$169),
212-239-6200/800-432-7250

Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Satchmo at the Waldorf." Write to him at tteachout@wsj.com.



Geoffrey Rush

NATIONAL GEOGRAPHIC

TELEVISION REVIEW

ALBERT EINSTEIN, SEXY MENSCH

BY JOHN ANDERSON

WHAT TO EXPECT from a 10-part miniseries about Albert Einstein? Sex and violence, naturally, and no time is wasted: The opening scene depicts the 1922 assassination of German Foreign Minister Walther Rathenau by right-wing anti-Semites; Albert is back at the university, making cloudy impressions of his chalkboard equations on the back of his teaching assistant's sweater. Always the gentleman, he helps her brush them off.

The intent of "Genius"—National Geographic's first scripted series, based on Walter Isaacson's "Einstein: His Life and Universe"—is not to solemnize the 20th century's most famous theoretical physicist, but to capture what he always seems to be in the news clips, memoirs and books: a mensch, with a hectic love life and a rigorous social conscience. During the introductory segment—directed by Ron Howard, whose Imagine Entertainment co-produced the series—the story ping-pongs between Albert as a young student (Johnny Flynn), testing the patience of his professors

and breaking young women's hearts, and the older man (a terrific Geoffrey Rush), married to his cousin Elsa (Emily Watson) and trying to ignore Nazism's growing threat.

Einstein is such a captivating, dominating 20th-century figure—his friend Charles Chaplin would be another—that anything anyone does with him is interesting, just to see where they go. This is the case within the confines of "Genius" itself: Mr. Howard, making his dramatic TV directorial debut, has always approached the embroidery of cinema as if wearing oven mitts, and his segment is an ungraceful arrangement of exposition and too-convenient characterizations. This becomes even more obvious when we reach episode 2, directed by British TV vet Minkie Spiro, which spends most of its time on the young Einstein and his first wife and co-genius Mileva Maric (Samantha Colley), turning her into an enthralling heroine and their relationship into something moving and fierce. Sure, the sex and violence may be ratcheted down a bit. But the genius is more pronounced.

Genius
Begins Tuesday, 9 p.m.,
National Geographic

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HANDMAID

Continued from page A10
not so much an unreliable narrator as a thoroughly traumatized one: Offred (women have no names—they are "of Fred," "of Glen," "of Warren") provides almost the entire story through interior monologue, and even when she talks to herself she does so like a hostage. Offred may have entertained thoughts of resentment, or insurrection, or even violence, but they were muted, constrained in a manner to which she was not even conscious. Ms. Moss's Offred comments regularly on her condition with outraged, silent vulgarities, and seems appalled by rituals and outrages that had become routine in the book—although she and her cohort do sit casually by the infamous Wall as several enemies of the state are being hanged. But the original Offred was almost too terrorized to imagine defiance, much less exercise it. And such calibrated portraiture helped make the novel click.

Of course, a truly faithful adaptation might be so oppressive as to be unwatchable. (Volker Schlöndorff's 1990 feature, starring Natasha Richardson, is unwatchable for other reasons.) But there's no danger of that: Only the first three episodes of 10 were available for review, but Hulu's "Tale" already strayed far from the course Ms. Atwood mapped out, sometimes for the good, and sometimes not: The Commander (all Handmaids are assigned a "commander") is played by Joseph Fiennes and his wife, Serena Joy, by Yvonne Strahovski, both far younger and better looking than the original characters. In this, something gets lost: That the novel's ego-driven aging males would impose themselves and their genetic pipe-

line on the innocent and exploited—while their withering wives not only watched them do it, but enjoined their limbs in the process—was a ripe bit of symbolism. Similarly, the cast's racial diversity—Offred's pal Moira is played by the wonderful Samira Wiley; Offred's husband, Luke, by O-T Fagbenle—sidesteps the dictatorial whiteness of Gilead, where the "Children of Ham" were said to have been resettled in the Dakotas.

The rest of the cast includes Alexis Bledel ("Gilmore Girls"), Max Minghella and the formidable Ann Dowd ("Compliance," "Mar-

ley & Me"), who as the gorgon-like Aunt Lydia has the role of her career, which is saying something; Ms. Moss, constrained as she is in the opening episodes, may yet turn Offred into something memorable.

And "The Handmaid's Tale" itself, embracing something larger than Offred's battered psychology and the forcibly blinkered sphere of her existence, promises a series with some very interesting places to go—maybe Canada, Ms. Atwood's native country and the Promised Land for escapees from a former America where Congress has been "slaughtered," the Constitution "suspended" and the whole crisis has been blamed on Islamic extremists. Ms. Atwood may not be a prophet, but this week she plays one on TV.

SPORTS

NBA PLAYOFFS

The Playoffs Hinge on a Lost Art: Rebounding

BY BEN COHEN

THE CHICAGO BULLS' upset of the Boston Celtics in Game 1 of their first-round series was the biggest surprise of the NBA playoffs—until the Bulls stunned the Celtics again to bring a 2-0 lead back home for Game 3 on Friday.

But this mediocre team's sudden domination of the Eastern Conference's top seed was most unusual because of how they did it. The Bulls are winning because they're offensive rebounding. And NBA teams don't do much of that these days.

The epic performances that defined the NBA this year were made possible by teams getting smarter about the way they played. They hunted for shots with the highest value and treated other parts of the court as if they were infested with alligators. Which is why they scored more points per possession this season than any season in history. The NBA reached peak offense.

At the same time offense has never been better, though, offensive rebounding has never been worse.

It was once such a fundamental part of basketball that players could have long NBA careers simply by cleaning the glass. There was always a place in the league for human Windex bottles.

But then basketball evolved, and offensive rebounding was left behind. What used to be essential has become antiquated. It was swept away by the sea changes that have shaped today's game—most of all the league's obsession with the 3-pointer.

The slow decrease in offensive rebounds mirrors the steady increase in 3-point shots. NBA teams rebounded 33.5% of their misses when the arc was introduced in 1980, and that number hit rock bottom this year at 23.3% as the reliance on threes reached new heights.

The simple math of modern basketball is that more small lineups and more 3-point shooting means fewer offensive rebounds. That's because traditional rebounders are no longer in position to rebound. They have migrated away from the basket to create the spacing that powered the league's offensive explosion. But even the NBA's big men drifting outside to shoot 3-pointers means there is no one left inside to rebound.

There are now some NBA teams



Nikola Mirotic #44 and Rajon Rondo #9 of the Chicago Bulls box out Jaylen Brown of the Boston Celtics during Game 2 of the Eastern Conference Quarterfinals.

BRIAN BABINEAU/NBAE/GETTY IMAGES

that quietly wonder if offensive rebounding is necessary—whether they should not bother crashing the boards if it means allowing the other team to score easy transition points. Many of them have already calculated it's worth giving up on offense to get back on defense.

That's what makes teams like the Bulls and the Oklahoma City Thunder basketball contrarians. They're betting that offensive rebounding isn't as obsolete as the rest of the league believes.

"It's going to be a huge, huge part of the series," said Boston coach Brad Stevens.

No teams exemplify today's stylistic trends like the most unstoppable ones. This year's Houston Rockets and the last two years' Golden State Warriors had three of the top-20 NBA offenses ever—and they had the highest 3-point-attempt rates and the lowest rebounding percentages of those elite teams.

Most teams try to play like Hous-

ton and Golden State. They barely think about offensive rebounding. Oklahoma City is an exception. The Thunder think of offensive rebounding as something they can exploit.

Oklahoma City is built for offensive rebounds because it's built around Russell Westbrook. He attempted more shots in the paint and restricted area than any NBA guard, and shots in those areas account for 80% of offensive rebounds across the league, according to Stats LLC's SportVu technology.

Oklahoma City controlled those areas of the court because Westbrook alone was incentive enough to emphasize offensive rebounding.

"You want to play to everyone's strengths," said former NBA player Chris Dudley, a historically great offensive rebounder. "You don't want to tell Moses Malone to get back on defense."

There are few rebounders like Moses Malone left in the NBA. But Oklahoma City gambled on the off-

fensive rebound before the season began. They soon doubled down—by making a trade for Taj Gibson with the Bulls. Their starting lineup with Gibson rebounded 34.5% of its missed shots. That was by far the best percentage in the NBA. Oklahoma City also finished the season with the league's No. 1 offensive-rebounding rate and still managed to remain excellent in defensive transition.

It hasn't worked for the Thunder—at least not yet—in their first-round series. Houston leads Oklahoma City, 2-0, partly because the Rockets have James Harden, and partly because they stressed defensive rebounding. There is also a study that suggests offensive rebounding doesn't translate as well as other statistical traits to postseason success. The playoffs are about taking away the other team's advantages, and offensive rebounding is easier to diminish when defenses simply care more

when the stakes are higher. But that doesn't mean the Thunder should ditch their identity.

"What else are you going to try?" said Mika Honkasalo, the author of the research about offensive rebounding and other metrics, which was published by the website Nylon Calculus. "Even if it doesn't work in the aggregate, it could work in one series against one opponent."

That's the edge any NBA team needs to advance—and it's why the Bulls have their unexpected lead over the Celtics.

Chicago is one of the best offensive-rebounding teams. Boston is one of the worst defensive-rebounding teams. And it became clear how much this mismatch would matter when the Bulls stole Game 1 by snagging 45.5% of their missed shots.

That rate wasn't merely better than the Bulls' average. It was their highest offensive-rebounding percentage of the entire season.

HEARD ON THE FIELD



Angry Eli Manning Denies Wrongdoing

New York Giants quarterback Eli Manning is known for his calm demeanor on the football field, rarely showing emotion in good times or bad. But speaking to reporters on Thursday, Manning said he was "angry" amid allegations that he defrauded sports collectors by passing off equipment he didn't wear in games as "game-used" memorabilia.

"It is one thing to write about my football or my play—when you are attacking my integrity, it definitely makes me angry," Manning said.

Three memorabilia collectors have filed a civil racketeering suit against the Giants, Manning, Giants head equipment manager Joe Skiba, memorabilia dealer Steiner Sports, Giants CEO John Mara and others alleging a cover-up of memorabilia fraud.

Although Manning said he couldn't go into specific details due to pending litigation, he said, "I have done nothing wrong, and I have nothing to hide" and felt his name and the Giants would be cleared of any wrongdoing.

Court papers show that Manning recently turned over an email from 2010 that he sent to Skiba that asked for "two helmets that can pass as game used."

"I will say that is taken out of context and there [are] some other filings that have gone on recently that will clear up a lot of those things," Manning said.

Manning said he hasn't heard from the NFL about the situation.

The suit is set to go to trial on Sept. 25 in New Jersey's Bergen County Superior Court.

—Jim Chairusmi

JULIO CORTEZ/ASSOCIATED PRESS

FOOTBALL

A LEAGUE THAT ALLOWS FANS TO CALL THE SHOTS

BY BRAD REAGAN

IS THE FUTURE of football more like a video game than an actual game?

That's the bet from an investment group planning to start a new indoor-football league that lets fans call plays in real-time from their mobile devices or home computers, make personnel decisions and even choose the warm-up music before games. Votes are cast via a downloadable app or through an online chat.

The group, called Project Franchise, has been trying out the concept with the Salt Lake Screaming Eagles of the Indoor Football League this year.

This week it notified that league that it plans to start a separate entity, called the Interactive Football League, in which all of the teams will operate under the same principle and play out of the same facility, said Sohrob Farudi, Project Franchise CEO.

The nascent league, which hasn't been officially announced, is close to finalizing a partnership in which all of its games would be available on Amazon Inc.'s live-streaming platform Twitch, according to people familiar with the matter.

Twitch is used daily by millions of gamers and e-sports aficionados, which is exactly who the new league wants to reach.

"Basically it will be a real-life Madden," said Farudi, referring to the Madden NFL video game.

The partnership would represent a further push by Amazon into providing sports content, following the parent company's deal earlier this month to stream 10 Thursday-night NFL games.

Launched in 2011, Twitch lets people stream their videogame sessions live or watch other players. Amazon bought the company for almost \$1 billion in 2014.

A Twitch spokesman said the firm hasn't consulted with Amazon executives about the move but Twitch confirmed interest in the new league. "What they are doing

is really cool and innovative," said the Twitch spokesman, who goes by the single name Chase. "The thing we find appealing is that they are a hybrid between e-sports and traditional sports."

Indoor football has been around for decades, and has never developed into a real rival to the mighty NFL. Most games attract several thousand fans and few teams have attracted devoted fan bases.

Farudi, who is raising up to \$10 million to fund the new league, said he believes it will appeal to a broader audience—notably millennials who are fueling the e-sports boom. He says the Interactive Football League will "gameify" the fan experience, putting mics and cameras on players so fans can experience the game from the perspective of the player they choose.

All of the league's eight teams will play out of the same fully-wired facility in a city yet to be determined. Farudi calls the project a "league in a box" and said the league is considering locations in Dallas, Atlanta and Las Vegas.

In addition to allowing the league to maximize the interactive experience, playing all games out of a single location saves teams around \$25,000 per game in travel costs, a significant sum in a league in which the players are typically paid around \$250 per game.

The Screaming Eagles reached an agreement to finish out the season in the Indoor Football League and those remaining games will not be affected, Farudi said.

The commissioner of the IFL, Michael Allshouse, didn't respond to requests for comment.

The major professional sports leagues have embraced daily-fantasy games as a way to increase engagement with fans, and several have launched other efforts to make the fan experience more interactive.

In December, the National Basketball Association launched a mobile app called NBA InPlay, which allows fantasy-sports players to choose stars in real time during national broadcasts of league games. Users can even activate 48-second "turbo boosts" for a player

expected to score imminently. The league said it has found that it almost doubles the amount of time users spend watching games.

Andy Dolich, an adviser to Project Franchise and a former executive with the Oakland A's and San Francisco 49ers, said he views the new league as a laboratory of ideas that could be adopted by bigger leagues.

"It opens up a completely new door to the sports gamers" who are accustomed to a more interactive experience, he said. Their attitude is "I don't want to be hit by Jadeveon Clowney but if I can be a part of that and not be knocked out, yeah, I want to do it."

Dolich said the technology is rapidly changing, noting that most teams considered now-entrenched services like dynamic ticket pricing to be dangerous to their core business as little as a decade ago. Still, he said, if someone had suggested letting fans call plays when he was in the front office, "I would have suggested immediate medical help and counseling."



Above, the Salt Lake Screaming Eagles take on the Arizona Rattlers in an Indoor Football League game. Left, the fan play-calling app.

MELISSA MAJCHRZAK (2)

OPINION

Democrats Get Smart in Georgia



Voters in Georgia's conservative Sixth District had a dizzying 18 candidates on the ballot Tuesday, though one in particular stood out.

It was the politician who touted a background of "working with our military and intelligence community to keep Georgians safe," and who vowed to "honor law enforcement." It was the candidate who boasted of being an entrepreneur, who promised to "reduce the tax burden" and "simplify small business tax filing." It was the candidate who promised to get rid of "wasteful spending" and "corruption" in Washington and to promote a "fiscally responsible economic policy."

That candidate? The Democrat, Jon Ossoff.

Republicans are crowing that they denied Mr. Ossoff an outright majority in Tuesday's jungle primary, and that he now faces long odds in a June 20 runoff against the GOP's Karen Handel, who is rapidly uniting the conservative side. They sought to make the race about the outside money backing Mr. Ossoff, as well as his residence outside the district and the fact that he's a liberal.

All this is true, yet it ignores the important point: Mr. Ossoff very nearly won. Republicans would do well to understand why. It wasn't some brewing backlash against Republicans,

or any demographic shift, or a rejection of the Trump administration, or other Democratic talking points. He nearly won because after eight years of arrogance and electoral stupidity under Barack Obama, Democrats may be wising up.

In 2006 the Democratic Congressional Campaign Committee, under then-chairman Rahm Emanuel, achieved a blowout House majority by running candidates who could win conservative districts. It was a different Democratic Party back then. Mr. Emanuel won by fielding moderates and Blue Dogs.

Mr. Ossoff is no Blue Dog. He's more a new breed of liberal populist. Dig into his positions and he checks nearly every progressive touchstone. He's for a federal "living wage." He's a climate crusader. He rallies for criminal-justice reform. He's pro-choice and against *Citizens United*. At the same time, however, he tries to tap the public discontent that fueled Mr. Trump. He rails against wasteful spending and corruption. He defends small businesses over "special interest" lobbyists. He highlights his interest in national security and condemns the "atrocities" of ISIS.

Mr. Ossoff and his backers very adroitly delivered his different messages to all the right crowds. In small events and phone calls and fundraisers, party elders pitched Mr. Ossoff's progressive positions to grass-roots activists. This reassurance, along with an acute desire to deliver Mr. Trump a defeat, drew liberal troops.

The Daily Kos launched a full-throated online fundraising campaign for him. MoveOn.org endorsed him and ran a six-figure TV and digital ad campaign. The DCCC riled up key demographics, running targeted radio ads calling on African-American voters to "send a clear message to Donald Trump that racism and intolerance are never OK."

Jon Ossoff is a return to the old strategy of drafting a candidate who can win.

But in public or in large appearances, Mr. Ossoff delivered to conservative and moderate voters an uncontroversial message of national security, small-business support and swamp draining. He went so far as to promise to set up a dedicated investigative unit in his congressional office to root out "fraud" in the federal government. He hammered away at a pledge to bring high-tech jobs to the district. He rarely talked about Mr. Trump, and danced around ObamaCare.

This played well. Georgia's Sixth District leans conservative but sports quite a few affluent, educated moderates—many of whom have doubts about Mr. Trump. The district went for Mitt Romney by 23 points, but Mr. Trump won by only 1.5 points. Despite all the focus on Mr. Trump's success with blue-collar, Rust Belt and rural districts, the Republican

House majority depends just as much on keeping suburban and exurban districts like Georgia's Sixth. Mr. Ossoff's candidacy suggests this is where Democrats will make their play.

True, the Ossoff bid comes amid an escalating battle over the soul of the Democratic Party. This week featured a so-called unity tour between progressive firebrand Bernie Sanders and the Democratic National Committee's new chief, Tom Perez. There were a fair share of awkward moments, as when Mr. Sanders expounded on the need for single-payer health care, and Mr. Perez stared uncomfortably into the middle distance.

At one point, Mr. Sanders even took a shot at Mr. Ossoff, declaring that the Georgian wasn't a real "progressive." This, fascinatingly, earned Mr. Sanders a rebuke from none other than the Daily Kos, which declared that "the last thing we need is Sen. Sanders weighing in" on who fits "his ideal of a progressive." The post finished: "We cannot impeach Trump and pass a progressive agenda without a Democratic majority in Congress. Period."

Correct. And that very belated and intelligent assessment is why Republicans need to pay close attention to Mr. Ossoff and the Democratic strategy in Georgia. If the GOP doesn't start making good on its promises, it risks losing voters to Democrats who claim they can do better in Washington.

Write to kim@wsj.com.

'In God We Trust,' Even at Our Most Divided

HOUSES OF WORSHIP On April 22, 1864, Congress approved a significant revision to

the nation's coinage: the addition of "In God We Trust" on several U.S. coins. This was more than a small change for small change: Governmental officials believed it would help America through a time of crisis. As the country continues to slog through an era of deep division, it's worth studying the ideals that informed this refinement of American currency.

April 1864 was not necessarily an auspicious time for the U.S. The Civil War was raging. Bloody battles took place at Sabine Crossroads and Pleasant Hill, and free African-American soldiers were massacred when they were overrun at Fort Pillow in Tennessee. Southern secession left the nation physically and spiritually fractured.

With political life frayed and the war effort faltering, adding a new motto to American coinage might have looked like desperation or propaganda. It was neither. Abraham Lincoln and Treasury Secretary Salmon P. Chase had known about the idea for years. In an 1861 letter, the Rev. M.R. Watkinson of Pennsylvania asked Chase to consider recognizing "the Almighty God in some form on our coins."

Chase, an abolitionist Ohio Republican, had liked the idea for years. "No nation can be strong except in the strength of God, or safe except in His defense," he wrote to the director of the U.S. Mint in 1861. "The trust of our people in God should be declared on our national coins." Some three years later the motto was approved by Congress and stamped on coinage in Philadelphia.

The change fit the mood of the time. Facing the dissolution of the Union, many Americans looked for divine aid to help heal the national divisions. They recognized that faith could sustain liberty and self-government. This echoed the acts of earlier generations of Americans, who during the Revolutionary War had flown battle flags bearing the motto "An Appeal to Heaven."

Does using the language of faith on currency constitute another example of "civil religion" perverting traditional religion for secular ends? As historian John D. Wilsey argued in "American Exceptionalism and Civil Religion," such public religious appeals aren't necessarily destined to become unhealthy derivatives of serious religious ideals. They can create an open ideal that broadens the circle of citizenship and invites participation—which the "In God We Trust" stamp did.

President Lincoln channeled these religious concerns during his Second Inaugural

Address in 1865. His reflections were brief but profound, drawing heavily on biblical language. The president rejected the South's claims, but he did so with humility. "It may seem strange that any men should dare to ask a just God's assistance in wringing their bread from the sweat of other men's faces, but let us judge not, that we be not judged," he asserted, building off Matthew 7:1-2.

The story behind the Civil War-era motto that still appears on America's coins.

Rather than assume a morally superior position, Lincoln used the moment to call for self-reflection. The North had also been entangled in slavery and the violence of the Civil War, and it was in no position to claim perfect conduct. "The Almighty has His own purposes," Lincoln said. And, no matter what, "so still it must be said 'the judgments of the Lord are true and righteous altogether,' evoking Psalm 19:9.

If both North and South stood under divine judgment, then a new attitude was demanded, one of humbly working for the common good. In his oration, Lincoln called his hearers to steady service: "With malice toward none,

with charity for all, with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in."

The most important of these tasks was "to bind up the nation's wounds, to care for him who shall have borne the battle and for his widow and his orphan." Lincoln was calling to mind the good Samaritan from the Gospel of Luke, who, finding an injured man, "bound up his wounds, pouring in oil and wine." Similarly, his injunction to help the widow and the orphan echoed the Book of James, which taught that "pure religion" consisted at least partly of visiting "the fatherless and widows in their affliction."

Lincoln concluded that this vision could be a global one, as they would "do all which may achieve and cherish a just and lasting peace among ourselves and with all nations." The 16th president thus demonstrated that the best religious reflection in public life could lead to humility, self-criticism, care for fellow citizens, and renewal of civic ties. And that seems like a beneficial reminder from the random coins jangling in our pockets.

Mr. Den Hartog, a professor of history at the University of Northwestern-St. Paul, is a scholar adviser for the Faith and Liberty Discovery Center in Philadelphia.

global context. The Mass Lay-off Statistics program tracked major employment cutbacks. Both were dropped in 2013. This underfunding isn't sustainable. Even holding the BLS budget flat at its 2016 level would provide \$25 million less than needed to continue current activity.

To adjust temporarily, the BLS has slowed improvements and left vacancies unfilled—with two consequences. First, the agency can't devote enough staff, money, IT hardware and software toward improving its coverage of emerging economic trends and expanding its use of "big data." This is the path to irrelevance. Second, leaving the BLS short-handed risks serious errors or delays in its statistics. It hasn't happened yet, thanks to the BLS's dedicated staff, but sooner or later it will.

Why has the BLS been underfunded? Few legislators, if any, harbor a grudge against the agency or consider its

data unimportant. But the BLS lacks congressional champions and so has suffered collateral damage in the budget wars. These days, silence results in budget cuts.

Business leaders in particular have not spoken up for the BLS. Their legislative affairs staffs and associations communicate with lawmakers about taxes and regulation. But few instruct these offices to vouch for the importance of official data in making good decisions.

Academics, think tanks, professional associations and state and local officials have tried to raise a ruckus on behalf of the BLS and other statistical agencies. But what the agency needs is the clout of the business community behind it. CEOs should stand up, before it's too late, in defense of the information we all need to sustain America's economic vitality.

Ms. Groshen served as BLS commissioner, 2013-17.

By Erica L. Groshen

Business owners, investors and policy makers hold their breath each month before the Bureau of Labor Statistics releases its latest jobs report. Crucial decisions—whether to build a new factory, buy a security or tighten monetary policy—depend on an accurate picture of the economy.

But the BLS, which I led for four years, may be headed toward failure. Imagine a jobs report that contains consequential errors or is late by hours or days. Sources tell me that when Congress draws up the BLS's next budget, lawmakers plan to underfund the agency substantially. If so, Americans could experience the economic equivalent of flying blind.

The BLS is considered one of the world's premier statistical agencies. It provides objective data, produced using transparent, state-of-the-art

methods, on many aspects of the U.S. economy: unemployment, payroll jobs, inflation, wage and benefit costs, productivity. This data moves markets, and many of the business leaders I talk to say that the need for official statistics is only growing.

The BLS is a modest agency, with a 2016 budget of only \$609 million. That's less than \$2 per U.S. resident and not even 0.02% of the federal budget. The BLS's only presidential appointee is the commissioner, who never sees the agency's data until it is final. All other employees are career civil servants, mostly economists and information-technology specialists. In other words, the BLS isn't a political body.

Yet it hasn't been fully funded for the past decade. This has forced the elimination of useful work. The International Labor Comparisons program helped put America's economic performance in a

BOOKSHELF | By Howard W. French

Middle Kingdom Millennials

Wish Lanterns

By Alec Ash

(Arcade, 322 pages, \$25.99)

Since China opened itself up to the outside world over four decades ago, Western journalists have written so many books about their lives in that country as to constitute their own genre. Among these are books about life among native classmates at Chinese universities, about the challenge of learning a notoriously difficult language, about teaching English in out-of-the-way towns, and about finding oneself and falling in love in the rapidly molting social landscape of contemporary China.

"Wish Lanterns: Young Lives in New China" is a refreshing variant on the category. In 2008, straight out of college, Alec Ash moved to Beijing and began studying Chinese at Peking University, where he initially embarrassed himself "with bad tones and cramming characters in the library."

Fare like this is ordinarily part of the setup for what I'll call the China plunge book. The difference here is that it comes at the very end of Mr. Ash's account. That's because he's

written something braver than his own coming-of-age tale: He's told us the stories of six Chinese around his age who gravitate to the country's immense, churning capital, disappearing altogether from the narrative until the book's final few pages, having delivered an intimate portrait of his subjects.

These six are members of the "post-80s generation," a common label in China for the first group of children to grow up after the country launched capitalist-style economic reforms. Because of the one-child policy introduced in 1980, this generation was, overwhelmingly, made up of only children who bore "all of the hopes and wishes that their parents missed out on in the Mao years." These solitary princes and princesses, writes Mr. Ash, were "mollycoddled to comic extremes . . . helped up after every fall, and wrapped in more layers of protection than a porcelain vase in transit." It was also the first generation in recent decades to experience a degree of personal choice in matters of career or love, and the first to have disposable income—or, for that matter, to have much of anything in Chinese stores to spend it on. Yet they are also under relentless pressure to get ahead.

There is Xiaoxiao, a poor girl born near the Russian border in the frigid northeast, whose mother admonishes her that "knowledge changes destiny" as she pushes her to cram for the all-important college entrance exams, or gaoao. There is Fred, a girl with a real intellectual bent being raised in a southeastern island province by parents who are government officials, and who, like Xiaoxiao, dreams of life in Beijing. Lucifer fears he's not cut out for academic success, and yearns to become a rock star like one of his Western idols, Leonard Cohen. Snail, a geeky boy from a town west of Shanghai squeaks into

A generation made up of solitary princes and princesses who bore all of the 'wishes that their parents missed out on in the Mao years.'

the college of his choice but then gives his days over to playing World of Warcraft. Mia is a rebellious tattoo aficionado who learns slang from binge-watching American TV online. And Dahai is a student pushed to study computer science by his parents who think it's the secret to prosperity. If not exactly a representative sample of a generation—in a country where only half of rural youth attend high school, all of Mr. Ash's characters have been to college and have spent time in Beijing—a fascinating group portrait emerges.

Dahai, a young man born into a military family in 1985, is perhaps the most compelling character. "His was the first generation with no memory of Tiananmen," Mr. Ash writes, "a generation of only children born to a country changing as fast as they were." Dahai, who unlike most of the others exhibits a semblance of political thought, becomes an avid follower of blogs in the early 2000s, which were exploding then as a vehicle for exposing the country's social ills. He lives by the creed "if it wasn't online it wasn't true"—meaning that truth can only be found in unsanctioned web chatter, not official media.

After college, Dahai joins a construction company, working seven days a week to dig a tunnel in Beijing as "wide, straight and domed, as if built for a monstrous snake god." Personal fulfillment, such as it is, comes in tiny doses via his activism as a netizen. This consists mostly of reposting any news he finds that makes the authorities look bad, whether it involves corruption or sex scandals or protests against local government. "By adding his voice to those of others online, he thought he could put pressure on the government to fix the nation's problems and make society fairer to those on its lowest rungs." But over the course of the book, as the government cracks down on blogs and tightens censorship on social media platforms, Dahai abandons his illusions about change and turns apathetic.

Like Dahai, along the way many of Mr. Ash's characters are mugged by reality. Most come to comprehend that the study and strive formula doesn't guarantee much of anything in what can seem like the world's biggest rat race. "To get anything worth having in China, [Dahai] came to realize, either you had to play dirty or bend the system completely," Mr. Ash writes. In the face of this reality, Mia, a fashion stylist, totally abandons the pursuit of conventional success, renouncing early marriage and settling into a café scene, daydreaming of a beach home in Malibu.

In Mia and the book's other female characters, readers get a sharp depiction of the country's persistent gender bias. From a young age, males are constantly urged to struggle to become high earners, the most important proof of their worth. But women are indoctrinated to believe that marriage is the goal.

One will search in vain for answers to big questions in this book—least of all the one that appears on the dust jacket itself: "If China will rule the world one day, who will rule China?" Mr. Ash, however, is a deft pointillist whose work offers a fresh take on a society the West still struggles to understand.

Mr. French is the author of "Everything Under the Heavens: How the Past Helps Shape China's Push for Global Power."

Coming in BOOKS this weekend

The B-school racket • Islam's enlightenment • How the Lowells became the Lowells • A journey to the Hebrides • New fiction by Elizabeth Strout • 'High Noon' • The lunatic in pinstripes • and much more

OPINION

REVIEW & OUTLOOK

Teeing Up Trump Tariffs

Financial markets have been discounting the risks from President Trump's trade policy, but maybe that's premature. This week's actions on "Buy American" and steel aren't immediately dangerous, but they do make protectionist blunders more likely.

Visiting Wisconsin on Tuesday, Mr. Trump ordered a review of federal procurement to buy only U.S. products. He made this sound like a grand new policy, but U.S. law dating to the New Deal already gives preference to domestic businesses bidding for federal contracts. Federally funded transportation projects must use U.S.-made iron and steel.

Mr. Trump's order requires federal agencies to evaluate exceptions to these Buy American policies, presumably with a goal of reducing those exceptions. But agencies make those exceptions when domestic inputs are unavailable or their cost is "unreasonable," which often occurs on large projects.

Take steel, a Trump preoccupation. One reason for exceptions is that domestic manufacturers have limited capability to produce steel of certain strengths, thickness and flexibility. Most higher-strength steels used in thin-walled pipelines are made overseas. Retrofitting plants to produce a type of steel for one or two projects could delay construction and increase the cost. More U.S. workers would have to be re-trained, which may not be practical in the short-term. So contractors often have no choice but to import foreign substitutes.

The American Petroleum Institute chronicled some of these supply challenges in its response to Mr. Trump's earlier executive order on domestic sourcing for pipelines. On one pipeline project, only five domestic companies were capable of making a particular grade of steel, but none could produce the required quantity, accommodate the pipe diameters and meet the customer's delivery schedule. Only one U.S. pipe mill bid on another project, and its bid was double that of two international suppliers. It also couldn't meet technical and safety requirements.

Thanks to the North America Free Trade Agreement, Canadian and U.S. companies can integrate their supply chains. Many steel makers operate subsidiaries in both countries. American raw exports—e.g., iron ore from the Rust Belt and coal from Appalachia—made up 85% of Canadian steel inputs last year, and some were re-imported. Many U.S. pipe mills use Canadian steel slab and coil made from American scrap metal.

Mr. Trump says Nafta is "a disaster," but the reality is that cross-border economic integration improves efficiency and reduces costs for

The Attack in France

Three days ahead of the first round of France's presidential election, terrorism has intervened. A gunman with an automatic rifle jumped from a car on the Champs-Élysées Thursday evening and poured bullets into a police car, killing one officer. Islamic State has claimed responsibility.

This event puts extraordinary pressure on a French electorate already trying to sort through difficult decisions about its vote on Sunday.

Conventional political wisdom would hold that the assault will benefit far-right candidate Marine Le Pen because last-minute events of this magnitude can influence voter sentiment, and Ms. Le Pen is running hard on the idea that France is under assault from Arab immigrants. In recent debates she has proposed that France suspend all legal immigration into the country.

The shooting may well tip sentiment in Ms.

Islamic State claims responsibility three days before an election.

Le Pen's direction, but at least two of her three opponents—conservative François Fillon and center-left Emmanuel Macron—have run on strong antiterror platforms.

They have also run hard on the widespread sense of economic torpor among the French people. As we saw in the U.K.'s Brexit vote and the U.S. election last year, the sense of dimming economic opportunity is a potent political force. Polls indicate that is French voters' number one concern.

Whatever the immediate effect of Thursday's shooting in the heart of Paris, there is no avoiding the blunt reality at the heart of France's momentous election, which is the general sense among the population that the nation's elites—in politics and the French media—have become disconnected from the realities of the nation's problems. It will be a pity if one shooting tips Sunday's results, but it would not be a surprise.

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The Fairness in Class Action Litigation Act

would crack down on trial-attorney fees that are many times larger than the payout to the class of litigants they represent. The Furthering Asbestos Claims Transparency Act would require the nation's

60-some asbestos trusts to provide courts the records of trust payouts. This would reduce the plaintiffs bar practice of "double dipping"—secretly raiding the trusts while also pursuing claims via lawsuits. In court they claim the company they're suing caused asbestos disease, but to the trusts they blame the defunct company financing the trust.

Senator Graham is on the Judiciary Committee where Republicans hold a mere 11-9 majority. His defection on any tort bill would result in a tie that could kill it. Chairman Chuck Grassley will be loathe to move bills that he knows will fail, so Mr. Graham can whisper to Mr. Grassley that he is undecided and perhaps never have to take a vote.

Mr. Graham's office didn't respond to our request for comment about the Lanier event, but Mr. Grassley should take his reform bills to the Senate floor despite a tie vote in committee.

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Someday, and that day will come soon, it will ask Mr. Graham for a favor.

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OPINION

How to Read This Year's Special Elections

By Michael Barone

Special elections are, well, special. Unlike Senate vacancies, which can be filled by appointment, empty House seats require elections under terms and conditions set by state governments. These contests can provide a barometer of public opinion between regular House elections, and sometimes they have major political reverberations.

The most consequential special election in American history was probably the November 1931 contest to fill the vacancy caused by the

The GOP vote is holding up in less-educated areas, but the affluent suburbs are suddenly competitive.

death of Texas Republican Henry M. Wurzbach. The victory of Richard M. Kleberg in Texas' 14th Congressional District turned control of the House to the Democrats. More significant was the staffer that Kleberg hired, a lanky 23-year-old Hill Country schoolteacher named Lyndon Baines Johnson.

In second place was the February 1974 election in Michigan's Fifth District, held to replace Gerald Ford after his elevation to the vice presidency. The surprise winner was Grand Rapids lawyer Richard Vander Veen. This Democratic victory, in a district that had not elected a Democrat since 1910, signaled that Richard Nixon's political days were done. Impeachment hearings followed and Nixon resigned six months later.

Special elections in the U.S. are derived from "by-elections" to fill vacancies in the British House of Commons. These go back a long time. My favorite was the January 1667 by-election in the county of Devon, in which the 13-year-old Christopher Monck ran unopposed. It helped that he was the son of the Duke of Albemarle, the general who had restored King Charles II to the throne seven years before. Monck spoke and voted in the House, but his political career was curtailed when his father died and he was elevated to the House of Lords, where he couldn't vote until he turned 21.

British by-elections continue to be important. The prime minister, under the unwritten British constitution, has powers which in American eyes look dictatorial: She has a seemingly automatic majority for anything. If the opposition captures governing party seats in by-elections, it can restrain No. 10 Downing Street—or even incite panic.

Government takeovers of opposition seats are very rare. This February the Conservatives won a seat in Copeland held by Labour since 1935. The success there might have played a role in Prime Minister Theresa May's decision to call a general election for June 8. The results will show whether Copeland was a good leading indicator.

American special elections aren't always predictive. The race to fill Ford's seat was a harbinger, as were another four that year. Two decades later, in May 1994, Republican victories in Kentucky and Ohio preceded the wave election that brought Republicans their first House majority in 40 years. But there weren't similar victories that pointed to the Democrats' big takeover in 2006.



GETTY IMAGES

Democrat Jon Ossoff in Georgia's Sixth District, April 18.

This season's special elections will primarily replace Trump administration appointees, which means they're in districts that have been electing Republicans. In the past two decades of partisan polarization and stability, the benchmark to judge the results was obvious: The district's vote in the last presidential election. But it's a bit more complicated now.

Donald Trump lost previously Republican college-graduate voters without shedding any of the electoral votes John McCain and Mitt Romney won. Meantime, Mr. Trump gained Obama-supporting white noncollege voters—and some 100 electoral votes.

The districts now in play are a mixed bag. Kansas' Fourth District voted April 11. It is a heavily noncollege district, two-thirds urban or suburban, one-third rural. Last year it preferred Mr. Trump over Hillary Clinton, 60% to 33%.

A lackluster Republican beat a lackluster Democrat, 53% to 46%.

That's a much closer margin than Mr. Trump's but better than Republican gubernatorial and Senate candidates did there in 2014. It suggests that at least the traditional Republican vote is holding up in noncollege areas.

Georgia's Sixth District, which voted this past Tuesday, is different. This district, in the affluent northern Atlanta suburbs, is one of the most highly educated in the nation. Mr. Trump won only 48.3% of the vote to Mrs. Clinton's 46.8%. Mr. Romney won 61% in 2012.

On Tuesday Democrat Jon "Make Trump Furious" Ossoff won 48% of the district's vote, with heavy early-voting support from high-income precincts. The 11 Republican candidates totaled 51%. Republican Karen Handel, who led the pack with 20% of the vote, is no sure thing in the June 20 runoff.

This suggests that Trump-Clinton numbers are the new normal in high-education areas. That's a problem for

House Republicans, 23 of whom hold seats carried by Mrs. Clinton. Ten of them are in California and Texas, which both campaigns ignored and where Mr. Trump underperformed Mr. Romney.

Forthcoming races are on May 2 in South Carolina's Fifth District (57% to 39% Trump, 55% to 44% Romney) and on May 25 in Montana (56% to 35% Trump, 55% to 42% Romney). Both are tilted non-college but with high-college enclaves. Pennsylvania's 10th District, as yet unscheduled, is post-industrial noncollege and was Trump-trending territory (Trump 66% to 30%, Romney 60% to 38%). Of no precedential value is the overwhelmingly Hispanic 34th District in California (10% Trump, 14% Romney). In April no Republican even bothered running to replace Democrat Xavier Becerra, now state attorney general, in California's 34th District.

The opposition party has certain inherent advantages in special elections. It can better adapt to local terrain and stress issues on which the government is locally unpopular. It can also ask voters to voice a protest that stops short of turning the whole government over to the other side. So far, the specials show that Trump-brand Republicanism is unpopular with high-education voters and has made zero inroads among Trump opponents. Since most high-education districts are already Democratic, that's interesting, but not earth-shaking.

Mr. Barone, longtime co-author of the Almanac of American Politics, is a resident fellow at the American Enterprise Institute and a senior political analyst for the Washington Examiner.

A 'Red Team' Exercise Would Strengthen Climate Science

By Steven Koonin

Tomorrow's March for Science will draw many thousands in support of evidence-based policy making and against the politicization of science. A concrete step toward those worthy goals would be to convene a "Red Team/Blue Team" process for climate science, one of the most important and contentious issues of our age.

The national-security community pioneered the "Red Team" methodology to test assumptions and analyses, identify risks, and reduce—or at least understand—uncertainties. The process is now considered a best practice in high-consequence situations such as intelligence assessments, spacecraft design and major industrial operations. It is very different and more rigorous than traditional peer review, which is usually confidential and always adjudicated, rather than public and moderated.

The public is largely unaware of the intense debates within climate science. At a recent national laboratory meeting, I observed more than 100 active government and university researchers challenge one another as

they strove to separate human impacts from the climate's natural variability. At issue were not nuances but fundamental aspects of our understanding, such as the apparent—and unexpected—slowing of global sea-level rise over the past two decades.

Summaries of scientific assessments meant to inform decision makers, such as the United Nations' Summary for Policymakers, largely fail to capture this vibrant and developing science. Consensus statements necessarily conceal judgment calls and debates and so feed the "settled," "hoax" and "don't know" memes that plague the political dialogue around climate change. We scientists must better portray not only our certainties but also our uncertainties, and even things we may never know. Not doing so is an advisory malpractice that usurps society's right to make choices fully informed by risk, economics and values. Moving from oracular consensus statements to an open adversarial process would shine much-needed light on the scientific debates.

Given the importance of climate projections to policy, it is remarkable that they have not been subject

to a Red Team exercise. Here's how it might work: The focus would be a published scientific report meant to inform policy such as the U.N.'s Summary for Policymakers or the U.S. Government's National Climate Assessment. A Red Team of scientists would write a critique of that document and a Blue Team would

Put the 'consensus' to a test, and improve public understanding, through an open, adversarial process.

rebut that critique. Further exchanges of documents would ensue to the point of diminishing returns. A commission would coordinate and moderate the process and then hold hearings to highlight points of agreement and disagreement, as well as steps that might resolve the latter. The process would unfold in full public view: the initial report, the exchanged documents and the hearings.

A Red/Blue exercise would have many benefits. It would produce a

traceable public record that would allow the public and decision makers a better understanding of certainties and uncertainties. It would more firmly establish points of agreement and identify urgent research needs. Most important, it would put science front and center in policy discussions, while publicly demonstrating scientific reasoning and argument. The inherent tension of a professional adversarial process would enhance public interest, offering many opportunities to show laymen how science actually works. (In 2014 I conducted a workshop along these lines for the American Physical Society.)

Congress or the executive branch should convene a climate science Red/Blue exercise as a step toward resolving, or at least illuminating, differing perceptions of climate science. While the Red and Blue Teams should be knowledgeable and avowedly opinionated scientists, the commission should have a balanced membership of prominent individuals with technical credentials, led by co-chairmen who are forceful, knowledgeable and independent of the climate-science community. The Rogers Commission for

the Challenger disaster in 1986, the Energy Department's Huizenga/Ramsey Review of Cold Fusion in 1989, and the National Bioethics Advisory Commission of the late 1990s are models for the kind of fact-based rigor and transparency needed.

The outcome of a Red/Blue exercise for climate science is not preordained, which makes such a process all the more valuable. It could reveal the current consensus as weaker than claimed. Alternatively, the consensus could emerge strengthened if Red Team criticisms were countered effectively. But whatever the outcome, we scientists would have better fulfilled our responsibilities to society, and climate policy discussions would be better informed. For those reasons, all who march to advocate policy making based upon transparent apolitical science should support a climate science Red Team exercise.

Mr. Koonin, a theoretical physicist, is director of the Center for Urban Science and Progress at New York University. He served as under-secretary of energy for science during President Obama's first term.

Need Revenue? Try Slashing the Capital-Gains Tax Rate

By Mark Bloomfield

And Oscar S. Pollock

In the debate over tax reform, the biggest challenge is always how to raise enough revenue to offset proposed tax cuts. Yet there is a relatively simple and painless way to maintain the federal coffers: Restore long-term capital-gains tax rates to the levels in place before President Obama took office. A reduction in this tax could generate significant additional revenue.

We began working on this issue in 1977 and have observed the long-term consequences of changes in the capital-gains tax. This particular levy is unique in that most of the time the taxpayer decides when to "realize" his capital gain

and, consequently, when the government gets its revenue. If the capital-gains tax is too high, investors tend to hold on to assets to avoid being taxed. As a result, no revenue flows to the Treasury. If the tax is low enough, investors have an incentive to sell assets and realize capital gains. Both the investors and the government benefit.

Many have offered opinions on which maximum tax rate would raise the most revenues. Our experience suggests the ideal federal capital-gains tax rate is 15%.

The chance to test that theory came in May 2003, when Congress lowered the top rate on long-term capital gains to 15% from 20%. According to the Congressional Bud-

get Office, by 2005-06 realizations of capital gains had more than doubled—up 151%—from the levels for 2002-03. Capital-gains tax receipts in 2005-06, at an average of \$98 billion a year, were up 81% from 2002-03. Tax receipts reached a new peak of \$127 billion in 2007 with the maximum rate still at 15%.

By comparison, federal capital-gains tax receipts were a mere \$7.9 billion in 1977 (the equivalent of about \$31 billion in 2009 dollars), according to the Treasury Department.

The effective maximum federal capital-gains tax was then 49%.

The vociferous critics, who denounced us for trying to "unsoak the rich" over the years, should instead thank us for finding a way to make the wealthy pay much more in taxes.

Now fast-forward to the recent

past. Congress raised the top capital-gains tax rate back to 20% in 2009 and later added a 3.8% tax on investment income, including capital gains, to help pay for the Affordable Care Act. The top federal rate is now 23.8%.

Cutting it to 15% would induce investors to realize gains—and double what the government takes in.

In 2009 through 2012, capital-gains realizations and tax receipts came in sharply under those of the previous four years, but one cannot blame all that on the higher tax rates. The recession and subsequent stock and real-estate market

declines were no doubt big factors. Tax receipts have enjoyed a recovery during the past few years.

Yet realizations of capital gains from 2013-16 remained considerably below prior peaks despite improvement in the economy. The subdued level of realizations is evidence of a considerable lock-in effect caused by higher rates.

Using our post-2003 experience as a guide, we can predict a dramatic improvement in realizations and tax receipts if the top capital-gains tax rate is lowered to 15%. In a year or two, realizations of capital gains could double from the \$643 billion in 2016.

The potential for increased revenue is enhanced by the recent improvement in equity prices. A tax rate of 15% on realizations of \$1.3 trillion would provide tax receipts of more than \$192 billion—\$58 billion more than the \$134 billion collected in 2016, with a maximum capital-gains tax rate of 23.8%. Also, this would probably not be a one-shot increase. After the 2003 rate cut, tax revenues rose for years until the recession hit.

Past capital-gains tax reductions have been great revenue raisers, but that's not the only benefit. Such changes also increase the mobility of capital by inducing investors to realize gains. This allows investment money to flow more freely, particularly to new and young companies that are so important for growth and job creation.

Mr. Bloomfield is president of the American Council for Capital Formation. Mr. Pollock is a director of Ingalls & Snyder.

THE WALL STREET JOURNAL.

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Notable & Quotable: Berkeley

From the website of the Onion, a satirical newspaper, April 19:

BERKELEY, CA—Advising students to remain in their dormitories and classrooms until the situation was resolved, the University of California, Berkeley declared a campuswide lockdown Thursday after several loose pages from *The Wall Street Journal* were found on a park bench outside a school building. "At 11:15 this morning, several pages from two separate sections of today's *Wall Street Journal* were discovered spread across a bench outside of Eshleman Hall in Lower Sproul Plaza," read

the urgent alert sent to all students and faculty, emphasizing that while campus security and local police had safely disposed of the pages, there was no way of knowing if others were strewn elsewhere on university grounds. "As of now, the perpetrator remains at large, so it is vital that you stay where you are until the all-clear is given. In the meantime, notify police immediately if you have any additional information at all regarding this incident." At press time, a black-clad group of 50 students were throwing bottles at the bench while chanting, "No Nazis, No KKK, No Fascist U.S.A!"

Global warming is a lot of hot air.

Unfortunately, there are people who think that our planet isn't heating up. Even though the overwhelming majority of climate researchers consider it a scientific fact.

At Nest, we believe climate change is an urgent threat to our world. And the real question up for debate should be, "What are we going to do about it?"

That's the reason we made the Nest Learning Thermostat. Since 2011, it's saved over 12 billion kWh of energy. That's enough to power New York City for 81 days.

But what if everyone had a Nest Thermostat? Together, how much energy could we save? How much pollution could we prevent? We're working with customers and energy providers around the world to find out.

Today and every day, our mission at Nest is to create a home that takes care of the people inside it. And the world around it.



nest.com

Energy savings are an estimate, not a guarantee that any individual user will save energy.

nest

BUSINESS & FINANCE

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GM Quits Venezuela After Seizure

Authorities take over car maker's plant, forcing company to lay off 2,700 workers

By ANATOLY KURMANAEV AND KEJAL VYAS

CARACAS, Venezuela—General Motors Co. became the latest multinational company to exit what used to be South America's most lucrative consumer market, following the seizure of its plant linked to a court case.

Venezuelan authorities on

Wednesday unexpectedly took over GM's plant in the central Carabobo state, seizing production facilities and car stock, the company said in a statement. GM, the world's third-largest car maker, said it has been forced to lay off its 2,700 Venezuelan workers.

"It gives me immense sadness to see the collapse of so many years of work," said a GM executive in Venezuela.

The Venezuelan government, which frequently blames big business for the country's economic crisis, hasn't publicly commented on the move, which took place amid deadly nation-

wide antigovernment protests.

A top Venezuelan industrial policy maker said the seizure is a private matter between two companies.

"This has nothing to do with the Venezuelan state," said the official. He added that the government is now working to resolve the conflict.

GM said the seizure was triggered by a provincial court embargo in favor of a former local dealer who sued the company for about \$370 million in 2000 over contract disagreements.

GM denied any wrongdoing linked to the case, called the embargo "absurd" and said the

demanded sum "exceeds all the logic."

The company "strongly rejects the arbitrary measures taken by the authorities and will vigorously take all legal actions, within and outside of Venezuela, to defend its rights," GM said.

The ruling party of Nicolás Maduro and his predecessor Hugo Chávez has nationalized more than 1,400 companies and private assets since taking power in 1999, according to industry group Conindustria.

The vast bulk of the seized companies have since closed, contributing to an unprecedented eco-

nomic crisis rocking the country.

News of the closure of what was once the pride of Venezuela's manufacturing caused more indignation on the streets of eastern Caracas, where thousands of antigovernment demonstrators gathered Thursday for the latest in a series of protests calling for an end to 18 years of Socialist rule.

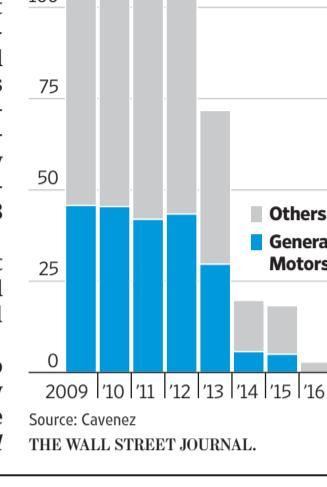
"This expropriation will just make everything worse," said 71-year-old protester Raul Guevara.

The company's decision to immediately quit the country after 70 years following the

Please see GM page B11

Stalled

Vehicles manufactured in Venezuela, in thousands



Source: Cavenez

THE WALL STREET JOURNAL.

HEARD ON THE STREET

By Nathaniel Taplin

China's Oil Refiners Set Sights On World

Hungry Chinese refiners were once a boon for oil-sector investors. But the global refining business is now in the crosshairs of its big oil firms.

Chinese oil demand has skyrocketed this century, but its refining capacity has risen more rapidly, tripling to 15% of the global total by the end of 2015, according to BP's annual world energy report, and a level nearly 20% higher than China's annual oil consumption. Diesel and gasoline exports have surged. China National Petroleum Corp. predicts a further 5% rise in China's capacity in 2017 and a further 55% rise in net diesel exports.

China's rising refining overcapacity has followed a pattern that previously helped sink global margins in steel, aluminum and solar-panel manufacturing. State-backed firms, which face little problem getting access to credit, pile into what initially look like profitable sectors.

As long as the economy is humming along, this strategy works fine. But when growth slows, all that new diesel or steel needs to find a new home. As the Chinese economy slowed sharply in late 2014, China moved from being a net importer of fuel products to one of the world's largest exporters—a position it still holds.

The situation was exacerbated last year by a new rule spurring higher output by independent "teapot" refiners and by Beijing's continuing price controls: While global crude prices rose over 60% in yuan terms, domestic diesel prices rose only 19%. With margins narrowing and the yuan weakening, refiners had a strong incentive to send production abroad.

Things are improving somewhat this year. The yuan has stabilized and so has domestic growth. That won't be enough to erase the now-structural overcapacity in Chinese refining. Along with the rise in U.S. shale-oil production, this factor could help keep global crude prices in check: Competing regional firms facing lower margins would be even less inclined to build up inventories if crude-oil prices start rising.

The impact is spreading to European firms like Royal Dutch Shell and Total.

McKinsey notes that lower refinery run rates in Europe last year were partly due to a surge in Middle Eastern fuel imports.

As Chinese oil products start leaking under the door, Western oil refiners celebrating the prospect of higher global growth this year—including in China—should temper their optimism.



As Wal-Mart focuses on beating competitors' prices for grocery items, the price war is hurting big supermarket chains in the U.S.

Health Insurers Look To 2018

By ANNA WILDE MATHEWS AND LOUISE RADNOFSKY

Anthem Inc. made preliminary filings indicating it will offer plans on the Affordable Care Act marketplaces in Virginia and Kentucky next year, providing insight on the insurer's exchange business.

Cigna Corp. and Aetna Inc., which like Anthem have said they are reconsidering their exchange offerings, are among insurers that made similar filings in Virginia. But one current Virginia ACA insurer, UnitedHealth Group Inc., didn't file 2018 forms, and a spokesman confirmed it would leave the state's marketplace next year.

The filings represent early moves toward offering plans on exchanges in Virginia and Kentucky—which have some of the earliest filing deadlines among state regulators. But the insurers could reverse course in coming weeks or months, and their strategy may be different in other states. The disclosures also don't include details such as rates and the specific regions where they intend to participate.

Insurers are currently struggling with decisions about their 2018 exchange offerings, amid what they have complained are mixed signals from the Trump administration and congressional Republicans about the future of the ACA. In particular, the insurers want guarantees that they will continue to receive federal payments that help cover the cost of care for lower-income ACA exchange enrollees. Without the payments, industry officials have said the exchanges may see significant rate increases.

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ROBERTO MACHADO NOA/LIGHTROCKET/GETTY IMAGES

DANIEL ACKER/BLOOMBERG

Wal-Mart Steps Up Its Food Fight

By HEATHER HADDON AND SARAH NASSAUER

Wal-Mart Stores Inc.'s fight to defend its low-cost reputation is helping to extend the longest food-price decline in decades.

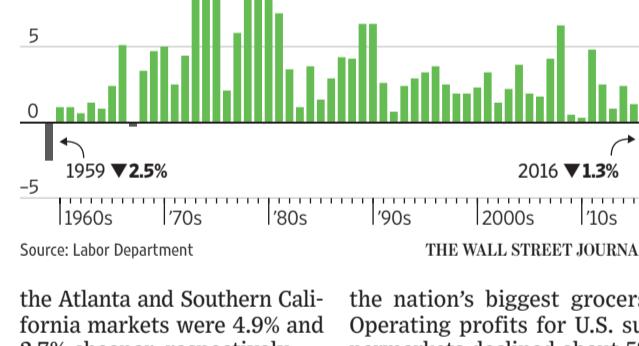
The world's biggest retailer is investing heavily to lower prices in its U.S. stores, the company's executives say, as competition heats up against Amazon.com Inc. and European deep discounters Aldi and Lidl. Wal-Mart is spending to beat competitors' prices and test strategic price drops, mostly on food and household goods sold at Wal-Mart stores in the Southeast and the Midwest, say people familiar with the tactics.

Wolfe Research recently found prices for a basket of grocery items at Philadelphia area Wal-Mart stores were 5.8% lower than a year ago, while those in

Cheap Eats

The price of groceries in the U.S. fell 1.3% annually last year, the steepest decline since 1959.

Consumer-price index for food at home, annual change



THE WALL STREET JOURNAL.

the Atlanta and Southern California markets were 4.9% and 2.7% cheaper, respectively.

The price war, coupled with Wal-Mart's renewed focus on refurbishing stores, is hurting Kroger Co., the biggest U.S.

supermarket chain, recently reported its first quarterly decrease in same-store sales in 13 years. Cincinnati-based Kroger's shares fell 3% in February after Wolfe Research reported that Wal-Mart was cutting prices in the Midwest. The stock later recovered, but remains down 13% this year.

Kroger Chief Financial Officer Mike Schlotman recently said pressure from Wal-Mart, which sells more food in the U.S. than any grocer, was mounting. "We certainly have seen them do things better than they historically have," he said.

To keep up, Kroger says it has spent more than \$3.7 billion to lower prices over the last decade. Kroger gave voluntary buyouts to roughly 1,300 workers, and is reducing planned capital investments by around a fifth this year.

Target Corp., where executives

Please see FOOD page B2

ROBERTO MACHADO NOA/LIGHTROCKET/GETTY IMAGES

DANIEL ACKER/BLOOMBERG

ROBERTO MACHADO NOA/LIGHTROCKET/GETTY IMAGES

DANIEL ACK

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BUSINESS & FINANCE

Prince Tribute at Center of Dispute

BY HANNAH KARP

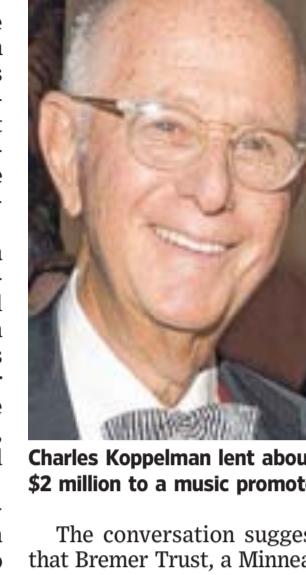
The messy affairs of late pop star Prince became even more tangled Wednesday, as two of the singer's half-brothers suggested the bank that previously oversaw the estate's business may have breached its fiduciary commitments.

The allegations stem from a tribute concert the estate decided to hold last year, several months after Prince died of an opioid overdose. Two advisers hired by the bank, Bremer Trust, urged promoting the show via a little-known, months-old company called Jobu Presents LLC.

According to an audio recording filed in Minnesota court Wednesday by the two half-brothers, one of the advisers to Bremer, Charles Koppelman, lent Jobu the roughly \$2 million it needed to pay the estate to secure the rights to the show.

Jobu backed out of the tribute concert about two months before it was to take place, leading some of Prince's heirs to allege that the October concert didn't generate as much revenue as it could have.

The recording—a conversation between Mr. Koppelman and Jobu Chief Executive Vaughn Millette, which Mr. Millette had taped—was filed under seal in probate court by Prince half-brothers Omarr Baker and Alfred Jackson, and reviewed by The Wall Street Journal.



WIREIMAGE

Charles Koppelman lent about \$2 million to a music promoter.

The conversation suggests that Bremer Trust, a Minneapolis-area bank, was aware of Mr. Koppelman's loan and may have breached its fiduciary duty, as the arrangement wasn't disclosed, according to the filing.

A Bremer spokeswoman declined to comment because she hadn't seen the filing.

"I was responsible for you getting back your \$2 million—I told Bremer to send it, which they did," a person identified in the court filing as Mr. Koppelman can be heard saying in the recording.

Mr. Koppelman also can be heard demanding his money back from Mr. Millette, saying "you stole \$2 million from me," and threatening to damage Mr. Millette's reputation and finances.

"I loaned you the money in good faith, and you paid me by just being a total dick," Mr. Koppelman says on the recording. "So now that I don't care about anything other than getting our money back, it's going to cost you anything and everything that you have: Your reputation, any money you have, any money your family has. I'm just going to go get it now."

Mr. Millette alleges on the recording that Mr. Koppelman had "threatened" him to accept the money and to send it to the estate as a guarantee.

A lawyer for Mr. Koppelman said he had initiated a lawsuit against Mr. Millette. Mr. Millette didn't respond to requests for comment.

In the months after Prince died last April without a will, plans took shape for a tribute concert.

Mr. Koppelman and his co-adviser, Prince's former attorney L. Londell McMillan, urged Bremer to choose Jobu

to promote the show, even though the tiny company had been around for less than a year and had little track record.

They described its offer as "substantially better than any other proposed" by established competitors, according to an earlier court filing.

Messrs. Koppelman and McMillan were eligible to earn a 10% commission on the advance payment, similar to other deals they have negotiated for the estate.

In a filing accompanying

the recording submitted Wednesday, Messrs. Baker and Jackson said the evidence called for discovery to investigate Bremer's move to retain Jobu over other established promoters such as Live Nation Entertainment Inc., as well as the circumstances surrounding Mr. Koppelman's loan and Bremer's decision to return the guarantee money to Jobu Presents.

Messrs. Baker and Jackson declined to comment through their lawyers, Steve Silton and Justin Bruntjen, respectively.

The heirs urged the court not to release Bremer from liability related to the estate until it can determine whether the bank breached its fiduciary duty. Comerica Bank & Trust took over as administrator in late January.

The recording is the latest troubling development for Bremer, which is also under scrutiny for having approved a \$30 million music-licensing deal with Universal Music Group that the record label may now seek to void amid uncertainty over whether the recordings in question were already licensed to a competitor.

Bremer has said it doesn't comment on such matters to respect its clients' privacy.

Jobu Presents backed out of the deal on Aug. 24, demanding its money back plus damages.

Bremer returned the money to Jobu in September, according to the court filing.

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PRICES

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measures to address rising real-estate costs—highlighted by a 15% surtax on foreign house buyers, largely mimicking what British Columbia authorities did. The government said the suite of policies, including a tax on vacant Toronto residences and caps on rent increases, is meant to bring stability to a frothy market.

"Vacant homes and speculators who never set foot in Ontario exaggerate our challenges. So we are taking action to discourage this practice," Ontario Premier Kathleen Wynne said at a press conference in Toronto.

The Toronto rise isn't entirely explained by robust economic activity and changes in domestic supply or demand factors, economists say. There isn't direct evidence showing that foreign buying has increased in Toronto, and Canadian data on such transactions are weak. Still, Canada's federal government in March has pledged \$241 million over a decade to bolster housing-data collection.

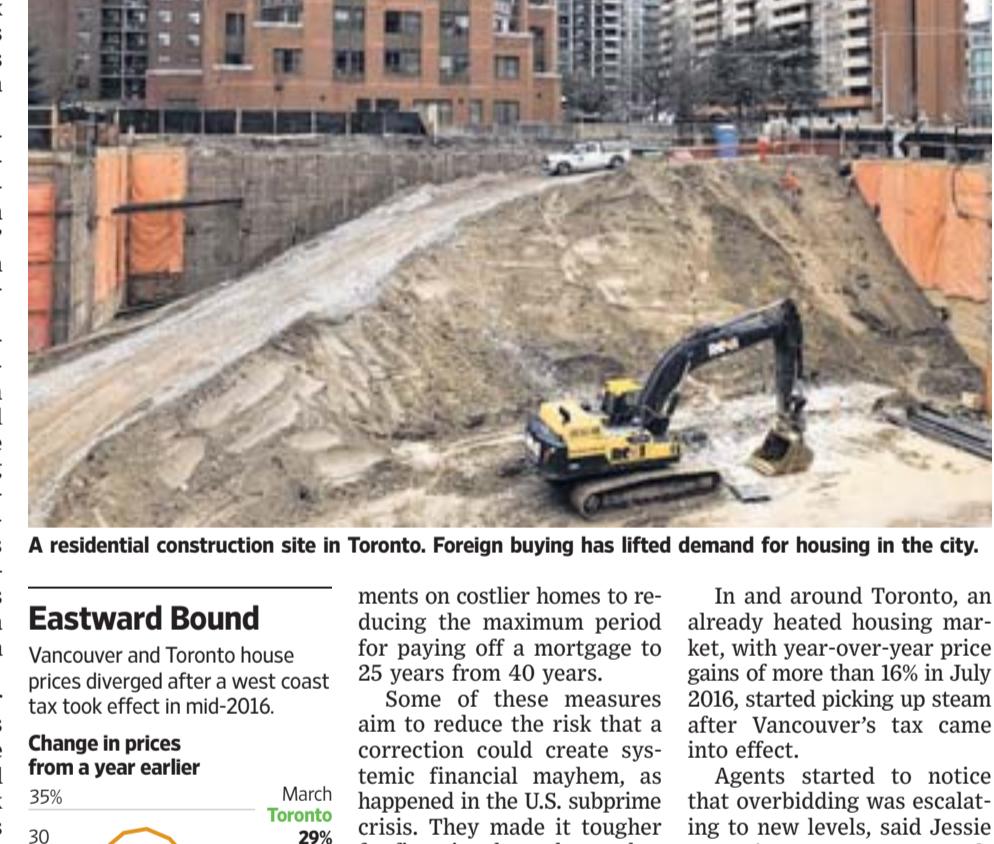
Bank of Canada Governor Stephen Poloz, who has warned repeatedly about the growing risk of overvalued housing in Canada, last week cautioned that Toronto's gains are unsustainable and "divorced from any fundamentals that we can identify."

Mr. Poloz has also said an interest-rate increase wouldn't be the right tool to tame the housing market, highlighting the dilemma faced by central bankers worldwide.

Like his counterparts in Sweden, Australia and New Zealand, countries that also have struggled to recover from the credit crisis or have been hit by the more recent downturn in commodities prices, Mr. Poloz is keeping interest rates at rock-bottom levels to foster growth, and is maintaining that position despite exposure to a possible housing correction. Canada's central bank has cut interest rates twice since January 2015 to 0.50%, and isn't expected to begin

raising them until next year.

Canadian policy makers



A residential construction site in Toronto. Foreign buying has lifted demand for housing in the city.

Eastward Bound

Vancouver and Toronto house prices diverged after a west coast tax took effect in mid-2016.

Change in prices from a year earlier



Sources: Toronto Real Estate Board; Real Estate Board of Greater Vancouver

THE WALL STREET JOURNAL

ments on costlier homes to reducing the maximum period for paying off a mortgage to 25 years from 40 years.

Some of these measures aim to reduce the risk that a correction could create systemic financial mayhem, as happened in the U.S. subprime crisis. They made it tougher for first-time home buyers but are failing to target the real sources of frothiness, said Doug Porter, chief economist at BMO Capital Markets.

"That does absolutely nothing to stop a foreigner or a speculator. And that's where the source of strength is now coming from," he said.

The Vancouver tax was introduced last July after some research showed that overseas buyers, mostly from China, were playing a significant role in pushing up prices.

As sales volume dropped in Vancouver, the new tax appeared to nudge foreign buyers toward at least a couple of new markets, including Seattle, where the median house price in March rose 15.6% over a year to \$530,000.

In and around Toronto, an already heated housing market, with year-over-year price gains of more than 16% in July 2016, started picking up steam after Vancouver's tax came into effect.

Agents started to notice that overbidding was escalating to new levels, said Jessie Banwait, a Toronto-area real-estate agent with Re/Max Real Estate, who has noticed a surge in foreign buying. Agents say that foreign buyers aren't the only ones fueling Toronto's froth.

John Pasalis, president of Toronto-based Realosophy Realty Inc., said domestic clients started approaching him last year about purchasing single-family homes as rental properties. Mr. Pasalis recalls some of these buyers were indifferent to the possibility that monthly rental income might fall short in covering the mortgage and tax bill. "That started to alarm us," he said.

Now, there also are signs that Toronto's overvaluation may spread to the greater Toronto area, which is home to 5.6 million people.

FOOD

Continued from the prior page
tives are trying to turn around a struggling grocery business, is also investing \$400 million in online sales and lower prices. It is simplifying its messaging to emphasize consistently low prices instead of complicated short-term deals, a spokeswoman said.

"We know we have to be competitively priced every day on those core essentials," Target Chief Executive Brian Cornell told investors recently.

Retailers are offering more

discounts as food prices continue to fall. Year-to-year food retail prices declined for the 16th month in March, the longest stretch since 1956. But some believe the trend will reverse this year as commodity prices climb out of a multiyear rout. Moody's expects prices for food consumed at home to rise 1% in 2017.

Wal-Mart, based in Bentonville, Ark., has been fighting its competitors on price since its founding in 1962. But it backed off in recent years at the same time that customers started using mobile phones in stores to compare prices on Amazon and discounters rap-

idly added stores.

Fighting back, Wal-Mart executives in 2015 said they would invest heavily to lower prices over three years. In a presentation to suppliers in February, Megan Crozier, Wal-Mart's senior vice president of packaged goods, said Wal-Mart wants its prices to be 15% lower than its competitors' 80% of the time, according to attendees.

Wal-Mart's price cuts are eating into its own profit, forcing it to cut costs and putting pressure on its vendors. But the company is stealing market share. While profit fell 18% in the most recent quarter, Wal-Mart's sales

in existing stores, a key metric of retailer health, have risen for 10 consecutive quarters.

The fight between big food retailers is good for consumers. Last year, shoppers paid 1.3% less than a year earlier for eggs, meat and other staples, federal data shows, the steepest drop since 1959. Two-thirds of consumers surveyed recently by the Food Marketing Association said they chose where to buy groceries based on price.

"You have to be a smart shopper," said Lisa Ortega, a 40-year-old mother of a one-year-old in Chicago who often shops at Costco. "I'm not in a position where I can't care."



Andrew Harrer/Bloomberg
Insurers are reconsidering their health-exchange offerings.

BUSINESS & FINANCE

FCC Axes Curb on Television Stations

By JOHN D. MCKINNON

WASHINGTON—Federal regulators on Thursday reversed a 2016 change that has hindered big television-station owners from buying more stations, the latest in a series of moves to roll back Obama-era telecommunications rules.

In a separate action, the Federal Communications Commission also voted to deregulate significant portions of the market for business-data services such as credit-card readers and automated teller machines.

Republican commissioners cited healthy competition and the need to further encourage broadband investment as the basis for making the change.

Both changes are representative of the deregulatory direction of the FCC under its new chairman, Ajit Pai, who has moved steadily toward undoing or scaling back rules adopted by the agency in the past eight years.

Mr. Pai indicated he is only getting started: The commission also voted to begin a related proceeding that could lead to more sweeping changes to media-ownership rules, including elimination of a national audience limit on TV-station owners.

Already this year, the Republican-run Congress has voted to scrap an Obama-era customer-privacy restriction on internet-service providers such as **Verizon Communications** Inc. and **Comcast** Corp.

Telecom companies argued the restriction was unfair because big internet competitors in the online advertising market—such as **Facebook** Inc. and **Alphabet** Inc. unit Google—don't face the same restrictions.

The FCC also is considering changes to Obama-era net-neutrality rules that require cable and wireless companies providing internet service to treat all traffic equally.

Mr. Pai suggested at a news conference following Thursday's commission meeting that he is actively pursuing the goal of rolling back the most far-reaching aspects of the net-neutrality regime, which subjected internet providers to common-carrier regulation.

That change "has had harmful effects on the marketplace," he said. "I think going forward, we want to make sure we have the light-touch regulatory framework that incentivizes investment and competition."

Mr. Pai recently traveled to Silicon Valley—which generally has supported net neutrality—to talk about potential room for agreement on a rollback that preserves basic principles of the policy.

"I think they recognize, as I do, there is a lot of common ground here with respect to the need for a free and open internet," he said. He didn't discuss details of his plans, which some observers believe could be revealed as soon as this month.

Thursday's changes in media rules and data pricing were hailed by industry groups that had complained the existing rules were too restrictive or out of step with market realities.

Consumer advocates and some Democrats criticize the changes as too friendly to big telecommunications firms.

Investors Shift Gears Amid Tumult

Gold, Treasurys and other assets perceived as safe prove popular; stocks rebound on day

By IRA IOSEBASHVILI

Investors are bidding up prices for gold, Japanese yen and other haven assets, seeking cover from political and economic risks that are spreading across the globe.

Gold prices rose to their highest level since November this week and are up 11% this year. The yen reached a five-month high against the dollar on Monday. Other assets that tend to rise during times of turmoil, such as Treasurys, have gained steadily this month.

Riskier investments such as emerging markets have turned volatile recently, and the Dow Jones Industrial Average was off to its worst month since January 2016 before rebounding on Thursday.

The blue-chip index rose 0.9%, while gold and other haven assets were flat or weaker on the day after some solid earnings reports. But traders said the mood in the market remained shaky, despite a relief rally.

Driving the shift to safety is a series of geopolitical events that are beginning to rattle investors. Some of these political concerns, like heightened tensions over North Korea's nuclear-weapons program, have been around for years but intensified in recent days.

IHS Markit, a risk-consulting firm, warned in a Tuesday note about North Korea that "the risk of escalation and miscalculation following weapons tests, military exercises, or isolated attacks is greater now than at any point in the past 10 years." U.S. airstrikes in Syria and Afghanistan also have rekindled fears about those conflicts spiraling out of control.

Other concerns have appeared out of nowhere, like the sudden rise of French far-left presidential candidate Jean-Luc Mélenchon. With France going to the polls on Sunday, investors worry that candidates from two political extremes could face each other



The Japanese yen, a haven investment that tends to rise in times of turmoil, reached a five-month high against the dollar on Monday.

in a runoff.

Either one would be a bad outcome for stability and markets, investors say.

"Typically, you get a market environment that is consumed by a single issue," said Robert Tipp, chief investment strategist at PGIM Fixed Income. "Now, the attention is focused all across the globe, on a number of issues." Mr. Tipp increased positions in longer-dated Treasurys in the first quarter, in part to mitigate risk from political events.

The flight to safety is also a sign that investors are losing confidence that President Donald Trump can deliver a new fiscal policy to stimulate the U.S. economy after Republican efforts to overhaul health care collapsed amid other roadblocks, though Treasury Secretary Steven Mnuchin said on Thursday that the administration expected to release a tax plan "very soon."

The belief that Mr. Trump

and a GOP-controlled Congress could enact tax cuts, deregulation and other business-friendly policies drove stocks higher after the election, but many investors have been reversing those trades in recent weeks. The latest U.S. inflation and jobs data also disappointed, raising new concerns that the U.S. economy may be hitting a soft patch.

Rising doubts about growth are also weighing on the dollar. The U.S. currency shot higher in the weeks after the election, but is down 3.4% against a basket of other currencies this year. With traders uncertain whether the multi-year dollar rally can restart, they are putting money in assets perceived as safer as they reassess.

Riskier investments such as emerging markets have turned volatile recently, while the S&P 500 is off 1.7% from a 52-week high hit in March.

The CBOE Volatility Index,

or VIX, has also climbed around 14% this month to 14.15 and is well above its average in the first quarter, when it hovered at historic lows. Dubbed the "fear gauge," the index is based on options prices on the S&P 500 index and tends to rise when stocks decline.

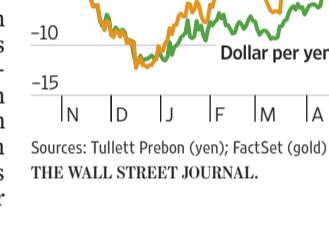
In addition to political unrest, some investors are worried about signs of a slowdown in China's economy. That is starting to weigh on commodities. Iron-ore prices are down about 18% this month, due in part to weaker housing data in China, analysts say. China is the world's largest consumer of raw materials.

Deltec International Group, a private banking and wealth-management firm in the Bahamas, is cutting back on its bullish bets, anticipating a more volatile second quarter. The firm is paring back on U.S. stocks and is adding to its bondholdings, said Atul Lele,

Back to Safety

Investors are piling into safe havens like gold and yen during a period of political risks.

Performance since Nov. 1



Sources: Tullett Prebon (yen); FactSet (gold)
THE WALL STREET JOURNAL.

Deltec's chief investment officer. "The biggest risk to markets is...that growth momentum is slowing," Mr. Lele said. "And it means risk assets are going to decline."

—Timothy Puko
and Gunjan Banerji
contributed to this article.

Japan Pushes Automatic Braking

By SEAN McLAIN

TOKYO—Japan is taking the lead on adopting some of the world's newest driving technologies, largely because it has to accommodate some of the world's oldest drivers.

Car companies say more than half the vehicles sold in Japan last year were equipped with automatic braking systems, which can detect possible collisions and brake to avoid them. The comparable figures were 24% in Europe and only 9% in the U.S., according to London-based auto consulting firm Jato Dynamics.

What makes Japan particularly receptive to the technology is that more than a quarter of its population is over 65, and one of the country's most common driving mistakes is hitting the gas pedal instead of the brake. It happens thousands of times a year—so often that Japanese police maintain separate statistics for the traffic mishap.

"Every day you hear about an elderly driver crashing their car because they mixed up the accelerator and the brake pedal," said Kenichi Shimizu, who runs

a Nissan dealership in Tokyo.

Regulators around the world are pushing for greater adoption of automatic braking, citing its ability to drastically reduce the number and severity of car accidents. The technology reduces the chance of a rear-end collision by 40%, according to the Insurance Institute for Highway Safety, a research organization funded by the U.S. insurance industry.

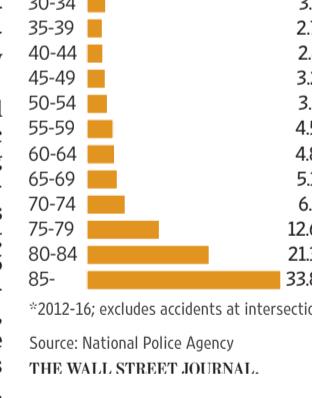
Data suggest the increased sale of cars with automatic braking in Japan is reducing the toll of such accidents. Injuries and death from accidents blamed on mistakenly hitting the gas pedal fell 13% to 5,085 in 2016, the largest annual decline in at least eight years, according to Japanese police data. The sharpest decline was for drivers over the age of 65.

The decline coincided with a big push by Japanese car makers to put the technology in more of their vehicles last year. **Toyota Motor** Corp., which accounts for a third of the Japanese car market, offered automatic braking in 19 models in 2016, up from four the year before.

"The O'Reilly Factor" host had recently signed a four-year deal at Fox News valued at \$100 million, people with knowledge of the contract said. That contract also contained provisions allowing Fox News and parent company **21st Century Fox** to pull the plug on Mr. O'Reilly should he become ensnared in any controversies, these peo-

Age Matters

Fatal crashes per 100,000 drivers in Japan, by age*



*2012-16; excludes accidents at intersections

Source: National Police Agency

THE WALL STREET JOURNAL.

automatically hit the brakes.

"We want drivers, especially the elderly, to test-drive these cars and understand how they work," said Takeshi Inoue, head of the traffic bureau at the National Police Agency, after a **Mazda** Motor Corp. CX-5 crossover autonomously piloted him to safety.

Accidents caused by elderly drivers have been steadily declining over the last decade in Japan alongside a fall in the overall accident rate that police attribute partly to improving vehicle technology.

Still, the rate of certain types of accidents rises quickly with old age: Drivers in the 80-84 age group have about four times as many fatal crashes as drivers on average, according to Japanese police figures.

Police in one region of the country recently teamed up with a funeral home to offer discounts on funerals to seniors who proved that they surrendered their driver's license. Kagawa prefecture, in southern Japan, offers about \$270 to senior citizens who trade in their cars for ones with self-driving technology.

Ad Blocker From Google Stirs Concern

By JACK MARSHALL

Online publishers and media companies are trying to discern the potential impact on their businesses if **Alphabet** Inc.'s Google proceeds with a plan to introduce an ad-blocking feature in its popular Chrome web browser that would filter out certain types of unacceptable ads.

On the one hand, such a feature could help weed out the types of irritating ads that drive consumers to avoid online advertising in the first place, they say. But on the other, it could give more power to an entity that already controls much of the advertising on the internet, and against which they compete for advertising revenue.

As The Wall Street Journal reported Wednesday, Google is considering launching an advertising filter in the mobile and desktop versions of Chrome, which would strip out certain online ads deemed to provide bad experiences for users, people familiar with Google's plans said. Google has declined to comment on any ad-blocking plans.

Unacceptable ad types would likely be those identified by the ad industry group the Coalition for Better Ads, the people said. The ad-blocking feature could be switched on by default within Chrome.

Such a move could have repercussions for ad-supported websites and services, advertising technology companies, and advertisers themselves, depending on if and how it is implemented.

The Interactive Advertising Bureau, a trade group that says it empowers the media and marketing industries, declined to comment on Google's potential ad filter in Chrome.

O'Reilly Exits Fox News With \$25 Million Payout

By JOE FLINT

Bill O'Reilly will exit Fox News with a severance package valued at about \$25 million, a person familiar with the matter said, after he was forced out in the wake of sexual-harassment allegations.

"The O'Reilly Factor" host had recently signed a four-year deal at Fox News valued at \$100 million, people with knowledge of the contract said. That contract also contained provisions allowing Fox News and parent company **21st Century Fox** to pull the plug on Mr. O'Reilly should he become ensnared in any controversies, these peo-

ple said.

A spokeswoman for Fox News referred calls to representatives for 21st Century Fox, who didn't respond to requests for comment.

Mr. O'Reilly has denied all of the accusations against him and said Wednesday that it is "tremendously disheartening" that he is parting ways with Fox News "due to completely unfounded claims." Fox News replaced "The O'Reilly Factor" with Tucker Carlson at 8 p.m.

21st Century Fox said Wednesday that the company and Mr. O'Reilly agreed he wouldn't return to the cable news network "after a thorough and careful review of

the allegations." The Financial Times had earlier reported the value of Mr. O'Reilly's payout.

Mr. O'Reilly isn't the first person at Fox News to be swept out amid a sexual-harassment scandal. In July, Fox News Chairman and Chief Executive Roger Ailes resigned after he was accused of sexual harassment by multiple women, claims that he denied. He walked with an exit package worth more than \$40 million.

21st Century Fox said Wednesday that the company and Mr. O'Reilly agreed he wouldn't return to the cable news network "after a thorough and careful review of



RICHARD DREW/ASSOCIATED PRESS

Bill O'Reilly was forced out amid sexual-harassment allegations.

TECHNOLOGY

Samsung Sees Red Over Phone Gripes

BY EUN-YOUNG JEONG

SEOUL—After rave reviews for its latest flagship smartphone, **Samsung Electronics** Co.'s Galaxy S8 reaches U.S. consumers this week in one of the most closely watched product launches of the year.

Samsung needs a seamless start for the S8 to help win back consumer trust, following its costly recall last year of three million Galaxy Note 7 devices due to overheating batteries.

The company is holding its breath. Some customers in South Korea—where preorders of the new phone became available Tuesday—are already complaining that their screens have a red hue.

Samsung says the red-tinted screens aren't defects, and that users can rectify it by adjusting the color range of the display in the device's settings. "Galaxy S8 was built with an adaptive display that optimizes the color range, saturation and sharpness depending on the environment," the company said in an email. Samsung declined to say how many complaints it has received about the screen color.

In recent days, dozens of people posted pictures on Facebook, Instagram and elsewhere comparing Galaxy S8 devices, with some showing a stronger red tint. One picture showed two devices with identical RGB color-balance settings, but one of the screens was a stronger shade of red. The tint led some customers to dub certain Galaxy S8 devices the "cherry blossom edition."

Samsung has touted improvements in the Galaxy S8, including a display that bleeds

across almost the whole phone, as one of the smartphone's main features. The S8 has notched more preorder sales than its predecessor, the S7, according to the company.

Industry analysts say display screens with stronger hues of a certain color aren't a new phenomenon and have appeared in other mobile devices. The Google Nexus 5 and Apple Inc.'s iPhone 7, for instance, faced user complaints about a yellowish display.

Still, it is surprising to see this in a top-tier Samsung phone, said Claire Wen, principal research analyst specializing in display technologies at research firm Gartner Inc.

Several factors could cause a red tint in Galaxy S8 phones, according to industry experts including Ms. Wen, who said the functioning of the chipset that is attached to the OLED panel and which adjusts the screen's color performance could be to blame.

Dr. Raymond Soneira, president at Amherst, N.H.-based DisplayMate Technologies Corp., a display-technology research company, said it was extremely unlikely that red-tinted screens stemmed from hardware issues.

Dr. Soneira, who said that he has extensively tested display panels on the Galaxy S8, said the issue could stem from the phone's numerous display settings. Still, he acknowledged that the issue could also arise from problematic factory calibrations of the OLED panels, or a software bug.

"If it's a software issue, it can be fixed on the fly," said Dr. Soneira. "But if it's a factory calibration issue, then, well, the phones just have to go back to the factory."



A performer in Beijing at a live-streaming platform in February. App stores in China share responsibility for ensuring content is legal.

Chinese Censors Press Apple

Regulator tells app firms to better screen out porn and flags
App Store oversight

By EVA DOU

BELIJING—A new challenge looms for **Apple** Inc. in China after internet regulators warned three video-app companies to do a better job of screening out pornography—an eye-popping task, as is evident here in the offices of the popular Huajiao streaming service.

A team of workers, tasked to review output, watches as images of young women and other video performers flash across their computer screens every two seconds in grids that allow them to watch 60 shows at a time. The mission: to make sure the coquettish video stars don't do anything to violate China's ban on steamy content. "It's tough because a girl can be talking normally and then suddenly take off her clothes," said a worker.

When the Cyberspace Administration of Beijing issued the warning Tuesday to Huajiao and

two other app companies to improve censorship, it also said it planned to summon Apple executives to discuss stricter oversight of the company's App Store. Under regulations issued last year, app stores in China share responsibility for ensuring content is legal.

Apple is the only foreign company running a major app store in China. Its App Store includes video-streaming services among its thousands of apps, but Apple itself doesn't stream videos. Apple has said it follows local law about what content is illegal and must be censored. Apple declined to comment. The Beijing Cyber-space Administration didn't reply to requests for comment.

China's app regulations are in line with Beijing's censorship strategy of leaning on private companies to self-censor. The amount of effort that responsibility entails for a live video app could be seen at Huajiao's offices on Thursday.

Huajiao said that before Tuesday's warning it already had 150 in-house employees and around 450 contractors who work three shifts to keep

eyes on live videos around the clock; the company hasn't added personnel but has stepped up monitoring since receiving the warning, it said.

Every video stream—Huajiao said it has around 1 million a day—is monitored at half-hour intervals.

China's live-stream video hosts are similar to YouTube stars, self-made entertainers who do all kinds of performances. Some feature flirtatious young women who sing or chat with viewers, and cajole them to buy virtual gifts for them through the apps. Sometimes they use nudity to encourage gift-giving.

In China, the range of forbidden content extends beyond pornography and violence to political speech. For chat apps and blogs, Chinese internet companies feed blacklists of sensitive words into screening software.

This week's official warnings come as part of a broader push by authorities to update the country's longstanding online censorship mechanism for the mobile era. China issued the app regulations last year and in January put some of the onus

on app store operators by requiring them to register.

With Google Play blocked in the country, Apple has been the only Western company with broad powers to influence what digital content reaches Chinese consumers' phones. That has meant Apple frequently comes under scrutiny.

In January, Apple said it removed the New York Times from its App Store in China, following a request from Chinese authorities. Last year, China shut down Apple's online book and movie services without specifying a reason. Authorities told Apple it lacked the necessary license, a person familiar with the matter said at the time. Given Apple's unique position as a major foreign digital content provider in China, some companies here aren't too happy with App Store policies.

Tencent Holdings Ltd. said Wednesday it killed a popular "tipping" feature for iOS users of its WeChat messaging platform after Apple said the feature didn't comply with App Store policy.

—Yang Jie contributed to this article.

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CLASS ACTIONS

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARESAN ANTONIO FIRE AND POLICE PENSION FUND, FIRE
AND POLICE HEALTH CARE FUND, SAN ANTONIO, PROXIMA
CAPITAL MASTER FUND LTD., and THE ARBITRAGE FUND,
Plaintiffs,v.
DOLE FOOD COMPANY, INC., DAVID H. MURDOCK and
C. MICHAEL CARTER,
Defendants.Civil Action No.
1:15-cv-1140-SLRSUMMARY NOTICE OF (I) PENDENCY OF CLASS ACTION AND
PROPOSED SETTLEMENT; (II) SETTLEMENT FAIRNESS HEARING;
AND (III) MOTION FOR AN AWARD OF ATTORNEYS' FEES
AND REIMBURSEMENT OF LITIGATION EXPENSES

TO: All persons and entities who sold the common stock of Dole Food Company, Inc. ("Dole") (i) during the period from January 2, 2013 through October 31, 2013, or (ii) on November 1, 2013 where those shares were sold on the open market and were not held as of the closing of the Take-Private Transaction on that date, and who were damaged thereby (the "Settlement Class");

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS WILL BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the District of Delaware, that the above-captioned litigation (the "Action") has been certified as a class action on behalf of the Settlement Class, except for certain persons and entities who are excluded from the Settlement Class, by definition, as set forth in the full printed Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Fairness Hearing; and (III) Motion for an Award of Attorneys' Fees and Reimbursement of Litigation Expenses (the "Notice").

YOU ARE ALSO NOTIFIED that Lead Plaintiffs in the Action have reached a proposed settlement of the Action for \$74,000,000 in cash (the "Settlement"), that, if approved, will resolve all claims in the Action.

A hearing will be held on July 18, 2017 at 11:00 a.m., before the Honorable Sue L. Robinson at the United States District Court for the District of Delaware, J. Caleb Boggs Federal Building, 844 N. King Street, Courtroom 4B, Wilmington, Delaware 19801-3568, to determine whether (i) the proposed Settlement should be approved as fair, reasonable and adequate; (ii) the Action should be dismissed with prejudice against Defendants, and the Releases specified and described in the Amended Stipulation and Agreement of Settlement dated March 29, 2017 (and in the Notice) should be granted; (iii) the proposed Plan of Allocation should be approved as fair and reasonable; and (iv) Lead Counsel's application for an award of attorneys' fees and Reimbursement of expenses (the "Notice").

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If you are a member of the Settlement Class, your rights will be affected by the pending Action and the Settlement, and you may be entitled to share in the Settlement Fund. If you have not yet received the Notice and Claim Form, you may obtain copies of these documents by contacting the Claims Administrator at San Antonio Fire & Police Pension Fund v. Dole Food Company, Inc., c/o JND Class Action Administration, P.O. Box 6428, Broomfield, CO 80021, 1-844-730-4155. Copies of the Notice and Claim Form can also be downloaded from the website maintained by the Claims Administrator, www.DoleSecuritiesLitigation.com.

If you are a member of the Settlement Class, you must submit a Claim Form **postmarked no later than August 9, 2017**. If you are a Settlement Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement but you will nevertheless be bound by any judgments or orders entered by the Court in the Action and you will not be eligible to share in the proceeds of the Settlement.

Any objections to the proposed Settlement, the proposed Plan of Allocation or Lead Counsel's motion for attorneys' fees and reimbursement of expenses must be filed with the Court and delivered to Lead Counsel and Defendants' Counsel such that they are **received no later than June 27, 2017**, in accordance with the instructions set forth in the Notice.

Please do not contact the Court, the Clerk's office, Dole, the other Defendants or their counsel regarding this notice. All questions about this notice, the proposed Settlement or your eligibility to participate in the Settlement should be directed to Lead Counsel or the Claims Administrator.

Inquiries, other than requests for the Notice and Claim Form, should be made to Lead Counsel:

Katherine M. Sinderson, Esq.
BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP
1251 Avenue of the Americas, 44th Floor
New York, NY 10020
(800) 380-8496
blbg@biblglaw.com

Requests for the Notice and Claim Form should be made to:
San Antonio Fire & Police Pension Fund v. Dole Food Company, Inc.,
c/o JND Class Action Administration
P.O. Box 6428
Broomfield, CO 80021
844-730-4155
info@DoleSecuritiesLitigation.com
www.DoleSecuritiesLitigation.com

By Order of the Court

CHINA CIRCUIT | By Li Yuan

China's Steve Jobs Is Urged By Key Investor to Step Aside



The company now known as **LeEco Holdings** started as a second-tier video website and then went into entrepreneurial overdrive to pursue its founder's grand vision to challenge Apple Inc., Netflix Inc., Amazon.com and Tesla Inc. all at once.

It is also now drawing complaints from a major investor about weak corporate governance, a topic rarely mentioned in China's business world.

Edward Zeng and his investment firm **China Bridge Capital** are big believers in LeEco's founder and chief executive Jia Yueling. China Bridge was the second-largest shareholder last year in Leshi Internet Information & Technology Corp., the publicly listed video site, and is still an investor in LeEco's other privately funded ventures that include smartphones, cloud computing, filmmaking and sports video. He says his firm has invested about \$2 billion in the technology conglomerate overall.

Mr. Zeng calls Mr. Jia a "king" and Jia Jobs, a hat tip to Apple co-founder Steve Jobs, whose presentation style and attire Mr. Jia has mimicked.

Still Mr. Zeng is trying to nudge Mr. Jia to change the way he manages his manifold ventures. His concern is Mr. Jia's determination to build an electric-car business, and how that could drag down LeEco's other businesses. A cash crunch last winter forced Mr. Jia to acknowledge that LeEco was expanding "blindly." He scrounged up a \$2.2 billion lifeline from a real-estate developer.

It is time, Mr. Zeng says, for Mr. Jia to follow many other startup founders by stepping down as chief executive officer and bringing in



LeEco's Jia Yueling is facing criticism over governance issues.

professional managers.

"He has the passion, vision and entrepreneurship," Mr. Zeng says, but being an entrepreneur, CEO and shareholder are different roles with different goals.

Mr. Zeng has aired his ideas in Chinese media, urging LeEco to sell nonstrategic businesses and protect investors' interests. So far, he says, Mr. Jia hasn't been receptive. China Bridge's investment in Leshi, the video site, was committed for less than a year so didn't merit a seat on the board.

LeEco didn't respond to requests for comment.

The chairman of Sunac China Holdings Ltd., the post-cash-crunch investor, said recently the real-estate developer has improved LeEco's corporate governance by installing a board director and three accountants with the company.

Bringing in professional help is common for U.S. startups. Google's co-founders hired Eric Schmidt as CEO early on. Mark Zuckerberg turned to Sheryl Sandberg to help steer Facebook Inc. Uber

Technologies Inc.'s Travis Kalanick is the latest to admit he needs leadership help.

A study of 16,000 startup founders over 15 years by Harvard Business School's Noam Wasserman found that 52% had been replaced as CEO by the time a third round of outside financing was raised. Three-quarters of the time, the founder didn't want to go.

Though similar data aren't available for Chinese startups, investors say that the proportion of founders replaced is nowhere near as high.

Letting a founder with a controlling stake remain as CEO can be positive, says Wang Cong, a finance professor at China Europe International Business School. Founders usually think longer-term, he says. The key is what they do with their control.

Mr. Jia used his to push LeEco into a broad range of businesses. LeEco has raised at least \$3.15 billion for new businesses, according to company announcements, while Mr. Jia has spent or pledged to spend more than \$5 billion on deals.

Elon Musk To Meld Brains and Computers

BY ROLFE WINKLER

Billionaire entrepreneur Elon Musk on Thursday confirmed plans for his newest company, called **Neuralink** Corp., revealing he will be the chief executive of a startup that aims to merge computers with brains so humans could one day engage in "consensual telepathy."

Speaking to writer Tim Urban on the explainer website Wait But Why, Mr. Musk confirmed a Wall Street Journal report last month that Neuralink aims to implant brain electrodes that first would be used to fight brain conditions but later help humanity avoid subjugation at the hands of intelligent machines.

A Neuralink spokesman said Mr. Musk plans to serve as chief executive, adding another role to his schedule running electric-car maker Tesla Inc. and rocket company **Space Exploration Technologies** Corp. Mr. Musk couldn't be reached for comment through the spokesman.

As Mr. Musk describes it, Neuralink wants to develop brain interfaces that would effectively replace human language as we know it.

"There are a bunch of concepts in your head that then your brain has to try to compress into this incredibly low data rate called speech or typing," Mr. Musk told Mr. Urban in his 36,000-word blog post. "That's what language is, your brain has executed a compression algorithm on thought, on concept transfer."

"If you have two brain interfaces, you could actually do an uncompressed direct conceptual communication with another person," Mr. Musk said.

But first Mr. Musk is looking for more realistic applications. He said that in about four years Neuralink hopes to market a device that would help treat severe brain injuries.

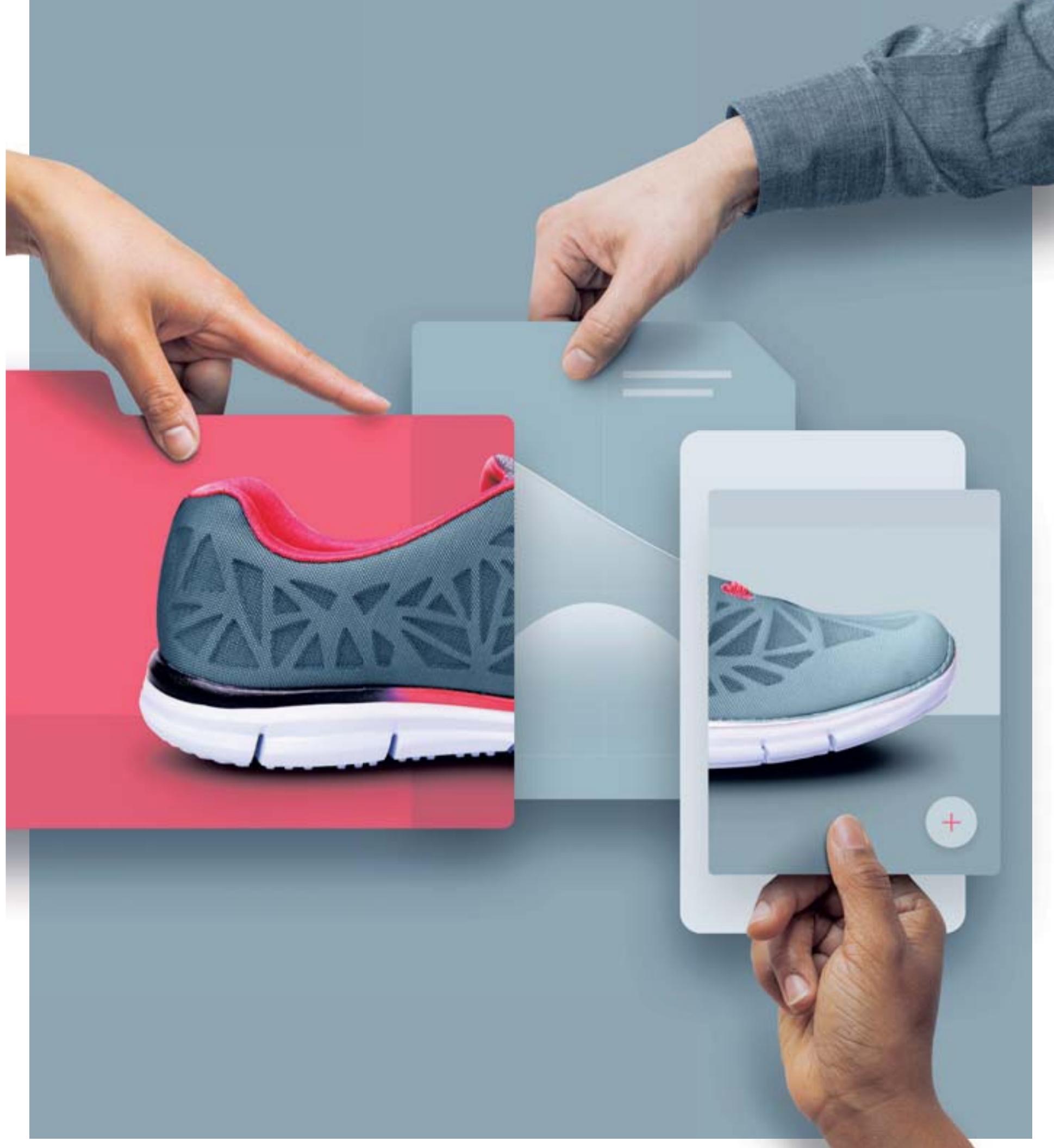
—Deepa Seetharaman contributed to this article.

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BUSINESS NEWS

Unilever, Nestlé Bog Down in U.S.

Wary spending crimps consumer goods; emerging markets give hope for growth

BY SAABIRA CHAUDHURI

Consumer-goods stalwarts Unilever PLC and Nestlé SA reported first-quarter sales that were weighed down by cautious spending in the U.S. and Western Europe, with both companies relying on emerging markets for growth.

Unilever, which is under pressure after rebuffing a \$143 billion bid from Kraft Heinz Co., reported on Thursday that underlying sales—which strip out the impact of currency volatility—grew by 2.9% from the same quarter a year earlier, beating analyst estimates for growth of 2%.

The growth was driven by emerging markets, where underlying sales climbed by 6.1%. In developed markets, sales declined 1.5%, as Unilever confronted an array of troubles in North America, where sales dropped 1%.

Unilever finance chief Graeme Pitkethly described the decline as “somewhat unexpected,” citing a slowdown in tax refunds, concerns in the Hispanic community after President Donald Trump’s election, bad weather and gas prices as possible factors.

Nestlé said first-quarter revenue grew by 2.3% on an organic basis—which strips out the effects of currencies, acquisitions and divestments—but was roughly flat with a year earlier.

The Swiss company is also struggling with sluggish consumer demand in North America, where its confectionery and pet-care sales declined.

Both companies had particular issues in the U.S.

Nestlé faced intense competition in bottled water that forced it to cut prices. Unilever sales were hit by the resurgence of ice cream rival Blue Bell Creameries LP. The Anglo-Dutch company also said it



A Nestlé production line in Switzerland. The company said its confectionery sales fell in the U.S.

faced a tough U.S. hair-care environment, with competition from companies like L’Oréal SA and Johnson & Johnson.

Unilever and Nestlé also struggled with consumers in Brazil trading down to cheaper brands and with low inflation

in mainland Western Europe.

Overall, Unilever, whose brands include Dove soap and Ben & Jerry’s ice cream, reported a 6.1% rise in first-quarter revenue to €13.3 billion (\$14.3 billion), up from €12.5 billion a year earlier.

Unilever recently announced plans to sell or demerge its margarine and spreads division, combine its food and refreshments businesses and boost shareholder returns with a higher dividend and share-buyback program.

The revamp comes as Chief Executive Paul Polman tries to appease investors after rejecting the acquisition attempt by Kraft Heinz. The spreads division has struggled as consumers eat less bread and opt for butter over margarine; investors for years have called for its sale.

On Thursday, Unilever disclosed results from its spreads business for the first time, saying that overall underlying sales growth would have risen by 3.4% without the drag from that unit.

Mr. Pitkethly said Unilever has just begun the auction process for the spreads busi-

Graeme Pitkethly, Unilever's CFO, said the U.S. decline was 'somewhat unexpected.'

ness and is hoping to attract interest from both private-equity players and other companies.

If Unilever doesn’t get a high enough price, it plans to demerge the business and spin it off rather than sell it, he said. Mr. Polman had for years refused to sell the unit, saying no bidder had offered his asking price.

Analysts have estimated the business could sell for between €7 billion and €8 billion.

Unilever reported flat first-quarter sales in its foods division, including spreads, and 5.4% growth in refreshments, which includes tea and ice cream.

In personal care, Unilever reported a 3.1% rise in underlying sales, while in home care, sales rose by 4.1%.

Nestlé reported 3.1% growth on an organic basis in its waters division, 1.1% acceleration in nutrition and double-digit growth in skin health.

♦ Heard on the Street: Life stirs in emerging markets..... B12

CSX CEO Promises ‘Different Strategy’

BY PAUL ZIOBRO

CSX Corp. Chief Executive Hunter Harrison promised changes at the railway big and small, from idling excess locomotives to clearing bottlenecks at major interchanges, in his first public remarks since taking the top job last month.

Mr. Harrison said during a call with analysts Thursday that the precision-railroading strategy he implemented at his previous stints running Canada’s two largest railroads could help trains run faster along CSX’s complicated map in the eastern U.S., which includes more interconnected routes and shorter hauls.

“It’s a pretty drastic change, but a pretty simple model,” Mr. Harrison said in an interview. “It’s like a football team going from a running attack to a passing attack. It’s still football, something you’re familiar with, but a different strategy.”

A 50-year industry veteran known as a turnaround expert, Mr. Harrison said plans are under way to idle about 550 locomotives and 25,000 railcars, and the railroad is considering additional closures.

The railroad has already converted four hump yards—where train cars are sorted for their next stop—to flat-switching yards, which Mr. Harrison has called more efficient to operate.

Investors are hopeful that Mr. Harrison’s changes will usher in higher profit while providing faster, more reliable service for customers that rely on rails to ship goods.

CSX shares have added about \$10 billion in market value since Mr. Harrison left

25%

Increase in earnings CSX projects for 2017, beating analysts' views

his prior job at Canadian Pacific Co. in January, when The Wall Street Journal reported that he was looking at the top role at CSX.

CSX shares rose 5.7% to \$49.58 in Thursday’s trading.

CSX’s challenges include the “spaghetti bowl” of the Eastern rails, called that for the intertwined routes that CSX, Norfolk Southern Corp. and other short-haul freight lines and passenger trains use. Mr. Harrison said that CSX is working to bypass certain terminals that require extra processing.

“The way to handle that is to eat the spaghetti and get rid of it,” he said.

Mr. Harrison also plans to devote attention to Chicago, a sluggish interchange where many rail networks meet, and he hinted at the potential for a partnership with another railroad network that could divert some of its traffic.

“Chicago is busting at the seams from a capacity standpoint,” he said. “There’s opportunities to, maybe, take business out of Chicago that will help the situation, lower our cost and improve our service.”

CSX projected a 25% increase in earnings for the year, an outlook well ahead of Wall Street expectations, citing recovery in the coal market and other operational improvements it plans. It also raised its dividend and promised to buy back another \$1 billion in shares.

The Jacksonville, Fla.-based railway’s outlook came a day after it posted higher first-quarter earnings and a 9.6% increase in revenue.

Mr. Harrison faces another hurdle before moving forward with his strategy.

Shareholders in early June are scheduled to vote on certain aspects of his compensation package, including an \$89 million tab to cover the compensation he gave up when he left Canadian Pacific. Mr. Harrison has said he would step down immediately if the CSX board doesn’t acquiesce to the payment.

BMW’s Earnings Rise, But Margins Suffer as Expenses Take a Toll

BY WILLIAM BOSTON

BERLIN—BMW AG said its pretax earnings rose 27% in the first quarter as the luxury car maker benefited from one-time financial gains and strong results in China, but investment in technology and new models hit profitability at its core automotive division.

The mixed report on Thursday came after repeated warnings from BMW regarding weaker margins. The German company has boosted its investment in technology to build self-driving electric cars, as well as new vehicle models. BMW is in a tight race with Daimler AG’s Mercedes-Benz brand for sales leadership in the premium car market and lost the crown to Mercedes in 2016.

BMW’s earnings before interest and taxes jumped to €3.01 billion (\$3.23 billion) in the first quarter, from €2.37 billion a year earlier. The increase was driven by strong sales of its new 5-Series sedan, higher gains from its China joint venture and the sale of a 15% stake in digital map maker Here to Intel Corp.

The result beat analysts’ forecasts. Shares in BMW initially rose more than 1% in Frankfurt, but quickly fell back and closed the session at €84.08, barely higher than the opening price.

Group revenue rose 12% to €23.45 billion from €20.85 billion a year earlier. The pretax profit margin in BMW’s core automotive business slipped to 9% from 9.4% a year before.

Analysts shrugged off the decline in profitability, saying it

was less than expected given the huge cost of financing new technology and models as BMW rushes to shift its product mix to meet the rising demand for sport-utility vehicles.

“This is a good achievement, even though the margin was down,” said Arndt Ellinghorst, an automotive analyst at Evercore ISI. “The fact that the margin wasn’t higher is largely related to increased R&D expenditure, which was very low last year.”

BMW achieved record sales in the first quarter on the back of strong demand for its X1 and X5 SUVs and the first full month of sales of the new 5-Series and its flagship 7-Series sedan. However, Mercedes is still ahead on sales. BMW brand sales rose 5.2% to 503,445 vehicles in the first three months of 2017; Mercedes sold 560,625 vehicles in the same period, up 16%.

BMW attributed the sharp rise in pretax earnings to financial gains, including the improved valuation of Here after Intel agreed to buy a stake in January. It reported a gain of €183 million from its share of the sale of the Here stake.

The company kept its 2017 guidance unchanged, saying it expected a slight increase in profit in 2017, with a margin for earnings before interest and taxes of 8% to 10% in its core automotive operations.

Analysts said BMW might have to raise its profit outlook for 2017.

—William Wilkes
in Frankfurt
contributed to this article.

Steady Rolling

BMW’s vehicle sales by brand in the first quarter

BRAND	2017 FIRST QUARTER VEHICLE SALES	CHANGE FROM 2016
BMW brand	503,445	▲5.2%
Mini	83,059	▲6.1%
Rolls-Royce	733	▲33%
BMW Motorcycles	35,636	▲5.5%

Source: the company

DANONE

Yogurt Maker Lifts Earnings Guidance

Danone SA, the world’s biggest yogurt maker, raised its guidance for recurring earnings-per-share growth for 2017, days after closing its \$10.4 billion acquisition of WhiteWave.

The French company said it was now targeting double-digit recurring EPS growth at constant exchange rates, instead of a rise of “at least 5%” it had targeted in February when it didn’t include WhiteWave.

Danone agreed to buy the U.S. organic-foods producer in a deal that more than doubled its North American business.

Meanwhile, the company said its sales in the January-March period rose 3% to €5.46 billion (\$5.9 billion), helped by organic growth of 0.7%.

—Nick Kostov

TESLA

Models Recalled Over Brake Issue

Tesla Inc. said Thursday it is recalling 53,000 Model S sedan and Model X sport-utility vehicles over an issue with electric

parking brakes that could prevent them from being released.

The Silicon Valley auto maker said it is issuing the voluntary recall “to be overly cautious” despite no reported accidents or injuries. The recall covers vehicles made between February and October 2016 and involves a small gear that, if it were to break, would keep the brake stuck in place, Tesla said.

—Tim Higgins

PUBLICIS GROUPE

Loss of Accounts Weighs on Revenue

France’s Publicis Groupe SA reported a drop in underlying revenue in the first quarter, dragged down by its struggle to replace several large North American accounts.

Revenue in the January-March period amounted to €2.33 billion (\$2.49 billion), reflecting an underlying drop of 1.2% compared with the same period a year earlier.

Analysts had expected an even bigger decline of 1.8% after the losses of media business from Procter & Gamble Co., Wal-Mart Stores Inc. and other key advertisers sapped sales growth at the company.

The drop in organic revenue—

a closely watched figure in the ad industry that strips out acquisitions, disposals and currency swings—came mainly from North America where the company posted a 5% decline.

Publicis Chief Executive Maurice Lévy said underlying sales in the second quarter would again be negative, but show an improvement compared with the first quarter.

—Nick Kostov

ABB

Divestment Buys Profit

ABB Ltd. said Thursday first-quarter revenue fell slightly to \$7.85 billion from a year ago, but net income rose on divestment of the company’s high-voltage cable business.

The Swiss-based engineering and power-grid company said sales were down 1% from \$7.90 billion in the year-ago quarter, though they rose 3% on a comparable basis that adjusted for currency changes, acquisitions and divestments.

The company said net income was \$724 million in the latest quarter, up from \$500 million a year ago.

—Brian Blackstone



Danone said sales in the January-March period rose 3%, boosted by organic growth of 0.7%.

ANDREW RUDAKOV/BLOOMBERG NEWS

THE WALL STREET JOURNAL

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

	Dow Jones		S&P 500 Index		Nasdaq Stock Market					
	High	Low	Latest Close	Net chg	% chg	High	Low	52-Week % chg	YTD % chg	3-yr. ann.
Industrial Average	20629.78	20406.68	20578.71	174.22	0.85	21115.55	17140.24	14.4	4.1	7.8
Transportation Avg	9144.97	9033.43	9126.13	149.78	1.67	9593.95	7093.40	13.9	0.9	6.1
Utility Average	702.97	696.00	701.20	-2.78	-0.39	720.45	625.44	10.8	6.3	8.9
Total Stock Market	24500.76	24294.71	24453.83	193.27	0.80	24868.78	20583.16	13.6	5.1	7.7
Barron's 400	630.03	623.21	629.58	8.70	1.40	635.07	491.89	19.4	4.6	7.1

* P/E data based on as-reported earnings from Birinyi Associates Inc.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	9,421.4	235.29	-0.05	-0.02	235.63	233.77
iShares Russell 2000 ETF	IWM	3,309.8	137.35	-0.17	-0.12	137.60	137.11
ING Groep ADR	ING	3,002.4	15.25	-0.04	-0.26	15.29	15.25
VanEck Vectors Gold Miner	GDX	2,612.6	23.54	-0.04	-0.17	23.62	23.52
iShares MSCI France ETF	EWQ	2,000.0	26.44	0.01	0.04	26.44	26.44
First Select Sector SPDR	XLF	1,857.2	23.39	-0.01	-0.04	23.42	23.35
Ford Motor	F	1,764.2	11.47	...	unch.	11.48	11.42
Yahoo!	YHOO	1,633.6	47.70	0.03	0.06	47.73	47.59

Percentage gainers...

Vascular Biogenics	VBLT	117.2	6.10	0.90	17.31	6.85	5.25
Aurinia Pharmaceuticals	AUPH	1,306.1	7.60	0.60	8.57	7.67	6.80
Proofpoint	PFPT	229.1	76.25	5.25	7.39	77.25	71.00
Ocwen Financial	OCN	172.0	2.60	0.11	4.42	2.72	2.45
NRG Energy	NRG	127.4	17.80	0.56	3.22	17.80	17.24
...And losers							
Electronics for Imaging	EFII	43.2	44.50	-6.35	-12.49	50.85	44.00
Mattel Inc	MAT	405.1	23.60	-1.61	-6.39	25.21	23.02
Manhattan Associates	MANH	18.0	47.50	-3.08	-6.09	50.58	46.55
ServiceNow	NOW	7.4	83.00	-5.26	-5.96	88.26	83.00
Nexstar Media Cl A	NXST	10.4	65.00	-3.80	-5.52	69.01	65.00

Trading Diary

Volume, Advancers, Decliners	NYSE	NYSE Mkt
Total volume*	865,820,523	11,067,918
Adv. volume*	617,933,068	4,018,546
Decl. volume*	235,105,522	6,422,010
Issues traded	3,098	340
Advances	2,125	158
Declines	852	154
Unchanged	121	28
New highs	123	10
New lows	23	3
Closing tick	22	6
Closing Arms*	0.99	1.35
Block trades*	7,024	137
Nasdaq		
NYSE Arca		

Total volume* 1,736,076,205 283,856,860

Adv. volume* 1,285,983,781 196,307,645

Decl. volume* 369,158,408 87,206,062

Issues traded 3,001 1,335

Advances 2,054 986

Declines 787 326

Unchanged 160 23

New highs 133 51

New lows 35 11

Closing tick 2 16

Closing Arms* 0.75 1.40

Block trades* 6,783 1,533

*Primary market NYSE, NYSE Mkt NYSE Arca only. †(TRIN) A 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.

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Source: SIX Financial Information; WSJ Market Data Group

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)-25,000 lbs.; \$ per lb.								
April	2.5265	2.5385	2.5265	2.5410	0.0075	444		
July	2.5440	2.5680	2.5190	2.5570	0.0080	107,182		
Gold (CMX)-100 troy oz.; \$ per troy oz.								
April	127.70	128.150	127.60	128.10	0.50	843		
June	128.20	128.50	127.80	128.30	0.40	336,491		
Aug	128.05	128.00	128.10	128.10	0.40	47,161		
Oct	128.07	129.20	128.50	129.30	0.40	7,446		
Dec	129.90	129.90	128.80	129.60	0.50	49,487		
Feb'18	129.70	129.80	129.20	129.60	0.50	7,875		
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
April	797.00	797.00	797.00	802.75	27.30	1		
May	786.00	786.00	778.05	802.75	27.30	2		
June	774.35	803.60	774.00	802.90	27.30	30,511		
Sept	776.60	803.15	776.60	802.80	27.40	2,850		
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
April	974.00	979.90	974.00	978.00	10.50	32		
July	969.30	983.70	967.90	981.20	10.90	59,853		
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
April	18.430	18.435	18.430	17.992	-0.144	62		
May	18.160	18.220	17.845	18.018	-0.144	102,240		
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
May	50.63	50.97	50.18	50.27	-0.17	24,679		
June	51.03	51.38	50.50	50.71	-0.14	610,285		
July	51.38	51.74	50.86	51.07	-0.20	228,700		
Sept	51.91	52.22	51.39	51.61	-0.10	199,703		
Dec	52.30	52.66	51.87	52.11	-0.05	275,521		
Dec'18	52.08	52.43	51.72	51.91	-0.04	132,249		
NY Harbor UlSD (NYM)-42,000 gal.; \$ per gal.								
May	1.5830	1.5942	1.5736	1.5789	-0.024	57,659		
June	1.5900	1.6022	1.5800	1.5857	-0.035	117,415		
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
May	1.6620	1.6787	1.6571	1.6705	0.015	59,421		
June	1.6640	1.6820	1.6592	1.6713	0.0079	123,277		
Natural Gas (NYM)-10,000 MMBtu.; \$ per MMBtu.								
May	3.191	3.219	3.134	3.159	-0.026	76,958		
June	3.282	3.306	3.228	3.250	-0.026	218,371		
July	3.353	3.381	3.307	3.329	-0.024	192,104		
Sept	3.360	3.383	3.328	3.347	-0.022	130,854		

Cash Prices | WSJ.com/commodities

Thursday, April 20, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Thursday	Thursday	Thursday
Energy			
Propane,tet,Mont Belvieu-g	0.6679		
Butane,normal,Mont Belvieu-g	0.8139		
NaturalGas,HenryHub-i	3.100		
NaturalGas,TranscoZone3-i	3.050		
NaturalGas,TranscoZone6NY-i	2.990		
NaturalGas,PanhandleEast-i	2.770		
NaturalGas,Opal-i	2.780		
NaturalGas,MarcellusNE PA-i	2.600		
NaturalGas,HaynesvilleLA-i	2.920		
Coal,CApcL,1250Btu,12S02-r,w	52.450		
Coal,PwdrRvrBsn,8800Btu,0.8502-r,w	11.750		
Metals			
Gold, per troy oz			
Engelhard industrial	128.83		
Engelhard fabricated	137.04		
Handy & Harman base	128.10		
Handy & Harman fabricated	142.13		
LBMA Gold Price AM	*128.05		
LBMA Gold Price PM	*127.05		
Kruggerrand,wholesale-e	133.80		
Maple Leaf-e	134.63		
American Eagle-e	134.63		
Mexican peso-e	154.31		
Austria crown-e	126.11		
Austria phil-e	134.63		
Silver, troy oz.			
Engelhard industrial	18.0800		
Engelhard fabricated	21.6960		
Handy & Harman base	17.9000		
Handy & Harman fabricated	22.3750		
LBMA spot price	£14.2076		
(U.S.\$ equivalent)	18.1900		
Metals			
Gold, per troy oz			
Engelhard industrial	128.83		
Engelhard fabricated	137.04		
Handy & Harman base	128.10		
Handy & Harman fabricated	142.13		
LBMA Gold Price AM	*128.05		
LBMA Gold Price PM	*127.05		
Kruggerrand,wholesale-e	133.80		
Maple Leaf-e	134.63		
American Eagle-e	134.63		
Mexican peso-e	154.31		
Austria crown-e	126.11		
Austria phil-e	134.63		
Silver, troy oz.			
Engelhard industrial	18.0800		
Engelhard fabricated	21.6960		
Handy & Harman base	17.9000		
Handy & Harman fabricated	22.3750		
LBMA spot price	£14.2076		
(U.S.\$ equivalent)	18.1900		
Fibers and Textiles			
Burlap,10-oz,40-inch NY yd-n,w	0.6000		
Cotton,1/16 std lb-w/MdPhs-u	0.7761		
Cotlook' A' Index-t	*87.80		
Hides,hyv native steers piece fob-u	n.a.		
Wool,64s,stable,Terr del-u,w	4.11		
Grains and Feeds			
Barley,top-quality Mnpls-u	n.a.		
Bran,wheat middlings,KC-u	53		
Corn,No.2 yellow,Cent IL-bp,u	3.3650		
Corn gluten feed,Midwest-u,w	79.7		
Corn,gluten meal,Midwest-u,w	501.1		
Cottonseed meal,u,w	190		
Hominy feed,Cent IL-u,w	n.a.		
Meat-bonemeal,50% pro Mnpls-u,w	263		
Oats,No.2 milling,Mnpls-u	2.8525		
Rice,5% Broken White,Thailand-lb	356.00		
Rice,Long Grain,Milled, No.2 AR-u,w	20.25		
Sorghum,(Milo) No.2 Gulf-u	6.7000		
Soybean Meal,Cent IL,rail,ton48%-u	302.40		
Food			
Bee,carcass equiv,index choice 1-3,600-900 lbs.-u	199.27		
select 1-3,600-900 lbs.-u	187.60		
Broilers,dressed,A'-u	n.a.		
Broilers,National comp wghtd-u,w	0.9649		
Butter,A Chicago	2.0675		
Cheddar cheese,bb,Chicago	138.25		
Cheddar cheese,bk,Chicago	147.50		
Milk,Nonfat dry,Chicago lb.	84.75		
Cocoa,Ivory Coast-w	2185		
Coffee,Brazilian,Comp	1.3791		
Coffee,Colombian,NY	1.5753		
Eggs,large white,Chicago-u	0.6050		
Flour,hard winter KC	12.50		
Hams,17-20 lbs,Mid-US,fob-u	0.59		
Hogs,Iowa,S. Minnesota-u	59.61		
Pork bellies,12-14 lb MidUS-u	n.a.		
Pork loins,13-19 lb MidUS-u	0.9197		
Steers,Tex-Oka,Choice-u	131.46		
Steers,feeder,OKC,City-u,w	162.74		
Fats and Oils			
Corn oil,crude wet/dry mill-u,w	37.5000		
Grease,choice white,Chicago-u	0.2800		
Lard,Chicago	0.2700		
Pork bellies,12-14 lb MidUS-u	n.a.		
Pork loins,13-19 lb MidUS-u	0.9197		</td

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 l-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-FIRST day of trading.
 dD-Does not meet continued listing standards.
 If-Late filing
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 wJn-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, April 20, 2017

NYSE

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg					
ABB	ABB	22.93	0.66	+0.00	Bio-RadLab	BIO	211.10	0.83	DevonEnergy	DVA	39.70	0.45	+0.00	NationalGrid	NGG	63.60	-0.49	UGI	UGI	49.40	-0.03	Abiomed	ABMD	125.21	2.09	Garmain	GRMN	49.98	0.40
AES	AES	11.42	0.05	+0.00	BlackKnight	BKFS	39.35	0.35	Digistar	DEI	10.03	0.27	+0.00	NatOilWell	NOW	35.63	-0.20	US Foods	USFD	27.70	0.41	ActiVisionBlitz	ATVI	49.95	0.60	OpenText	OTEX	34.07	0.26
Aflac	AFL	74.17	0.60	+0.00	BlackRock	BLK	381.59	1.49	DigitalPro	DPR	11.38	0.22	+0.00	Hess	HES	46.89	0.19	UltraparPart	UPGP	22.17	-0.04	GileadSciences	GILD	66.50	0.22	PTC	PTC	52.98	-0.71
ATT	T	40.36	0.11	+0.00	BoardwalkPip	BWP	18.03	0.35	DigitalPro	DPR	11.38	0.22	+0.00	Hiltom	HIL	57.59	0.67	SmithNeppew	SNN	31.93	0.14	PacWestCorpor	PACW	48.65	0.79				
AXIS Capital	AXS	66.48	0.27	+0.00	Broadcom	AVGO	17.39	0.90	DigitalPro	DPR	11.38	0.22	+0.00	HightwoodProp	HILW	51.26	0.37	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AbbottLab	ABBV	43.98	0.39	+0.00	BrownForman	BFX	134.64	-0.04	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AbbVie	ABBV	63.78	0.29	+0.00	BrownForman	BFX	134.64	-0.04	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
Accenture	ACN	119.21	2.26	+0.00	BristolMyers	BIIB	53.44	0.93	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AcuityBrands	AVI	177.39	1.71	+0.00	BrownForman	BFX	134.64	-0.04	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
Adient	ADNT	69.09	1.51	+0.00	BroadbridgeFin	BDI	68.47	0.24	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AdvanceAuto	AAU	146.54	1.61	+0.00	BroadfieldMgt	BDM	36.70	0.41	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AdvanSem	ASX	6.20	0.06	+0.00	BroadfieldMgt	BDM	38.52	0.01	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
Aegon	AEG	4.92	0.06	+0.00	BrownForman	BFX	134.64	-0.04	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AerCap	AER	44.64	0.53	+0.00	BrownForman	BFX	134.64	-0.04	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
Aetna	AET	131.92	2.67	+0.00	BrownForman	BFX	134.64	-0.04	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AffiliatedMgrs	AMG	164.58	0.40	+0.00	BuckeyePtlrs	BPL	67.88	0.34	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AgileTechs	AT	53.19	0.06	+0.00	BuckeyePtlrs	BPL	67.88	0.34	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AgnicoreEagle	AEM	45.57	0.19	+0.00	BuckeyePtlrs	BPL	67.88	0.34	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
Agricultr	AGL	91.67	0.05	+0.00	BuckeyePtlrs	BPL	67.88	0.34	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
AirProducts	APD	136.99	1.60	+0.00	BuckeyePtlrs	BPL	67.88	0.34	DigitalPro	DPR	11.38	0.22	+0.00	BrownForman	BFX	134.64	-0.04	PaneraBread	PNRX	314.40	-0.58	PaycomSoftware	PCAW	48.65	0.79				
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BANKING & FINANCE

Politics Buffet a Merger of Banks

CIBC's deal to buy PrivateBancorp has been plagued by vote-fueled volatility

BY CHRISTINA REXRODE
AND JACQUIE McNISH

The Trump election was supposed to jump-start new interest in bank mergers. But for one deal, all it has done is create headaches.

Nearly 10 months after Canadian Imperial Bank of Commerce unveiled a \$3.8 billion cash and stock agreement to acquire Chicago-based PrivateBancorp Inc., the Toronto bank is still campaigning to win shareholder support for a deal that has been plagued by volatile market moves following election outcomes.

Days before CIBC unveiled its deal last June, valuing PrivateBancorp at about \$47 a share, the U.K.'s vote to leave the European Union sent bank stocks sliding, prompting some analysts to question whether the Canadian bank could generate enough synergies to justify the acquisition cost.

In November, the banks had a different problem when Donald Trump's surprise election ignited a sharp run-up in U.S. bank stocks. Since then, some shareholders have complained that CIBC's offer was insufficient.

On Thursday, PrivateBancorp said that its quarterly earnings rose, beating expectations. The Canadian bank has been bracing itself for pressure to improve its offer again if PrivateBancorp's results were strong enough to push the stock higher. Last month, CIBC bowed to pressure by sweetening the value of its offer by about \$1 billion to a deal valued as of Thursday at about \$4.8 billion.

Analysts are split over what to expect May 12, when PrivateBancorp shareholders are scheduled to vote on the deal. A spokeswoman for CIBC said Wednesday that the bank is "comfortable with our offer and



CIBC's determination to close the deal underscores the pressure Canadian banks face in their home market amid sluggish growth.

Citizens Defends Checkup Program

BY RACHEL LOUISE ENSIGN
AND CHRISTINA REXRODE

Citizens Financial Group Inc. said it still has confidence in its program of setting up thousands of appointments with retail clients, but stopped providing some data on the initiative to investors in its first-quarter earnings report.

In March, The Wall Street Journal reported that 11 current and former Citizens branch employees in five states claimed that information about some meetings was fabricated by those employees or others as they struggled to meet goals set by the bank.

The appointment-setting program is part of the Providence, R.I.-based bank's post-crisis turnaround plan. The program invites customers into branches for what the bank calls a financial checkup.

On Citizens' earnings call Thursday, Chief Executive Bruce Van Saun didn't comment on the sales program but asked consumer-banking head Brad Conner to do so. Mr. Conner said Citizens still has confidence in the program and that an internal review hasn't turned up instances in which customers were harmed.

He didn't repeat the bank's previous assertion that it had "no data to suggest" that information was fabricated. Mr. Conner said the bank will be open to learning about what "we can adjust to become even better." The bank also didn't provide data on the number of appointments made through the program, a figure it had provided in recent presentations.

No analysts asked about the sales program on the call. The bank reported higher earnings and revenue compared with a year earlier. The stock gained \$1.05, or 3.1%, to \$35.27.

Tied Up



Source: Dealogic

THE WALL STREET JOURNAL

continues to believe the merger is a compelling opportunity for both companies."

PrivateBancorp, which operates offices mostly in the Midwest under its PrivateBank unit, said Thursday in its earnings release that it is "excited to join the CIBC family."

It has been a long road. No other bank deals announced in the first half of 2016 are pend-

Hedge Funds Show Interest in Deal

Third Point invested in bank last year, while Glazer Capital urges push for better terms

The bank deal has drawn high-powered hedge-fund investors. Daniel Loeb's Third Point LLC invested in PrivateBancorp late last year and recently had a 3.75% stake, according to research firm FactSet.

Another investor, Glazer Capital LLC, said in an open letter to fellow shareholders in December that PrivateBancorp should push for better terms

because there had been a "seismic shift" in bank valuations since the deal was first announced. Both Third Point and Glazer Capital declined to comment.

Chris McGratty, an analyst at Keefe, Bruyette & Woods, said he would vote no if he were a shareholder. He calculates that PrivateBancorp has a stand-alone value of about \$63 a share and that a buyer should plan to spend a premium price of \$70. CIBC's current offer valued PrivateBancorp's shares at about \$59 as of Thursday's closing price.

On Thursday, PrivateBancorp's shares rose 17 cents, or 0.3%, to \$58.61.

tors and Canada's Office of the Superintendent of Financial Institutions. The banks expect the deal to close in the second quarter.

Under normal circumstances, a deal to buy PrivateBancorp might have been barely a blip on the banking radar. But the run-up in U.S. bank stocks after the election has upped its visibility. Since the

U.S. vote, the company's shares have risen about 30%, compared with CIBC's 11% gain.

CIBC's determination to close the PrivateBancorp acquisition underscores the pressure Canadian banks face in their home market, which has experienced sluggish growth due to the commodities price rout. CIBC is more exposed to the frailest economy than its peers as more than 85% of its earnings are generated in Canada.

Bank stocks soared in the U.S. in the days after the election because they were judged to benefit from the prospect of looser regulation and more economic growth. The gains have stalled since March as the administration's ability to follow through on some of its plans has been doubted. The uncertainty could scare off some potential bank buyers or cause others to rethink their strategy.

Still, it's rare for shareholders to vote down a deal. CIBC's Chief Executive Officer Victor Dodig said in a conference call last year that he expects U.S. earnings to double to more than 10% of overall earnings when the PrivateBancorp deal is completed.

FINANCE WATCH

VISA Profit, Revenue Top Expectations

Visa Inc. reported profit and revenue results for the first three months of 2017 that beat Wall Street expectations thanks to robust growth in transactions and the amount cardholders charged.

This is the second consecutive quarter in which Visa has materially exceeded analyst expectations, reflecting stronger economic growth globally and a booming U.S. credit card market.

The company's performance was helped by its purchase of its European operations last June, a deal designed to bring its global operations under one roof.

That effort, however, led to a drop in reported profit; net income in the company's fiscal second quarter ended March tumbled 75% from a year earlier due to charges related to the reorganization.

Visa reported net income of \$430 million, or 18 cents a share, for the quarter. Excluding items related to the reorganization, net income was \$2.1 billion, or 86 cents a share. In both cases that represented more than 20% growth from the year earlier period, while earnings per share topped analyst estimates of 79 cents, according to Thomson Reuters.

Net operating revenue climbed 23% to \$4.48 billion, above the \$4.3 billion analysts expected.

—AnnaMaria Andriots,
Anne Steele

DEALS

U.K. Sells Green Fund To Macquarie Group

The U.K. government sold Green Investment Bank PLC for £2.3 billion (\$2.94 billion) to a consortium led by Australian bank Macquarie Group Ltd. in a deal that was delayed by political opposition to the sale of the state-backed renewable-energy fund.

Macquarie said it would combine its existing investments with those made by Green Investment Bank. GIB, which is essentially a fund and not a licensed bank, will oversee more

than £4 billion in "green" infrastructure and assets such as wind farms, Macquarie said.

The plan to sell GIB was announced in March 2016, but the sale was held up by political wrangling, as some government officials raised concerns that GIB could be sold too cheaply or change its green mission.

—Margot Patrick,
Ben Dummett

TRAVELERS

Catastrophe Losses Eat Into Earnings

Travelers Cos. earnings fell in the first quarter as tornadoes, hail storms and icy weather caused significant catastrophe losses.

Across the industry, insurers are expected to report \$5.8 billion in U.S. catastrophe losses for the year's first three months, the highest level for a first quarter in more than 20 years, according to Barclays PLC. About \$2 billion of those losses occurred in the last 10 days of the quarter, the bank said.

New York-based Travelers reported that its catastrophe losses, net of reinsurance, reached \$347 million, compared with \$318 million a year earlier. Year-earlier results also had disappointed, when Texas hail storms battered results for many insurers.

Travelers said investment income rose 12%, driven by higher private-equity returns that were partly offset by lower reinvestment rates on bonds.

The company posted core operating earnings—a closely watched industry metric—of \$614 million, or \$2.16 a share, down from \$698 million, or \$2.33 a share, a year earlier. According to FactSet, the consensus of analysts was \$2.37 a share.

Net premiums written, an important measure of revenue growth, increased 5% to a quarterly record of \$6.5 billion, up from \$6.17 billion. Total revenue, which includes investment income, rose 3.8% to \$6.94 billion, from \$6.69 billion.

Travelers reported net income of \$617 million, or \$2.17 a share, down 11% from \$691 million, or \$2.30 a share, a year earlier.

—Leslie Scism,
Imani Moise

Blackstone Targets Infrastructure

BY MATT JARZEMSKY

Blackstone Group LP executives said they are preparing to launch new ventures in infrastructure investing and other areas after the private-equity firm notched a record quarter for sales of older investments.

The New York firm is "laying the groundwork" for a unit that would invest in toll roads, bridges and other infrastructure projects, Blackstone President Hamilton "Tony" James said on a conference call with analysts Thursday to discuss the firm's first-quarter results. Executives have talked to large investors who might back the business and are "putting together our team," he said.

Blackstone reported that its first-quarter profit more than doubled as the firm took advantage of buoyant markets to sell a record \$16.6 billion of private-equity, real-estate and other assets. Profit rose to \$461.8 million, or 69 cents a share, from \$159.8 million, or 23 cents a share, a year earlier. Blackstone said it would pay a dividend of

87 cents a share, its second-highest shareholder payout ever.

Economic net income rose to \$986 million, or 82 cents a share, from \$370.7 million, or 31 cents a share, a year earlier. The result beat the estimate of 70 cents a share by analysts polled by FactSet. Economic net income includes unrealized gains as well as cash earnings.

Blackstone's buyout and private-equity businesses sold a combined \$12.9 billion during the quarter at an average 2.6 times what the firm paid for the investments.

The firm's \$102 billion real-estate business, its largest business by assets, sold \$6.7 billion in assets, including a 25% stake in Hilton Worldwide Holdings Inc. to Chinese conglomerate HNA Group.

Meanwhile, the firm invested \$11.7 billion in the first three months of 2017, marking its second-biggest quarter ever for putting new money to work.

"Although we were selling a lot, we're also investing a lot," Chief Executive Stephen Schwarzman said.

CEO Stephen Schwarzman says Blackstone, while selling a lot of assets, is still 'investing a lot.'

ANDREW HARRER/BLOOMBERG NEWS

properly crediting payments, and handling taxes and insurance. Mortgage servicers handle payment collection, loan modification and foreclosures.

Ocwen said it "strongly disputes" the CFPB's claims and vowed to "vigorously defend itself," adding that "the substantive allegations in today's suit are inaccurate and unfounded." Responding to the accusation of illegal foreclosures, Ocwen said it has granted more than 735,000 loan modifications to struggling borrowers, including 75,000 in 2016.

The company said it fully cooperated with the CFPB's inquiries and continued work with the agency until the suit was filed.

The Florida attorney general took a similar action against the company in a separate lawsuit. In addition, regulators from more than 20 states have issued orders de-

manding that Ocwen address alleged violations.

The mortgage servicer confirmed that it received "various orders" from state mortgage regulators and was reviewing them.

Ocwen shares tumbled \$2.91, or 54%, to \$2.49.

Ocwen, based in West Palm Beach, Fla., is one of the nation's largest nonbank mortgage servicers. As of Dec. 31, 2016, Ocwen serviced almost 1.4 million loans with an aggregate unpaid principal balance of \$209 billion, according to the CFPB.

In bringing the suit against Ocwen, the CFPB emphasized consumers generally don't get to choose which company services their mortgages. Notably, consumers are stuck with their mortgage servicer regardless of how they are treated," CFPB Director Richard Cordray told reporters on a call.

The federal regulator is also demanding that Ocwen, if found guilty, claw back nonsalary bonuses, stock options and other compensation it has paid to any officer or director of the company during the period covered by the complaint, which dates back to 2014.

In 2013, Ocwen reached a \$2.1 billion settlement to resolve allegations it had far-reaching problems with its loan-processing operations and mistreated homeowners facing foreclosure.

CFPB Sues Mortgage Servicer Ocwen

BY YUKA HAYASHI

WASHINGTON—Regulators sued Ocwen Financial Corp., alleging the mortgage-servicing firm harmed thousands of customers by botching basic services.

The Consumer Financial Protection Bureau said the company specializing in sub-prime and delinquent loans had illegally foreclosed against at least 1,000 borrowers. The federal consumer watchdog alleged Ocwen also ignored customer complaints and failed to make disclosures about errors in borrowers' records when selling the servicing rights to their loans to other companies.

For years, Ocwen failed to properly implement a wide range of basic functions to service home loans, the CFPB said. The services Ocwen botched, according to the consumer watchdog, included sending accurate monthly statements,

MARKETS & FINANCE

More Fund Managers Give a Nod to China

By GREGOR STUART HUNTER

Big fund managers are saying for the first time that they are comfortable with including domestic Chinese shares in some global indexes, a sign that the mainland's huge stock markets may finally be coming of age.

BlackRock Inc., the world's largest money manager by assets, said Thursday that it supports including mainland shares in the benchmarks of **MSCI Inc.**, whose indexes are used by global money managers to guide trillions of dollars in investments. Deutsche Asset Management, one of the world's biggest managers of exchange-traded funds, also said that from the ETF perspective there are no more technical problems with including China's domestic stocks, known as A-shares, in MSCI indexes.

Other fund managers such as **UBS Asset Management**, **Fidelity International** and **Matthews Asia** said they think inclusion is becoming more likely. MSCI, which typically tweaks its indexes each year around June, declined to comment.

Inclusion of A-shares in MSCI indexes could be a watershed for China's \$7.82 trillion in domestic stocks, the world's second-biggest pool after the U.S. China's markets have slowly opened to foreign investors, and in previous years

MSCI has said the markets weren't accessible or transparent enough to warrant inclusion of mainland stocks in its benchmarks. Only Chinese companies listed offshore in places such as Hong Kong and New York are included in MSCI indexes.

The inclusion of A-shares would mean that the many global fund managers, including pension funds and insurers, that invest based on MSCI indexes would have to add mainland stocks to their portfolios.

Funds that compare their performance to that of an MSCI index that included Chinese stocks would likely buy those shares as well.

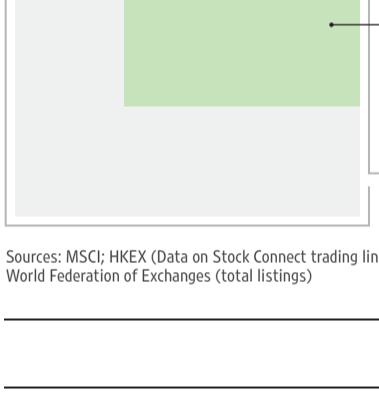
MSCI's Emerging Markets Index is the most widely tracked benchmark of performance of stocks in the developing world and is followed by money managers with \$1.6 trillion in assets.

Société Générale SA estimates that inclusion of A-shares in MSCI indexes could immediately lead global funds to buy about \$13 billion in Chinese shares, and that amount would rise as more Chinese stocks are included.

Chinese authorities have been lobbying for MSCI inclusion for years, taking steps to fix problems such as unclear ownership laws and curbs on the amount of money foreigners can invest in mainland shares.

Slow Start

MSCI wants to include a tiny sliver of the Chinese market in its indexes.



Sources: MSCI; HKEX (Data on Stock Connect trading link); World Federation of Exchanges (total listings)

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Beijing Overhauls Regulation

BY JAMES T. AREDDY

SHANGHAI—The Chinese government is trying to ensure financial-system stability in a pivotal political year by focusing on the officials who do the regulating.

China has removed three of its four top financial-industry regulators over the past year or so as it also tightens the reins on banks, brokerages and insurers. The latest to fall was the liberalizing insurance regulator, Xiang Junbo, who jolted up a stodgy business but caused ripples beyond his agency's purview.

After encouraging liberalization for banks, brokers and insurers in hopes of fueling a slowing economy, Beijing is becoming increasingly anxious about possible financial shock.

The new message for its regulators: back to basics.

Until recently, China's leadership promoted broadening the financial sphere, from wider equity ownership to peer-to-peer lending to online insurance sales. The idea was to spur new consumption and business activity, open access to investments and loans and, in the case of insurance, energize a moribund industry.

But then came the stock-market meltdown of 2015. The government responded to the debacle by pumping in hundreds of billions of dollars in emergency support, restricting speculative instruments and firing the top market regulator. Since then, authorities have toppled the country's leading hedge-fund manager, the head of the largest brokerage and the chairman of one of China's Big Four banks on allegations of corruption. A billionaire with holdings across the financial sector, Xiao Jianhua, is presumed to be in custody.

New regulators are emphasizing tougher fundamental risk control by trying to clearly delineate responsibilities.

As they let financial firms experiment, China's various regulatory agencies failed to coordinate. The International Monetary Fund highlighted gray areas in regulation as a

Financial Heat

China's government has shaken up regulatory agencies and financial firms since a mid-2015 stock-market crash. Here are some of the regulators affected.

XIAO Gang

Position: Chairman, China Securities Regulatory Commission

Risk contribution: Promoted stock-investment tools that exacerbated market turmoil.

Impact: Fired (February 2016)



SHANG Fulin

Position: Chairman, China Banking Regulatory Commission

Risk contribution: Allowed explosive growth in bank exposure to wealth-management products.

Impact: Retired (February 2017)

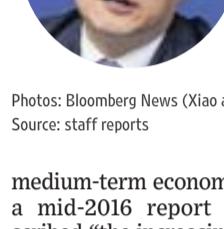


XIANG Junbo

Position: Chairman, China Insurance Regulatory Commission

Risk contribution: Let insurers sell short-term investments and expand into other sectors.

Impact: Fired (April 2017)



Photos: Bloomberg News (Xiao and Shang); Reuters (Xiang)

Source: staff reports

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medium-term economic risk in a mid-2016 report that described "the increasingly large, opaque and interconnected financial sector."

The back-to-basics push is meant to neutralize chances a financial flare-up could detract from the Communist Party's once-in-five-years leadership conclave expected late this year, when President Xi Jinping needs support to increase his power.

"This is completely defensive," said Anthony Neoh, a longtime adviser to Chinese financial policy makers and a board member of **Industrial & Commercial Bank of China Ltd.** "Markets have a way of running away from governments all the time."

The agencies didn't respond to questions.

In a January address to the World Economic Forum in which he lauded globalization,

Mr. Xi displayed his distrust of financial markets and their monitors. He blamed the 2008 global economic crisis on what he called the excessive pursuit of profit and the "grave failure of financial regulation."

By then, a shake-up of Chinese financial regulation was well under way. One agency after another has issued rules meant to rein in use of financial instruments for speculative purposes, admonishing firms that innovative activity must benefit the real economy, not merely spin new fortunes.

Insurance is one industry widely viewed as running amok, as companies—often newly formed insurance arms of property businesses—raised cash fast by peddling policies that doubled as short-term high-yield deposits. Anbang Insurance Group Co. had defined the trends, bulking up and making bold plays like the pur-

chase of New York's Waldorf Astoria hotel.

Wielding increasing financial clout that made waves for banks and stock markets, the insurers drew attention—and name-calling, including by regulators of other segments of the financial sector.

In December, the new stock regulator, Liu Shiyu, criticized insurers' stock buying. "Using improperly sourced money for leveraged buyouts, turning from strangers into barbarians, and finally robbing the industry is not OK," he said.

Under fire itself, the Insurance Regulatory Commission quickly dialed back support for the deposit-like insurance products and banned a developer-turned-insurer from the sector for a decade. The agency's No. 2 official, Chen Wenhui, seemed to give Anbang's chairman, Wu Xiaohui, the cold shoulder at a Beijing conference, nearly sprinting down a hallway as he waved off Mr. Wu, who was trotting behind asking to chat.

Anbang and the insurance regulator declined to comment.

On April 9, the Communist Party's anticorruption watchdog announced an investigation into Mr. Xiang, the top insurance regulator and industry champion. Details of the probe aren't known, and he wasn't available for comment.

Mr. Xiang had made no secret of his inclination to reduce scrutiny of insurers, saying in a 2013 interview published in the Wall Street Journal that the industry had been "regulated to death."

To give insurers room to expand, he said, "We have relaxed regulations in almost every area possible."

Mr. Xiang's downfall was reported in Chinese state media together with warnings from Premier Li Keqiang that "the financial sector is vulnerable to risks such as bad assets, shadow banking and illegal internet financing."

—Chao Deng and Yang Jie in Beijing and Xie Yifan in Shanghai contributed to this article.

EQUITIES

AHEAD OF THE TAPE | By Steven Russolillo

General Electric Is Overdue for Good News

General Electric Co. is in need of an energy boost. The industrial bellwether has

been a perennial underperformer, trailing the Dow Jones Industrial Average over the past one, three, five and 10 years. Since the beginning of last year, they have registered three separate rallies in the double-digit percentages. Unfortunately, all three were short-lived.

Friday's earnings report could be the catalyst to get the shares going again, even though the headline numbers probably won't be great.

Analysts estimate first-quarter earnings of 17 cents a share, versus 21 cents a year earlier. Revenue is expected to have dropped 4.4% to \$26.4 billion. GE's sales have missed estimates in 10 of the past 12 quarters,

according to FactSet, although much of that is due to the slide in oil prices.

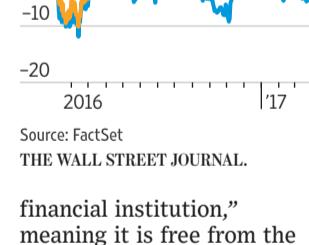
But there are other reasons for optimism: Under pressure from activist investor **Trian Fund Management**, GE said last month that it would double its planned cost cuts in industrial operations to \$2 billion over two years. The stock has risen about 4% since then, outpacing the blue-chip index. GE could use Friday's earnings call as a way to outline more specific ways to trim costs.

GE has spent the past two years divesting its GE Capital unit and focusing more on the industrial part of the business. As The Wall Street Journal reported this month, GE is considering a sale of its consumer-lighting business.

These moves have helped. The Federal Reserve no longer deems GE as a "systemically important

Power Down

Share and index performance



Source: FactSet

THE WALL STREET JOURNAL.

financial institution," meaning it is free from the restrictions on buybacks.

And then there is its agreement announced last fall to combine its oil-and-gas business with **Baker Hughes Inc.** The pact should prove beneficial once oil prices move higher.

GE's shift away from financials makes it more of a

global growth story. And economies ranging from Europe to Japan to China have been on the upswing, which should benefit GE. Plus, already a big buyer of its own stock, GE said in January that it would set aside \$11 billion to \$13 billion for share repurchases and an additional \$8 billion for dividends. The 3.1% dividend yield is compelling and could be boosted by cash coming from cost savings.

The stock is reasonably priced, too. Fetching 17 times earnings projected over the next 12 months, GE's forward multiple is near its lowest over the past year. It is also cheaper than **Caterpillar Inc.** and **Deere & Co.**, while roughly in line with **Honeywell International Inc.**

The ingredients are in place for yet another burst of enthusiasm to pierce the gloom for GE's long-suffering shareholders.

GM

Continued from page B1

court embargo shows just how big a liability Venezuela's collapsing economy has become for the few multinational firms still operating here.

GM's Venezuelan plant hasn't produced any cars since 2015, according to the local car industry association Cavenez.

Company managers in Venezuela said they haven't been able to obtain hard currency to import parts through the country's labyrinthine currency controls for years. Meanwhile, the company had to continue paying its 2,700 staff.

"These companies are characterized by production done at a loss," said Richard Obuchi, management professor at Caracas's IESA business school and author of a book on Venezuela's state controls. "Products that should be produced aren't."

The seven private manufacturers that make up the Cavenez car manufacturers' association saw production fall 84% in 2016 compared with the previous year. In the

first two months of 2017 they produced just 240 vehicles in a country of almost 30 million people.

In good times Venezuelan car plants produced up to 20,000 vehicles a month, according to Cavenez.

"What's happened with the car sector here is sad," said Francisco Martinez, head of Venezuela's largest business group Fedecamaras. The authorities "have blocked the possibility of producing."

The resulting car shortage is a bitter irony in a country with the world's cheapest gasoline. One buck converted on the street fetches more than 100 gallons of fuel.

"You can't even enjoy the benefit," said Caracas protester Francisco Rodriguez, a 64-year-old industrial engineer.

GM follows foreign manufacturers from Clorox Co. to Kimberly-Clark Corp. who in recent years have halted production and walked away from their Venezuelan plants, after a government intervention.

—Juan Forero in Caracas and Christina Rogers in Detroit contributed to this article.

Financial, Industrial Sectors Boost Stocks

BY AKANE OTANI AND RIVA GOLD

Investors piled back into shares of financial and industrial companies, a popular post-election trade that had largely petered out in the past month.

U.S. stock indexes have wavered in April as investors dialed back expectations for tax cuts and fiscal stimulus from the Trump administration that initially pushed up stocks and government-bond yields after the November election.

But stocks rose sharply Thursday, with gains accelerating late in the session after Treasury Secretary Steven Mnuchin said the administration planned to release a tax plan "very soon."

The blue-chip index jumped 17.22 points, or 0.9%, to 20578.71, with shares of banks and manufacturers among the

biggest gainers. The S&P 500 rose 17.67 points, or 0.8%, to 2355.84, and the Nasdaq Composite added 53.74, or 0.9%, to a record close of 5916.78.

"The Mnuchin comments are just the icing on the cake," said R.J. Grant, director of equity trading at KBW, who said solid earnings reports also

supported stocks Thursday.

American Express added \$4.47, or 5.9%, to \$80.02 after it posted a smaller decline in profit than expected, and **Citizens Financial Group**, which reported record first-quarter earnings before the opening bell, rose 1.05, or 3.1%, to 35.27.

Industrial stocks in the S&P 500 rose 1.1%, with **CSX** among the biggest gainers. Shares of the railroad operator gained 5.6% after it beat Wall Street earnings forecasts on Wednesday.

Some traders caution that the stock market is vulnerable to a pullback. Disappointment on taxes, whether in the form of delays in legislation or smaller cuts than expected, could prompt a stock selloff, said Eric Aanes, founder and president of Titus Wealth Management.

Government bonds ticked lower Thursday, with the yield on the 10-year U.S. Treasury note rising to 2.239% from 2.202% in the prior session.

Yields rise as bond prices fall. Elsewhere, the Stoxx Europe 600 rose 0.2%, and France's CAC-40 index climbed 1.5%. Early Friday, Japan's Nikkei 225 was up 0.8%, while Australia's S&P ASX 200 was up 0.6%.

Noncompetitive tenders for both issues

MARKETS

Virtu Set to Acquire Rival Trader

Deal to buy KCG will create a firm responsible for one-fifth of volume in U.S. equities trading

By ALEXANDER OSIPOVICH

Electronic-trading firm **Virtu Financial Inc.** reached a deal to acquire rival **KCG Holdings Inc.** for \$1.4 billion in cash, the latest sign of how tough market conditions are forcing high-frequency traders to consolidate and rethink business strategies.

Combining Virtu and KCG would create a high-frequency trading firm responsible for around one-fifth of the volume in U.S. equities, roughly the same market share as the current leader, **Citadel Securities LLC**. High-frequency traders use powerful computers to buy and sell stocks, bonds or other financial assets in fractions of a second.

Despite their depiction as money-making machines in Michael Lewis's 2014 book, "Flash Boys," many of the firms have struggled in recent years.

Their revenues from U.S. equities trading were an estimated \$1.1 billion last year, down from \$7.2 billion in 2009, according to research firm Tabb Group. Low volatility, combined with rising costs for technology and market data, have squeezed the industry's profits.

Virtu shareholders applauded the deal, lifting its stock 10% Thursday. But even after the jump, Virtu shares have lost one-quarter of their value since the firm went public in 2015, underscoring the challenging environment.

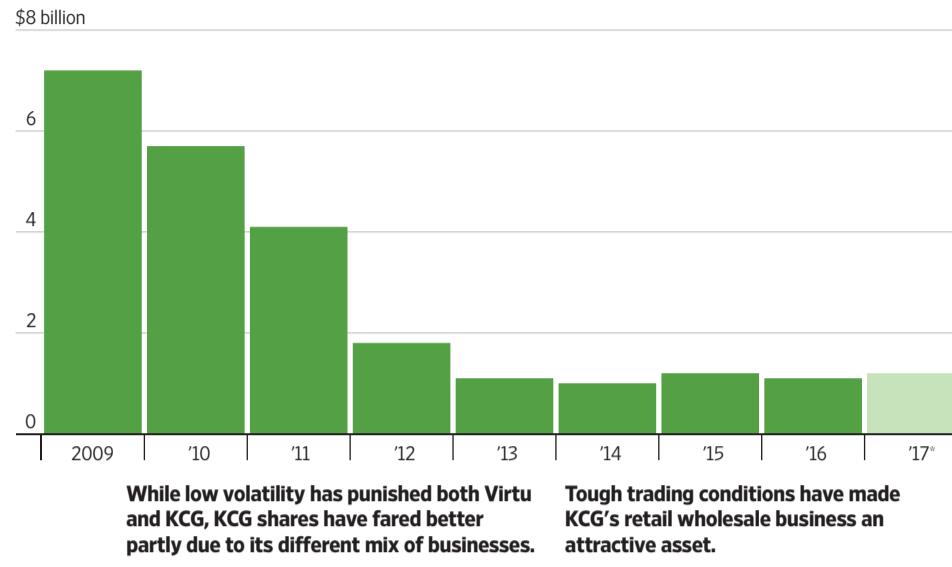
Virtu agreed to buy KCG for \$20 a share, a premium of 13% to Wednesday's closing price. The deal, which is subject to approval by regulators and KCG shareholders, is expected to close in the third quarter.

Adding KCG would bolster Virtu by exposing it to the retail wholesaler business, in

Not So Fast

High-frequency trading firms are not as profitable as they used to be, which has fueled consolidation. Low volatility, plus rising costs for technology and market data, has squeezed profits, even as firms gained prominence amid increasing media coverage.

Revenues of high-frequency trading firms from U.S. equities have slumped.



Volatility for the past two years has been muted.



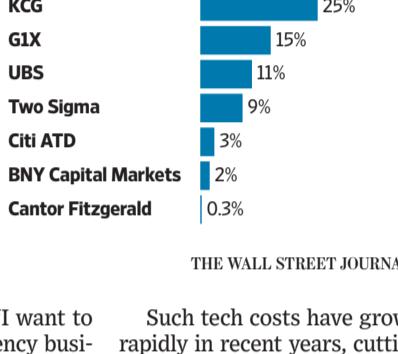
*Estimate

Sources: Tabb Group (revenue, market share); WSJ Market Data Group (stocks, volatility)

While low volatility has punished both Virtu and KCG, KCG shares have fared better partly due to its different mix of businesses.



Tough trading conditions have made KCG's retail wholesale business an attractive asset.



THE WALL STREET JOURNAL.

which high-frequency trading firms pay online brokerages for the right to execute orders from retail investors.

KCG handles orders for TD Ameritrade Holding Corp., Fidelity Investments and others, and controls about one-quarter of the retail wholesaler market, second only to Citadel, according to Tabb Group data.

Executing retail orders is an attractive business for high-speed traders because small investors are unlikely to submit an order in the split second when a stock's price is about to move—a risk when dealing with more sophisticated players.

But wholesaling is controversial, because of fears that the firms could be making money at small investors' expense. Defenders of the practice say it actually leads to better results for retail investors.

Virtu Chief Executive Douglas Cifu said his firm's trading algorithms would thrive in KCG's retail customer pool. "We fight in the all-to-all market," he said. "We fight in the jungle. We built this firm without the benefit of any customer order flow."

Mr. Cifu rejected speculation that he planned to take an ax to KCG's agency brokerage business, in which KCG gives banks and other financial firms access to its high-speed

trading technology. "I want to build the premier agency business in the world," he said.

Virtu has entered technology-sharing agreements with clients such as **T. Rowe Price Group Inc.** and **J.P. Morgan Chase & Co.**, but such deals account for a small part of the company's revenue.

Cost-cutting was another driver behind the deal. Virtu said the combined company would save \$208 million in costs over the next two years, including \$70 million in technology-related expenses, such as market-data feeds and high-speed connections to stock exchanges.

Such tech costs have grown rapidly in recent years, cutting into high-speed firms' bottom lines.

Mr. Cifu said Virtu's management began to think seriously about a bid for KCG last year, after Virtu founder and Chairman Vincent Viola emerged as President-elect Donald Trump's first choice to serve as secretary of the Army.

Although Mr. Viola would later withdraw from consideration, the prospect of his exit from Virtu sparked a series of discussions between him and Mr. Cifu about the firm's strategy, and the idea of acquiring KCG took shape, Mr. Cifu said.

Treasurys Pull Back For Second Day in Row

By SAM GOLDFARB

Treasury prices retreated for the second day in a row after an extended rally had pushed the yield on the 10-year note to a five-month low this week.

The yield on the 10-year note settled at 2.239%, compared with 2.202% Wednesday. Yields rise as bond prices fall.

Analysts attributed the price decline to a few factors, including heavy debt issuance in Europe and better poll numbers for centrist French presidential candidate Emmanuel Macron ahead of Sunday's first-round vote, which will determine the two candidates who make it to the election's final round on May 7.

Uncertainty around the French election has been one reason why Treasury yields have declined recently, as investors have sold French bonds and migrated to the safety of German and U.S. government debt.

Investors also have become concerned lately about escalating tensions between the U.S. and North Korea and less optimistic that President Donald Trump will be able to pass fiscal stimulus measures.

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.

FIVE-YEAR TIPS

Applications	\$40,294,593,300
Accepted bids	\$16,000,003,300
*noncompetitively	\$80,323,300
Auction price (rate)	101.02153
Interest rate	(0.049%)
Bids at clearing yield accepted	21.08%
Cusip number	912828X39

The Treasury inflation-protected securities, dated April 28, 2017, mature on April 15, 2022.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

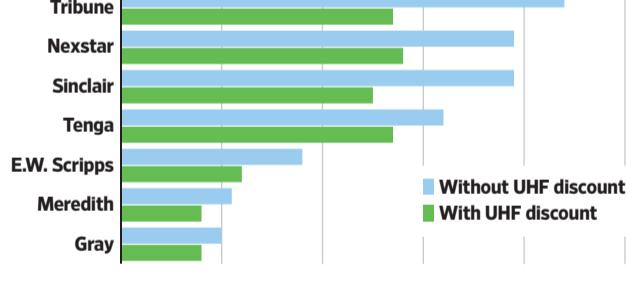
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TV Stations: Let's Make a Deal

Deal Signal

Broadcasters' penetration of U.S. TV households



Note: The current cap is 39%. The 'UHF discount' allows markets where stations have a UHF signal to count at only 50%.

Source: Jefferies

Television would be natural targets for the bigger players.

Broadcast stocks have run up in anticipation. Shares of these station owners are up as much as 38% in 2017.

For Nexstar, which bought Media General in January, increasing its reach by 10 percentage points to 25 percentage points could boost earnings by 20% to 40% for this year and next, Mr. Janedis says, and propel shares by as much as one-third.

Thursday's FCC decision didn't remove the ownership cap, so the deal-making boost will last only until buyers hit the cap again. For some, that would happen after only one deal. But there could be more deals if the FCC relaxes another rule about ownership in a single market, or if it raises the cap even higher—two changes expected in the coming months, according to Paul Gallant of analysis company Cowen. Still, it isn't clear whether Congress would need to weigh in on raising the cap. —Miriam Gottfried

OVERHEARD

One way to try to deflect scrutiny of high drug prices: Make your patients do some arithmetic.

Tesaro unveiled the price of Zejula, its new drug to treat ovarian cancer, on Wednesday. The drug's list price before rebates and discounts is \$9,833 for a one-month supply at a dose of 200 milligrams a day. That isn't cheap, but it is in line with new cancer drugs that have recently come to market.

But the Food and Drug Administration approved Zejula at a dosage of 300 milligrams. As a result, the list price is over \$175,000 annually for a patient on the 300 mg dose. Tesaro said in a statement the 200-milligram version was the most commonly administered dose in Tesaro's late-stage clinical trial.

If Tesaro's communications strategy catches on, "shrinkflation," the phenomenon of consumer goods shrinking in size while keeping the same price, might be coming to the health-care sector soon.

Signs of Life In Emerging Markets

Soggy results from emerging markets offset by U.S. resilience: This is the growth formula investors in consumer-facing multinationals have gotten used to over the past half decade. But the paradigm may be shifting.

Nestlé and **Unilever**, Europe's largest packaged-goods companies, both posted weak North American numbers Thursday. Unilever said unit sales in the region fell 1.1%, while Nestlé flagged "soft consumer demand."

The North American slowdown weighed on results overall: Headline growth for both companies was lower in the first quarter even than it was last year, the sector's weakest in recent memory.

More significantly, there are hints that conditions in emerging markets—once the growth engine of consumer groups—are finally bottoming out. Last year was marked by a toxic combination of price increases to make up for currency devaluations in South America and weak pricing in Asia driven by stiff competition and commodity surpluses.

Graeme Pitkethly, finance chief at Unilever, says the situation is now normalizing. Emerging-market currency movements, too, have been more favorable this year.

If emerging markets stage a long-overdue recovery in 2017, it would be better for Unilever, which makes almost three-fifths of sales in the developing world, than for Nestlé, where the share is 44%. Unilever is also under greater pressure to boost its margins.

With the shares trading at similarly expensive earnings multiples, the Anglo-Dutch company may prove the better buy.

—Stephen Wilmot

Who Will Win French Election? It Could Be the Lenders

French Fried

Share prices as a multiple of forecast book values*



*Book values are one-year projections

Source: FactSet

Société Générale have endured a rough ride since early February, when the candidacy of traditional conservative François Fillon was hobbled by a nepotism scandal that seemed to strengthen Ms. Le Pen.

A boost to her anti-euro rhetoric hit the banks' stocks and pushed French government-bond yields higher. The banks recovered some ground as Emmanuel Macron, a centrist former economy minister, emerged as a good alternative but weakened again recently due to Mr. Mélenchon's move up the polls.

The far-left and far-right candidates don't just

threaten extreme policies such as superhigh tax rates for the rich or pulling France out of the euro.

Both candidates would also likely make it harder for French banks to become more efficient by cutting branches and staff.

International investors are wary of European banks because of the big political risk in this contest, that France causes a breakup of the EU.

Many won't feel safe to return until May 8, when the French result is final.

European investors who are wary of France may be over-favoring the healthiest banks in places such as

Spain because of hopes that higher interest rates are on the way. These banks sell variable-rate mortgages that are priced using short-term interest rates. They can earn more income more quickly when rates rise than French or German rivals, who make mostly fixed-rate loans.

However, the hopes of European investors and the fears of international ones are probably both overdone.

As long as France doesn't go into next week with an extremist head-to-head, the valuation gap between BNP Paribas and a bank such as Spain's Banco Santander should quickly start to close again.

—Paul J. Davies

Musician John Oates
on his laid-back
log home in Colorado
M4



MANSION

*"This must be a simply enormous wardrobe!" thought Lucy, going still further in....' —C.S. Lewis,
The Lion, the Witch, and the Wardrobe'*

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, April 21, 2017 | M1

OMG Closets!

More children and teens are getting custom closets with high-end accessories like boutique-style shoe racks, designer wallpaper and velvet-lined jewelry drawers.



DOROTHY HONG FOR THE WALL STREET JOURNAL (2); WIREIMAGE (OATES)

SHOE BUSINESS On New York's Upper East Side, Kristen Swenson worked with a closet designer to create a custom walk-in for her teenage daughters, Emma and Ceci. Melanie Charlton, who designed the space, said custom closets with boutique-style shoe storage, adjustable hanging rods and specialized shelving start at between \$10,000 and \$15,000. Below, Emma at the closet entrance.

BY ALINA DIZIK

TAKING A CUE from lavish walk-in closets off the master bedroom, builders and designers are increasingly creating luxury closets for their pint-size clients.

More children are getting boutique-style shoe racks, designer wallpaper and velvet-lined jewelry drawers, as well as practical accessories like baskets for superhero storage and rods to hang clothes for playing dress-up.

Costs can range from \$5,000 to \$15,000 to create a smaller, more playful version of a high-end closet inside a child's bedroom, says Lisa Ad-



ams, founder of LA Closet Design in Los Angeles. "They always look more whimsical," she says. California Closets, a custom storage and design company, has seen a 30% increase in organizing children's spaces, which includes closets and toy storage, since 2015, according to the company.

To create a walk-in closet for teenagers Emma, 16, and Ceci, 19, designer Melanie Charlton tore down part of the laundry room in a four-bedroom condo in Manhattan's Upper East Side neighborhood. The teens' mom, Kristen Swenson, worked with the designer to install three handblown glass chandeliers and glass shelving at the very top so it's easier for them to spot folded clothing.

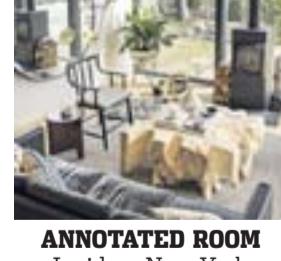
Please turn to page M6

RENOIR AND DEGAS ON THE GUEST LIST

INSIDE



\$19.95 MILLION
Tommy Mottola lists Connecticut home **M2**



ANNOTATED ROOM
Inside a New York weekend home **M3**



NEED A LIFT?
Homes with elevators hit the market **M12**



BY RUTH BLOOMFIELD

SINCE THE LATE 18th century, legions of expatriates have traded city life for the sea and sunshine of the French Riviera. These itinerants left their mark on the region's history—and its architecture.

Among the grand villas along the Côte d'Azur is a Belle Epoch-style home built by John H. Harjes. Located in the village of Grasse, 12 miles inland of Cannes, the 3,767-square-foot home was built in the late 19th century and dubbed Villa Angelotto by Mr. Harjes, an American

Please turn to page M7



FROM LEFT: CSU ARCHIVES/EVERETT COLLECTION; ANTHONY LANNERETTE FOR THE WALL STREET JOURNAL

BRUSH WITH GREATNESS The 3,767-square-foot home was built by John H. Harjes, an American banker who moved to Paris in the 1860s. In 1911, with Mr. Harjes' health failing, the family leased the house to another American expatriate, the artist Mary Cassatt.

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MANSION

PRIVATE PROPERTIES | CANDACE TAYLOR

Tommy Mottola Lists Estate



Music executive Tommy Mottola is best known for guiding the careers of artists like Céline Dion and Gloria Estefan, but one of his lesser-known interests is real estate: The former chairman and CEO of Sony Music Entertainment has built or renovated some 14 houses over the years.

"It's really one of my passions," said Mr. Mottola, who

quipped: "Instead of talking to you I should be having my head examined." His latest creation, a Georgian-style estate in Greenwich, Conn., is hitting the market for \$19.95 million.

Mr. Mottola said he bought the 5.7-acre property for \$2.85 million in 2010.

Mr. Mottola, 67, and his wife, Mexican pop star Thalia, moved into the estate several years ago

with their two children after spending about three years designing and building the house.

The exterior of the house, with a columned portico, is meant to reflect "the tradition of backcountry Greenwich," Mr. Mottola said. Inside, it has gallery-like, contemporary interiors to display the couple's art collection, which includes works by

Andy Warhol and Keith Haring. The nine-bedroom house spans roughly 12,300 square feet, not including a lower level that contains a gym, play room, and beauty salon/massage room where Thalia gets her hair and makeup done, according to real-estate agent Lyn Stevens of Douglas Elliman Real Estate, who has the listing with colleague Robin Kencel.

A large entertaining space has 30-foot-high ceilings topped by a cupola.

Thalia and Mr. Mottola each have their own two-story dressing room. The home's four levels are accessed by an elevator. A terrace with an outdoor kitchen and fireplace overlooks the lake.

The gated estate includes an outdoor swimming pool with a covered dining area where the family eats dinner most evenings in good weather, Mr. Mottola said. There's also a carriage house which Thalia uses as a recording studio.



\$85 MILLION IN EAST HAMPTON; HOUSE TO COME LATER

After failing to sell for \$45 million, a Hamptons estate is back on the market for \$85 million, nearly double the initial price. The twist: the price now includes a yet-to-be-built, roughly 14,000-square-foot house.

The 7.1-acre East Hampton parcel on Georgica Pond, which contains a five-bedroom house built around 1990, went on the market in 2015 for \$45 million, then saw its price cut to \$32 million last year before being taken off the market.

Now it's returning to market with plans in place for a new house—shown in a rendering below—designed as a collaboration between designer Steven Gambrel and builder/developer Jeffrey Collé.

The existing house would likely be torn down by a new

buyer, said listing agent Lori Schiaffino of Compass.

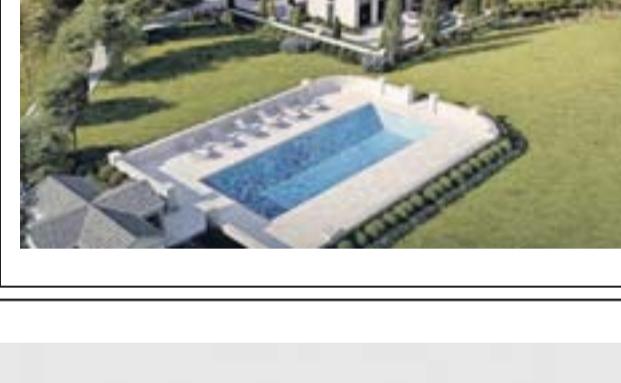
The plans call for a traditional-style house with about six bedrooms, a screening room and gym, Mr. Collé said.

There will also be a large outdoor swimming pool and pool house, a three-car garage, greenhouse and formal gardens.

Messrs. Collé and Gambrel said they would be willing to modify the plans for a buyer.

The property was for years the home of investment banker Carl Tiedemann II, who ran the investment firm Donaldson, Lufkin & Jenrette before founding Tiedemann Investment Group.

Mr. Tiedemann died in 2016, and his four children are spread across the country, said his son Michael.



NEW JERSEY MANSION HITS MARKET FOR \$48 MILLION

A century-old, roughly 50,000-square-foot mansion in New Jersey is hitting the market for \$48 million after a years-long renovation, according to owner Ilya Pavlovic, a local businessman.

Formerly known as the Crocker Mansion, the brick and limestone manse sits on 12.5 acres in the township of Mahwah. It's one of the most expensive residential listings in the state, according to real-estate listings site Zillow.

Mr. Pavlovic is marketing the property through the real-estate brokerage he owns, Special Properties Real Estate Services; Christie's International Real Estate is handling international marketing.

▶ See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com

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FROM TOP: MICHAEL BONDO; GETTY IMAGES; SPECIAL PROPERTIES/CHRISTIE'S INTERNATIONAL REAL ESTATE; BRENDAN TADLER (RENDERING)

BROWN HARRIS STEVENS

Established 1873

EAST SIDE



▲ MODERN LIVING AT THE PIERRE East 60's/Fifth Avenue. Three corner rooms, lavish master suite. North, South, West light. Elegant renovation of 2BR, possible 3rd BR. Sun-flooded and superb. Hotel services. \$18M. WEB# 16347030. Paula Del Nunzio 212-906-9207

5TH AVE-FULL FL IN PREWAR CO-OP Fifth Ave./East 83rd. Grand full-floor 12 room residence with 56' of frontage on Fifth Ave featuring soaring ceilings, oversized windows, and abundant light. White-glove Co-op. \$29.5M. WEB# 16094718. John Burger 212-906-9274

FULL FLOOR PARK AVENUE HOME Upper East Side. Best floorplan- 6BR, 6.5 bath full floor home w/ Lib, formal DR, pantry & staff rooms. Soaring ceilings, gorgeous proportions, 5 WBF & 4 expos. Top white glove Co-op. \$23M. WEB# 15944342. Judith Durham Smith 212-906-9311 Lisa K. Lippman 212-588-5606

MINT TOWNHOUSE OFF PARK AVE East 60's/Park-Lex. Stunning 20' triple mint elevated townhouse with 5 stories and 8,200 +/- SF. Gracious layout with 7BR, 6.5 bath; 5 fireplaces, charming garden + 2 terraces. \$19.95M. WEB# 14575707. John Burger 212-906-9274 Lauren Elizabeth Bankari 212-588-5698

EXPANSIVE PREWAR Park Avenue. Gracious high floor 8 into 6 rooms w/ 7 windows on Park Ave. Flexible layout. LR w/ WBF, FDR, 2+BRs, 2.5 baths, staff w/ bath, TWAC, 9' ceilings. Incredible opportunity. \$3.5M. WEB# 16023977. Larry Sicular 212-396-5852 Caroline E. Y. Guthrie 212-396-5858



▲ PANORAMIC BREATHTAKING VIEWS East 96th. Large 3BR, 2.5 bath, investor friendly Cond-op, eat-in kitchen, closets galore, modern baths, W/D, pool, gym, playroom, garage, rooftop, storage & bike room. \$1.595M. WEB# 16297242. Sungwon Hwang 212-906-9254

DOWNTOWN UPTOWN, NEW LISTING Midtown East. Incredible value & footage on Park Ave. Pre-war, loft-like 3BR, 3 bath. Corner master on Park w/ views down & across ave. Oversized LR w/ WBF, W/D, FSB, \$3.3M. WEB# 16396305. Katharine F. Tuckerman 212-906-9222 Edith F. Tuckerman 212-906-9228 Susan Greenfield 212-906-9214

RENOVATED 3BR CONDO East 87th. Well-priced 3BR, 2 bath apt with private balcony in full service Condo West of 3rd Ave. Open eat-in kitchen, North and South exposures, high ceilings & W/D. \$2.395M. WEB# 16427246. Wendy J. Sarasohn 212-906-9366 Jamie S. Joseph 212-906-9369

MULTI-USE CONDO LOFT Nomad. Primary home, pied-a-terre, romantic hideaway. Open plan move in 10'+ ceilings. Large IBR, 1 bath w/ outdoor space. CAC, 24hr concierge. Near it all. Pets OK. \$960K. WEB# 16355823. Vince Mauro 212-317-7721

CARNEGIE HILL WITH BALCONY Park Avenue. Spacious renovated 1BR w/ custom office & dining/bedroom in full service bldg w/ garage & storage. Near museums and CP. Pets OK. W/D on floor. \$765K. WEB# 16357064. Nancy Marshak 212-317-7732



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Kathleen Moosher



Kathryn Steinberg



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Micha Hendel



Nada Rizk



Paula Del Nunzio



Rhea F. Stein



Richard N. Rothblum



Silvana Mander



Susanne Rhow



Wendy Maitland

WEST SIDE

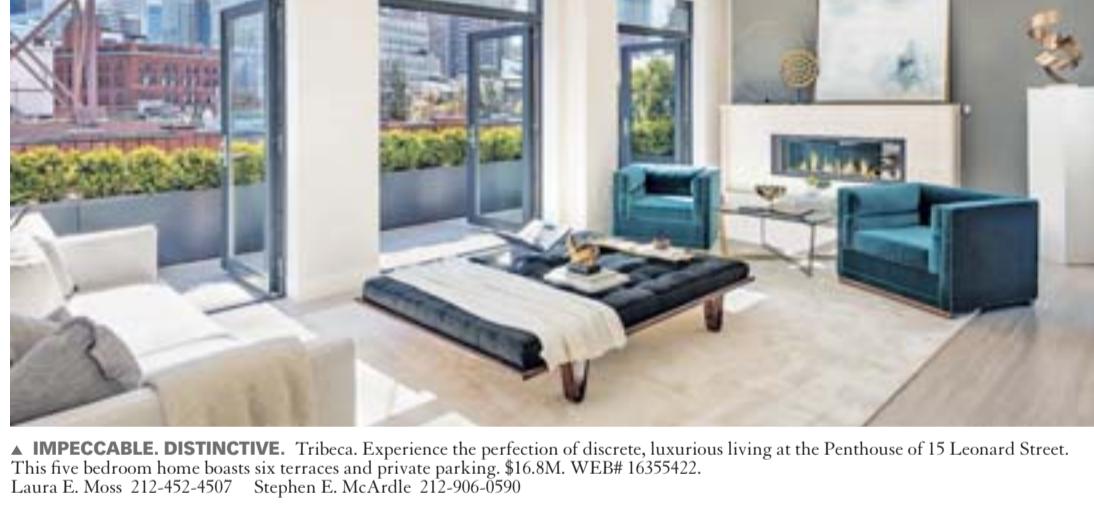


▲ PREWAR 5BR W/ PARK VIEWS Upper West Side. Co-Excl. Beautiful park & city views from this 5BR, 4 bath 2,639SF Condo. Large side-by-side LR & dining, open kitchen, entry foyer, high ceilings, W/D. 24hr DM. \$5.975M. WEB# 16255766. Drew Glick 212-396-5883 Juliana Frei 212-396-5886

FANTASTIC OPPORTUNITY Upper West Side. Co-Exclusive. A unique and fantastic opportunity to combine apartments 4B and 4C at 75 Central Park West. These homes span 65 feet along Central Park. \$10M. WEB# 16316956. Gregory M. Roache 212-588-5662

CPW JEWEL IN THE CROWN Central Park West. Rarely available high floor, pristine prewar Co-op home w/ full Central Park views. 3BR, 2.5 bath, C/A/C, private landing, chef's windowed kitchen, molding detail, W/D. \$6.5M. WEB# 16347074. Linda Stillwell 212-452-6233 Dennis G. Stillwell 212-452-6234 Tate Kelly 212-452-6235

DOWNTOWN



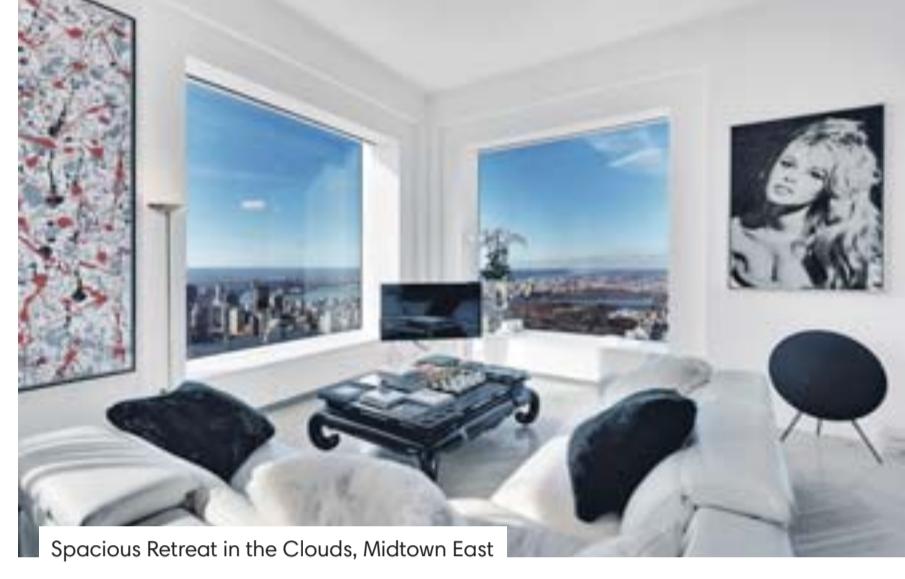
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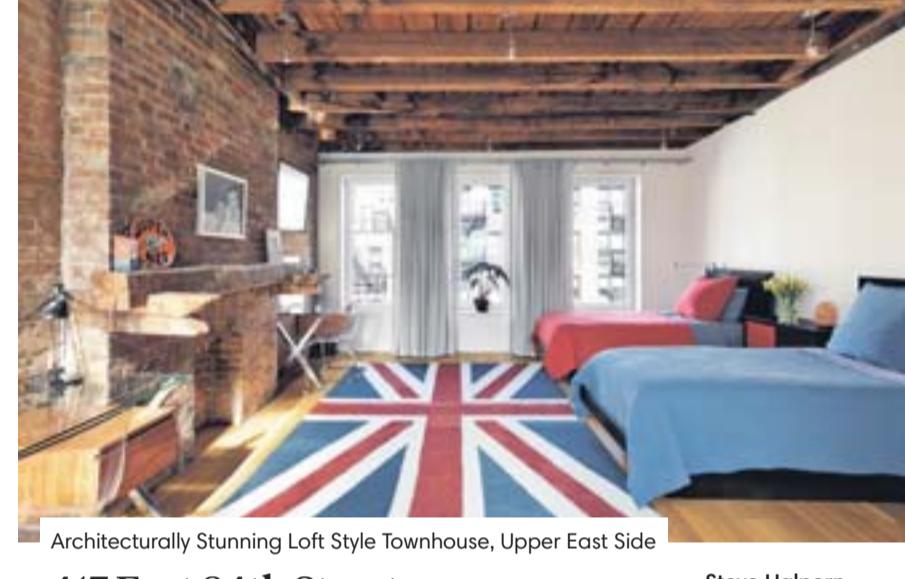
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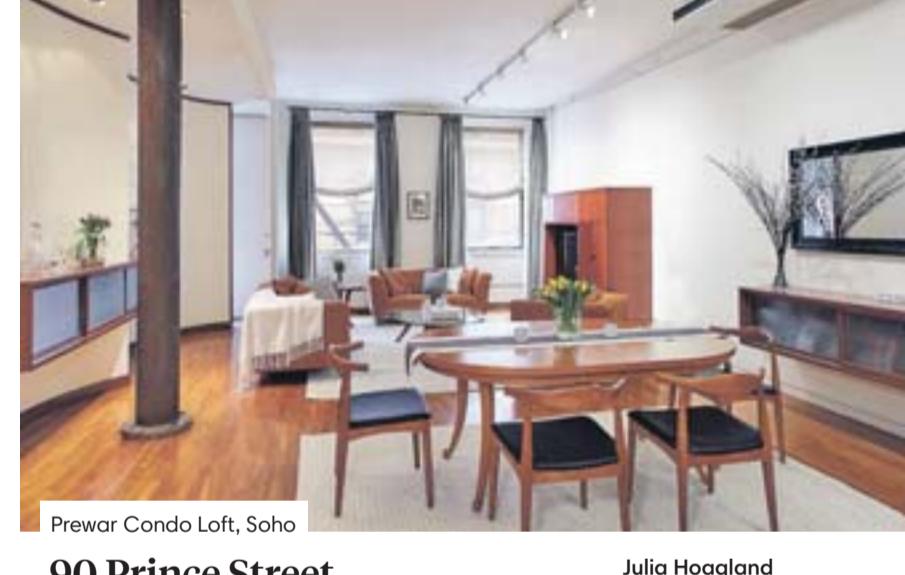
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MANSION

ANNOTATED ROOM | KRISTIANO ANG

Into the Woods in the Hudson Valley

Rosewood, walnut and teak root set the scene at a Brooklyn couple's weekend home in upstate New York

SHEENA MURPHY and her husband have long enjoyed weekends in the Hudson Valley, a few hours north of New York City, staying in AirBnB rentals while visiting friends.

When a baby came in the summer of 2015, Ms. Murphy, 36, an interior designer, and her husband, Paul, 37, a game developer, decided to look for a more permanent second home in the area—a getaway in addition to the Brooklyn home they own.

That year they paid \$775,000 for a two-story, 2,500-square-foot, three-bedroom, three-bathroom house on 6 acres in Hudson Woods, a development by Drew Lang's Lang Architecture, and moved in this past summer. Mr. Lang designed each home from locally sourced materials and, since it launched in 2013, has given home buyers the option to buy furnishings. (Of the 26 planned homes, 15 are completed; the rest are set for 2018.)

Ms. Murphy had her own ideas. "We wanted a comfortable weekend home with furniture that looks like it belongs to the 1950s," she says.



DOROTHY HONG FOR THE WALL STREET JOURNAL (2)

1. A fireplace from Wittus is designed and made in Denmark. "It's based off old wood-burning stoves," says Ms. Murphy, who bought it with the house. "There are so many windows in the room, so we wanted something heavy that would anchor the lounge." **Price:** \$10,000

2. The vintage bleached teak-root coffee table is from South of Market, a furniture retailer in Charleston, S.C. "The bleached wood contrasts with the darker elements and it is very durable," says Ms. Murphy. She estimates the table weighs over 500 pounds. **Price:** \$3,950

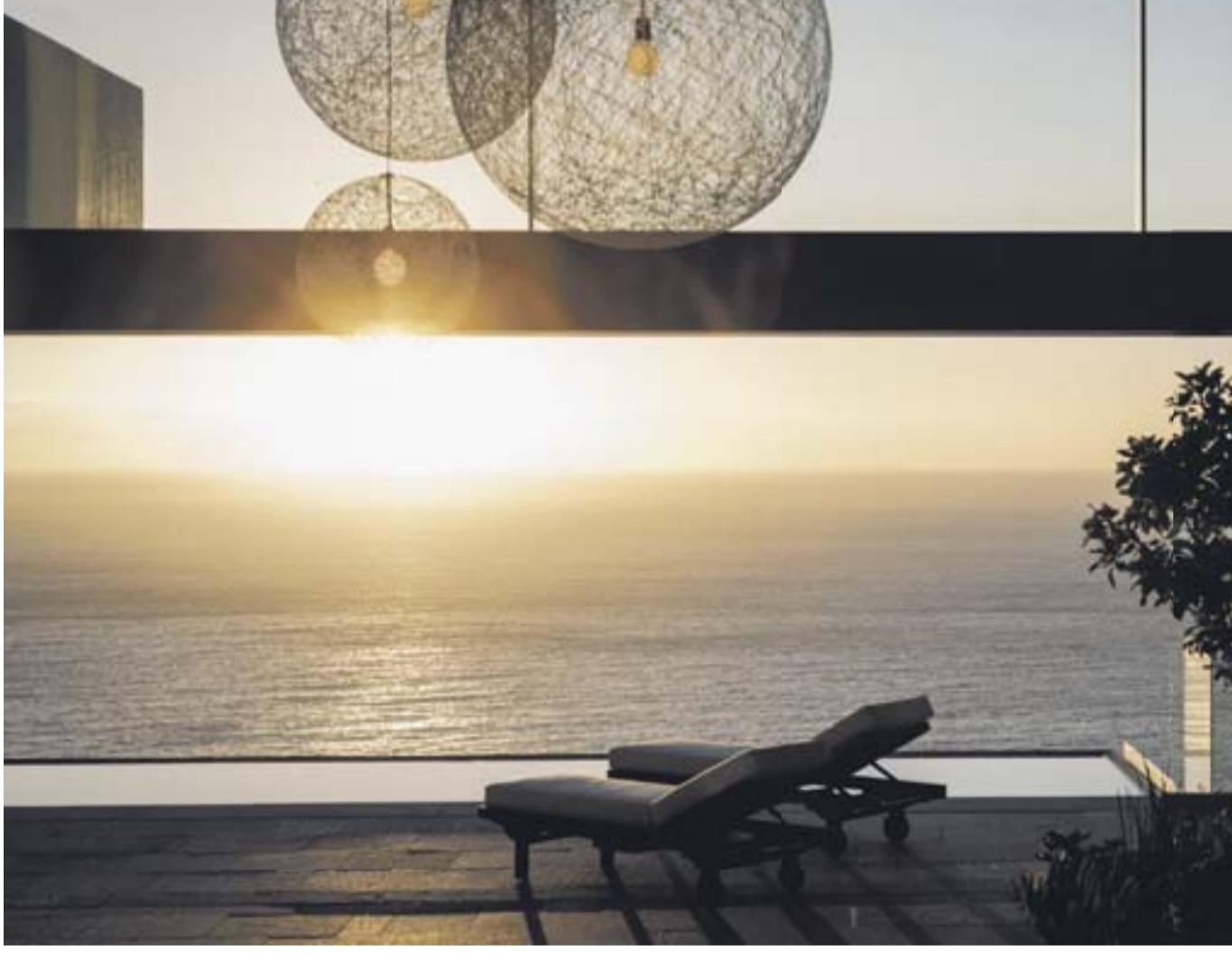


3. The lighting fixture on the wall is a double-shaded bent brass lamp from Brooklyn design studio Workstead. "It's based off a Midcentury style that's slightly modernized," says Ms. Murphy. She likes that it was made in New York and has a sculptural feel. **Price:** \$1,150

4. The couch, a recent addition to the home, is an original 1950s piece designed by Hans Wegner, a proponent of the Danish modernist aesthetic. The frame is made from rosewood and the leather has been reupholstered. **Price:** \$10,000

5. The walnut chair is made by Sawkill, a furniture company located in the Catskills. "The finish is really beautiful and consistent," says Ms. Murphy, adding the custom-made cushion is a "lovely soft detail on an otherwise hard, rigid chair." **Price:** \$1,800

OVERLOOKS THE OCEAN,
BUT NEVER THE DETAILS.



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HOUSE CALL | JOHN OATES

It Started With An Elvis Flick

Hearing girls scream during 'Love Me Tender' inspired the future singer-songwriter; becoming Hall & Oates

My parents saved my life—and my career. When I was 13 months old, I had my tonsils removed. Rather than return to our Manhattan apartment, my parents stayed at the hospital to watch over me. At some point overnight, my stitches broke and I began coughing up blood. My parents ran into the hall for help.

Minutes later in the operating room, the doctor told my parents he'd have to cut open my throat to repair the stitches. In tears, my mother begged him not to do that.

The doctor relented and operated through my tiny mouth. Had my parents not been there, I probably would have drowned in my blood or wouldn't have had much of a singing voice.

We lived near the hospital on 24th Street between 2nd and 1st Avenues. It was an Italian neighborhood then. My mother, Ann, was Italian, and my father, Alfred, was British. She wanted to live near her family. Growing up, I spent much of my time looking out the window at the street below or visiting my grandmother, Clementina, on 26th Street. She fed me. I was the boy king.

My father worked for an airplane-parts maker. In 1952, the company was awarded a big contract and moved to Pennsylvania. They offered any employee who relocated a promotion. So one af-



ternoon, as I returned to our building after playing, I saw my parents in their car with my baby sister, Diana. They were waiting for me, and we left, just like that.

About 2½ hours later we moved into a house in North Wales, Pa., an hour northwest of Philadelphia. Moving wasn't a big deal for me. I missed my grandmother, but not for long. We began driving back to New York every weekend. My parents were homesick. The rest of the world was a jungle to them compared to the old neighborhood.

In North Wales, we first lived in a house my parents rented with a small yard. It was in the old part of town, which was separated from the new part by railroad tracks. At night, I loved listening to the trains pass by.

We were there for about two years. When I turned 6, we moved to a bigger house on 10th Street on the other side of the tracks. It was a spec house—a two-story Cape Cod with white siding and



1967, when we were both promoting singles we had recorded. I was in a soul band called the Masters, and Daryl was in the Temp-tunes. We both were booked to play a hop when a gang fight broke out. Daryl and I escaped in a service elevator. We both went to Temple University and decided to team up.

In the 1990s, I discovered I had little money to show for all our hits. I needed to rethink my life and career. At the time, I had a little vacation condo in Aspen and decided I'd live out there.

Soon after relocating to Colorado from New York, I met my wife, Aimee. We built a five-bedroom log house in Woody Creek that matched my dream of a laid-back future. It's on a dirt road, with views of the mountains.

Last year, we also bought a three-story, four-bedroom 1925 Tudor Revival in Nashville, Tenn. We spend much of our time there, where I do most of my composing, producing and recording. We're in the city's oldest neighborhood. The tree-lined streets remind me of North Wales.

The kitchen has wraparound paned windows that give us a 180-degree view of the garden and the birds out there. Best of all, when it's quiet late at night, the last thing I hear before falling off to sleep is a train in the distance.

—As told to Marc Myers

John Oates, 69, is a guitarist and singer-songwriter who, as half of the Hall & Oates duo, co-wrote many of their hits in the 1970s and '80s, including "She's Gone" and "Maneater." He is the author of the memoir "Change of Seasons" (St. Martins Press).

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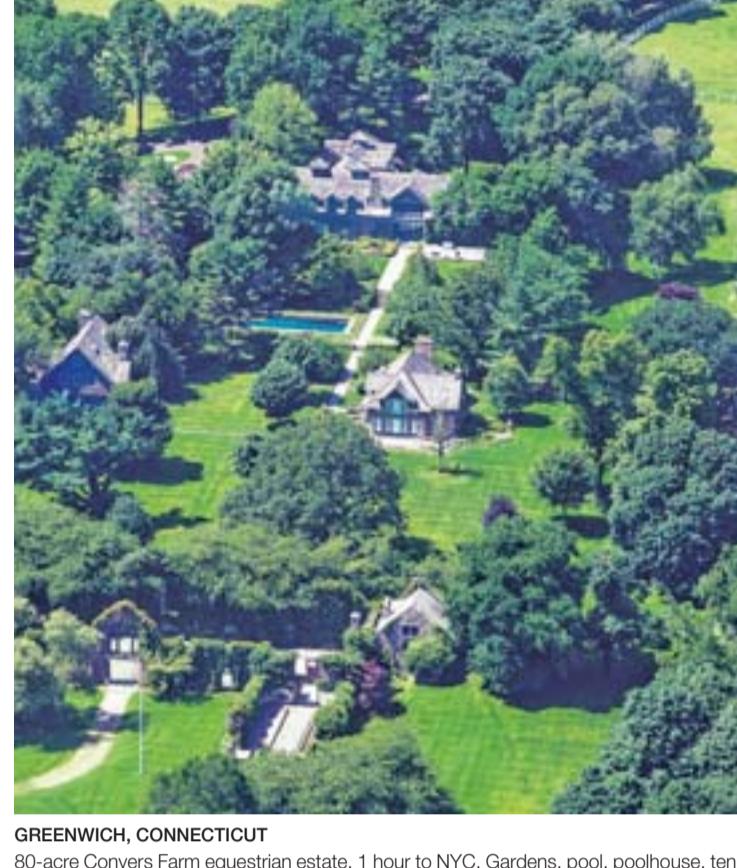
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MANSION



ROBERT BENSON FOR THE WALL STREET JOURNAL (3)

ALL READY Stefanie Termini, shown with her dog Chloe, inside the nursery of her soon-to-be baby girl. ‘We wanted more of a glamorous look; we wanted the bling,’ Ms. Termini says.

OMG CUSTOM CLOSETS FOR CHILDREN

Continued from page M1

The closet has a mirrored wall and extra boutique-style shoe racks for an ever-expanding collection.

“It’s like decorating a room; everything is built-in and measured perfectly,” says Ms. Swenson, a 49-year-old stay-at-home mother. She declined to disclose the cost of her children’s closet, but Ms. Charlton, founder of New

York-based Clos-ette, said children’s closets start at between \$10,000 and \$15,000. “It’s almost like a little master walk-in version of the parents,” says Ms. Charlton, who adds that high-end closet systems can increase home value once time to sell.

In her projects, Ms. Charlton sometimes uses chalkboard paint, on which children can write to-do lists or

keep track of chores. Drawer surfaces and inserts are similar to what’s found on patio furniture so they’re durable and easy to wipe down. Children’s closets “need to be a little more bulletproof,” she says. She also looks at shoe sizes and children’s heights to devise a shelving system that can be adjusted with age by taking out dividers.

Likewise, Ms. Adams, the



SLEEP EASY The baby’s crib, above, and a reach-in closet with pull-out shoe storage, below.



L.A. designer, makes sure that half of the closet is built at or below a child’s current eye-level, with adjustable shelves to accommodate children as they grow, she says. Often, she carries the theme of sports into a boy’s closet by installing a locker-room style setup or adds gold-framed mirrors for girls along with their favorite color accents. Carefully placed slide-out hampers encourage even the messiest children to throw in their dirty clothes, she adds.

In Manteno, Ill., Theresa Shulteis turned an exercise room into 500-square-foot dressing area shared by Sariah, 14, Skylar, 17, and Serena, 19, to keep clothing that overflows from their closets. Since the closet is next to the home’s laundry room, Ms. Shulteis saves time by leaving washed, sorted laundry in front of each child’s portion of the closet, which also has a built-in makeup vanity and window seating. A smaller portion of the room is also used by her and her husband, she adds. “It’s a community closet,” says Ms. Shulteis, a 42-year-old online retail-business owner who worked with Closet Organizing Systems, a local firm, on the project.

Some parents are also creating Pinterest-worthy nurseries, says New York-based

nursery designer Vanessa Antonelli. Infant closets tend to be reach-in closets, but can still be outfitted with high-end details. Often that means adding darker leather lining for boys and beaded or acrylic accents for girls.

“At least half of what my clients are thinking about is ‘How good will this look?’ and ‘When I get it up on the internet, how many likes will I get?’” says Ms. Antonelli.

Getting the closet completed before giving birth was a relief for Stefanie Termini, 32, who worked with California Closets to create a reach-in closet for a baby girl due later this month who she plans to name Scarlett. The closet has a metallic rug, wallpaper with metallic dots and sparkly knobs, she says. “We wanted more of a glamorous look; we wanted the bling,” says Ms. Termini, a stay-at-home mother who paid \$5,000 for the infant closet in her Encinitas, Calif., home. The result, she hopes, will make it “easy to access stuff in the middle of night.”

Paloma Contreras, a Houston-based interior designer, says that parents take more design risks when creating spaces for their children, including closets and bathrooms that are done in turquoise or pink hues and more playful than the rest of the

home. “Even the client with a more restrained palette will be more adventurous in a child’s room,” she says. Many clients decide to rebuild the closets “as a matter of necessity” after developers create a space without any drawers and hanging rods that are too high for younger children to reach, she says.

After weeks of back-and-forth with the designer, Lori Underwood worked with Ms. Contreras to create two walk-in closets for daughter Ava, 13, and son Drew, 10, in their Houston home. The two walk-ins have display shelves for trophies and photographs, while dresser-like drawers allow “knick-knacky things” to be off the floor, says Ms. Underwood, a 39-year-old stay-at-home mother. “If we go on vacation and they bring home a rock or a seashell, it’s always able to be tucked away and closed up,” she adds.

Washington, D.C.-based professional organizer Rachel Rosenthal includes lots of space for accessories in children’s closets. She says she adds extra hooks, pegboards for hanging necklaces or purses, and baskets for storing action figures or dolls. She also designates hanging space near the front of the closet for children to play dress up. For day-to-day clothing, she adjusts hanger-rod heights to allow children to reach it on their own, and provides ample drawer and shelf space to create an easy-to-maintain area. “It’s empowering to kids to get themselves dressed,” she says.

When her youngest clients opt for pink, velvet-lined jewelry drawers, Ms. Rosenthal plays along as if she’s protecting diamonds: “Their jewelry is plastic,” she says, but “they will be excited when putting something away.”

Living On The East End



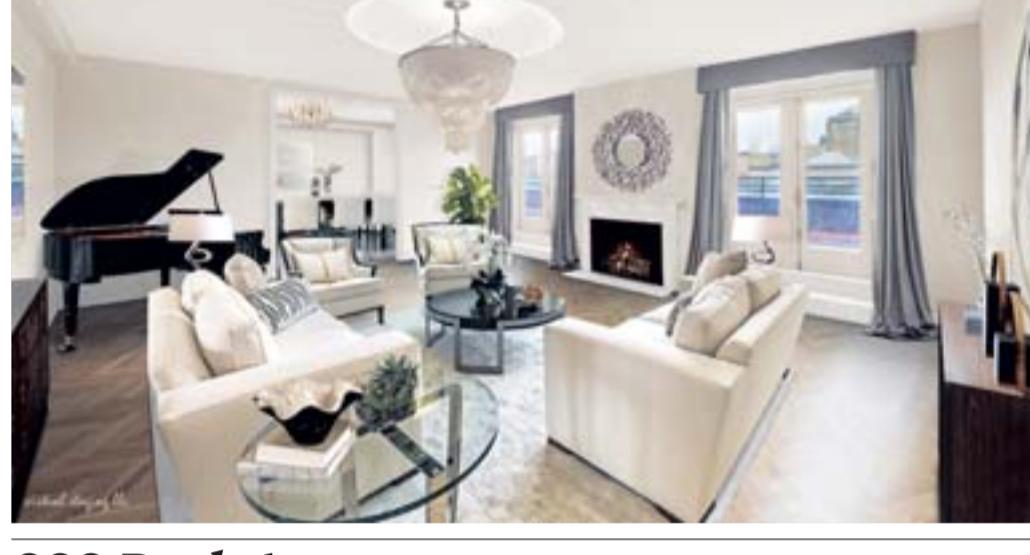
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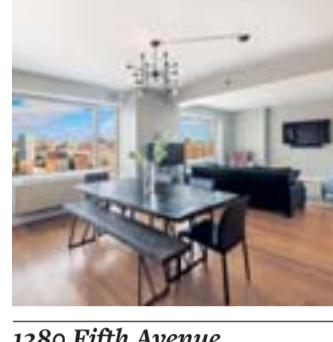
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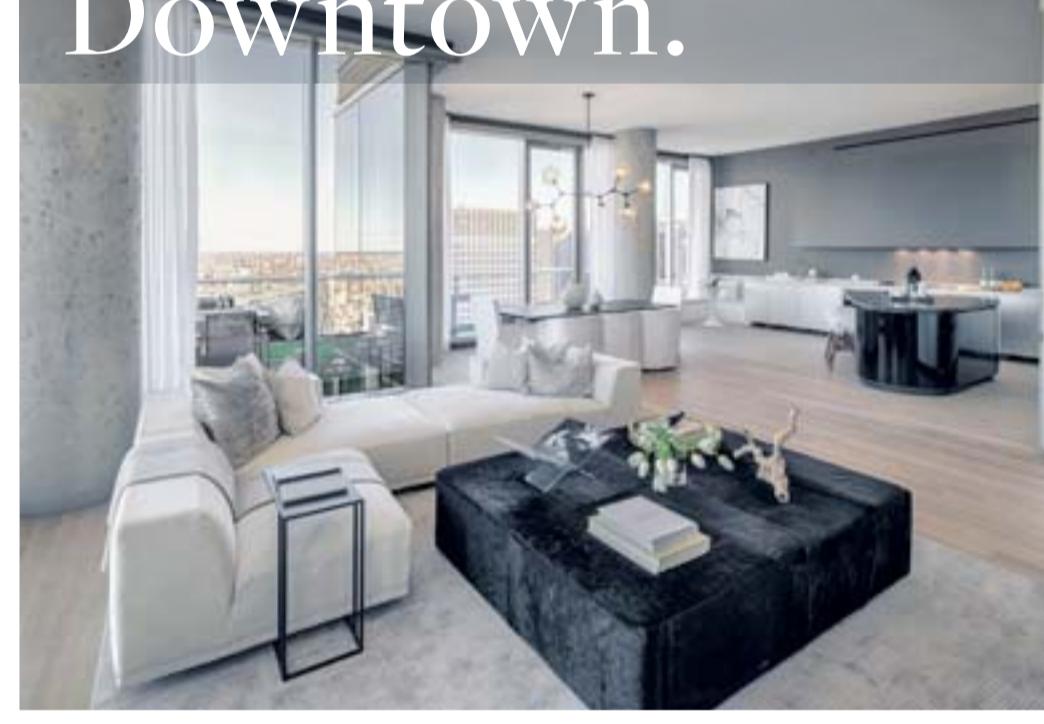
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MANSION

CASSATT'S VILLA



IN THE LOUNGE A living room, above, in Villa Angeletto, purchased by Rosemary and Patrick Ireland in 2006. Below, 'Little Girl in a Blue Armchair,' painted by Mary Cassatt in 1878.



In his diary, published posthumously in 1966, French art dealer René Gimpel wrote enthusiastically of Cassatt's "enchanting villa perched on the mountains like a nest amongst branches."

The current owners of Villa Angeletto are also expatriates, Rosemary and Patrick Ireland, who bought the property in 2006. The Irelands are British by birth and moved to France from Hong Kong in 2000 because their two daughters were approaching school age and they admired the French education system. Dr. Ireland is a physician and Mrs. Ireland has worked in publishing; both are in their 60s.

Upstairs are three bedroom suites, with wooden doors that lead out onto the upper-floor terrace. There are two attic bedrooms above, plus a fourth bathroom. Then, up a tiny flight of spiral steps, is a final surprise—a tiny aerie of a room in the tower, with windows to catch the full panorama of mountains and sea.

The Irelands, who moved to France for the sake of their family, are now selling Villa Angeletto for the same reason. Both daughters have recently had babies, and the couple wants to spend more time visiting their grandchildren at their homes in Singapore and Dubai. They plan to buy a smaller property nearby, giving them the freedom to globetrot.

The property has been listed with Sotheby's International Realty for about \$2.65 million for around a year—the couple's decision to sell coincided with a very slow real-estate market in France.

Ultimately Mrs. Ireland believes the house's history will help sell it. "Who do I think will buy it? Someone who likes big spaces, and who loves entertaining," said Mrs. Ireland. "Someone really who is not interested in something frightfully modern but who likes history and wants to be surrounded by it."



IN THE HILLS The villa was built in the late 19th century by John H. Harjes, an American banker and philanthropist. Above, an outdoor terrace and pool area.

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Tax reform proposal may affect land sales

INDUSTRY MEMBERS EXPRESS CONCERN ABOUT POTENTIAL IMPACT ON SECTOR

By Tonie Auer

Since 1921, investors have been able to rely on Section 1031 of the Internal Revenue Code to defer capital gains taxes on like-kind property exchanges. But the 1031 exchange, as it's commonly known, could be in jeopardy if a government plan for tax reform is passed in its current form.

In legalese, Section 1031 provides for the deferral of capital gains tax on a relinquished property that is exchanged for a like-kind property. A real-estate-for-real-estate exchange qualifies

as a like-kind exchange, provided that the relinquished property and the replacement property are held for some period of time for productive use in trade or business or as an investment.

"If this proposal passes, it will have a very dramatic effect on real estate and it could kill the land sales industry," says Aubrie Kobernus, chief executive officer of the REALTORS® Land Institute, an affiliate of the National Association of REALTORS®.

What's proposed now would essentially repeal that section of the code and do away with like-kind exchanges, Ms. Kobernus says. It would allow for

an immediate expensing of assets and eliminate depreciation schedules, which could be fine for most real estate and real personal property. However, expensing does not cover land, which represents about 30% of the value of commercial real estate and up to 100% of agricultural land investments.

"Section 1031 serves a purpose; if they remove it there will be a dramatic negative effect on commercial real estate in general," Ms. Kobernus says. "The solution they're offering may work for the majority of other transactions, but it does not work for land. With the provision, you're leaving land investors out in the dust."

INVESTMENT SPENDING

Like-kind exchanges encourage investment spending, she says, and capital expenditures in replacement exchange properties tend to be higher than in regular acquisitions following a taxable sale. Exchangers also tend to use less debt to acquire replacement properties compared to ordinary sellers. Plus, the deferred tax is ultimately captured when the replacement property is sold.

Many land buyers benefitting from the 1031 exchange are ranchers and farmers who use exchanges to combine acreage, acquire higher-grade land, or move into another property type when they are ready to retire, she says.

"The 1031 is an extremely powerful tool in our business," says Joe Taggart, executive vice president of Timberland for Boston-based LandVest. "If it

were to go away, it would strongly compel owner-investors to accelerate transactions in 2017 before the provision sunset."

While the 1031 is a concern, Mr. Taggart says, he is also watching potential changes to the long-term capital gains rates.

CAPITAL GAINS

Mr. Taggart adds that various tax-related legislation could impact the long-term capital gains tax rate. "In a timberland sale, you've got the long-term capital gains taxes, in addition to a tax of about 3.8% that is used to fund the Affordable Care Act. The long-term capital gain rate used to be 15%, but was moved to 20% for high-income taxpayers during the previous administration.

When you tack on the 3.8% ACA surcharge, it is a total increase of almost 9%."

If a new health-care reform bill is passed successfully, it could potentially remove the 3.8% ACA surcharge from the long-term gain rate, and on a \$25 million fully depleted gain, this would reduce the investor's tax bill by \$1 million. At these rates, investors may defer a sale until 2018 or beyond in the hope that the long-term rate might fall, he adds.

The new presidential administration has also hinted at making changes to the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), Mr. Taggart says. FIRPTA affects the disposition of a U.S. real property interest by a foreign person. A property sale by a foreign owner is subject to FIRPTA tax withholding of the

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Joe Taggart of LandVest.

entire sale value—not just the depleted gain.

"FIRPTA is not the most tax-efficient process for the foreign national," he says. "It limits foreign owners' ability to purchase timberland in the U.S."

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"There was talk at the end of last year about some serious reform to FIRPTA to spur investment. The Chinese don't seem as concerned about FIRPTA, but Europeans are. With Europe experiencing a very low-yield interest-rate environment, U.S. timberland and other hard assets are very attractive, but when you add the tax, it provides another obstacle to investment."



Many land buyers currently use exchanges to combine acreage.

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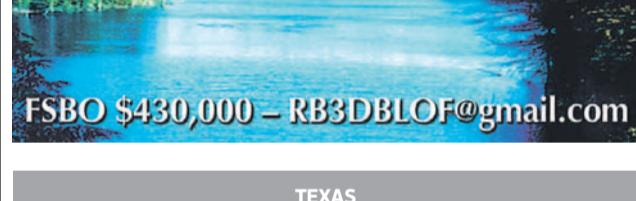
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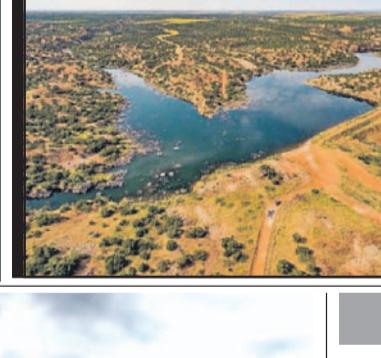
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Special Advertising Feature

Clarifying Water Regulations On Private Land

By **Tonie Auer**

Determining how the government can regulate small streams, headwaters, and other water sources such as wetlands on private property has caused more than just headaches for land owners. That issue is set to be addressed by the new administration, which issued an executive order on Feb. 28 to begin a formal review of the regulation known as the Waters of the U.S. (WOTUS), which was one of the most controversial rules under the Clean Water Act.

In 2015, the previous administration enacted the regulation designed to protect American waterways by giving the federal government authority to limit pollution in major bodies of water, as well as in streams and wetlands that drain into larger waters.

"THE LAND INDUSTRY WILL BENEFIT FROM HAVING COMMON-SENSE SOLUTIONS TO PROTECT OUR NATION'S WATER RESOURCES."

This latest order begins the process of rewriting the WOTUS to clarify the reach of federal regulators over wetlands and waterways under the Clean Water Act.

"Since the rule was enacted, property owners have suffered from a lack of clarity about what is needed or required to not be regulated by the Army Corps of Engineers or the Environmental Protection Agency," says Brandon Rogillio, owner/broker of Baton Rouge, La.-based Rogillio Real Estate and the 2017 REALTORS® Land Institute (RLI) national president.

"That jurisdiction—by unclear definitions—has extended from what used to be a navigable waterway to what is now a puddle in a field that, if it rains enough, may get to a stream that

Brandon Rogillio.

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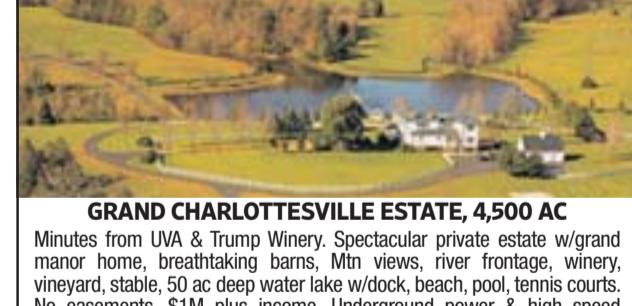
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Seven bedrooms, seven bathrooms, four half-baths

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Agent: Dana Rohe, Isleworth Realty

**\$5.499 million****Austin, Texas**

Five bedrooms, 5½ bathrooms

Located on a hilltop in the Westlake Hills suburb and overlooking downtown Austin, this glassy home was designed with environmentally friendly features. An elevator stops on all three floors of the 7,019-square-foot property; good views from every room. Agents: Gary Dolch and Michelle Dolch, Kuper Sotheby's International Realty

**\$3.95 million****Montauk, N.Y.**

Five bedrooms, four bathrooms, three half-baths

This shingle-style Hamptons home measures 5,700 square feet and sits on nearly 2 acres. A private elevator goes from a first-floor family room to an upper-level living room with views of the ocean. Other amenities include a heated pool and a cabana.

Agent: Susan Ceslow and Linda Mallinson, Douglas Elliman

—Emily Nonko

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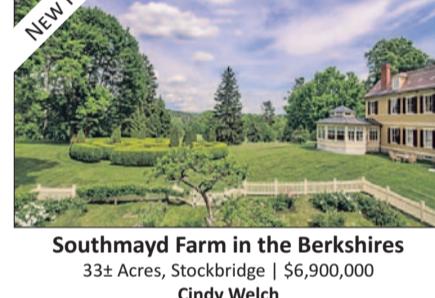
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