

THE WALL STREET JOURNAL.

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What's News

Business & Finance

China intensified its trade battle with the U.S., warning of concerns about Qualcomm's planned purchase of rival NXP. **A1**

◆ **Qualcomm** said it is initiating job cuts as it seeks to shed \$1 billion in costs. **B3**

◆ **Mattel CEO Georgiadis** is leaving after about a year in the job. The toy maker named former studio executive Kreiz to succeed her. **A1**

◆ **Wells Fargo** is close to settling regulators' claims over risk management, involving a fine of up to \$1 billion. **B1**

◆ **AT&T's chief testified** in defense of his firm's proposed Time Warner acquisition, calling it a "vision deal." **B1**

◆ **P&G, Unilever** and Nestlé are struggling to raise prices as fierce competition curbs their sales growth. **B1**

◆ **Shares of tobacco firms** sank after Philip Morris said its cigarette shipments fell more than expected. **B1**

◆ **Shire has become** the subject of topsy-turvy takeover interest, as drug firms seek a quick boost to sales. **B3**

◆ **The S&P 500 declined** as consumer-products shares tumbled. The Dow slipped 83.18 points to 24664.89. **B1**

◆ **Saudi and Russian officials** are expected to discuss the future of their oil-production pact at weekend talks. **B1**

◆ **Blackstone's profit** beat expectations thanks to strong fee-related earnings, but fell from a year ago. **B10**

◆ **Xerox defended** its CEO against accusations from a big investor, as a brawl over the Fujifilm deal continued. **B4**

World-Wide

◆ **Trump hired** Giuliani to join the legal team representing him in the Russia investigation, as the president steps up his efforts to bring the probe to a conclusion. **A1**

◆ **The Justice Department's** internal watchdog referred its finding that former FBI Deputy Director Andrew McCabe had misled investigators to federal prosecutors to determine whether he should be charged with a crime, according to people familiar with the matter.

The inspector general con-

Baby on Board as Senate Allows Newborns on Floor



BUNDLED: Maile Pearl Bowlsby, 10 days old, with her mother, Sen. Tammy Duckworth, on Thursday became the first baby to join her parent in the chamber for a vote. Ms. Duckworth, an Illinois Democrat, is the first senator to give birth while in office. **A4**

U.S. Prosecutors to Weigh Criminal Case for McCabe

BY ARUNA VISWANATHA AND DEL QUENTIN WILBER

The Justice Department's internal watchdog referred its finding that former FBI Deputy Director Andrew McCabe had misled investigators to federal prosecutors to determine whether he should be charged with a crime, according to people familiar with the matter.

The inspector general con-

cluded in a report released last week that Mr. McCabe had lacked candor in conversations with Federal Bureau of Investigation inspection agents, the inspector general's office and then-FBI Director James Comey about information provided in October 2016 to a Wall Street Journal reporter.

It is unclear when the referral was made or if the investigation is likely to result in any charges. Representatives for the Justice Department declined to comment.

Mr. McCabe's lawyer, Michael Bromwich, said he was advised of the referral within the past few weeks, has met with the U.S. attorney's office, and believes the referral is "unjustified."

"We are confident that, unless there is inappropriate pres-

Please see FBI page A4

Positive Signals For Pompeo



Chances for president's nominee for secretary of state improve..... **A4**

Comey memos say Trump had doubts about Flynn... A6

Tech Firms Caught in U.S.-China Trade Spat

BY YOKO KUBOTA AND DAN STRUMPF

HONG KONG—China intensified the tit-for-tat trade battle with the U.S. on Thursday, with antitrust regulators warning that they have "hard to resolve" concerns about Qualcomm Inc.'s planned \$44 billion purchase of NXP Semiconductors NV, potentially creating a significant stumbling block for the deal.

The move follows a decision by the U.S. Commerce Department to ban sales of American components to Chinese telecommunications company ZTE Corp., as well as threats from the White House to impose tariffs on \$150 billion worth of Chinese goods to punish what it says are efforts to steal U.S. technology.

The escalating tensions have put technology firms at the center of a trade fight between the U.S. and China, placing new constraints on the companies' strategic plans and threatening their access to giant markets.

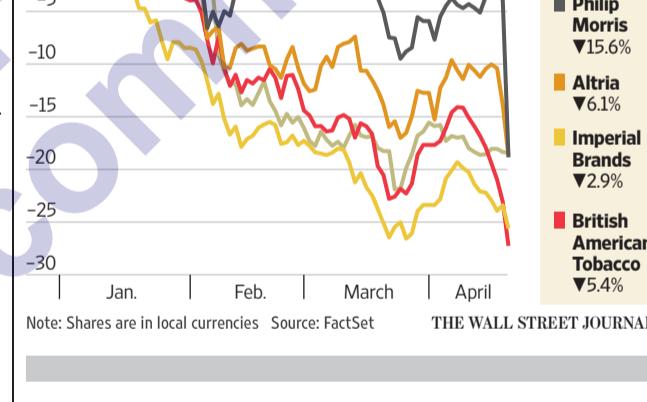
"China wants very much to Please see TRADE page A2

◆ **Companies fear uneven penalties from China tariffs.. A2**

Flameout for Tobacco Stocks

Philip Morris said its cigarette shipments fell more than expected in the first quarter, sending tobacco companies down sharply. **B1**

Year-to-date share performance of tobacco companies



Mattel Taps Its Fourth CEO in as Many Years

BY DANA CIMILLUCA AND PAUL ZIOBRO

Mattel Inc. Chief Executive Margo Georgiadis is leaving the toy maker after about a year in the job, a surprising shake-up at a company searching for a strategy that can end a four-year sales slump.

Former studio executive Ynon Kreiz will succeed Ms. Georgiadis, Mattel said Thursday. When Mr. Kreiz takes over on April 26, he will be the fourth person to hold the Mattel CEO title in as many years.

◆ **Companies fear uneven penalties from China tariffs.. A2**

The maker of Barbie dolls and Hot Wheels cars has been struggling to adapt to a fast-changing industry where online content and movies are increasingly critical in capturing children's attention. It also faces growing competition from smartphones, and had to cope with a shift to online shopping and the demise of traditional retail outlets like Toys "R" Us, which filed for bankruptcy last September and is liquidating its U.S. stores.

Mattel reached last year Please see MATTEL page A8

Hawk and Roll All Nite: Gene Simmons Has Many Gigs

* * *

KISS singer pitches companies selling software, soda, now cannabis

BY JACQUIE McNISH AND VIPAL MONGA

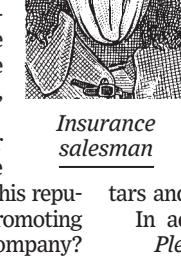
TORONTO—Rock 'n' roll legend Gene Simmons has rarely met a brand he won't endorse. And experience is no obstacle.

"What's on my résumé? I know nothing," he said.

That includes his latest venture as CEO—that's Chief Evangelist Officer—of a fledgling, money-losing Vancouver marijuana producer that aspires to make it big when recreational marijuana sales are set to become legal in Canada this year.

As he approaches his 69th birthday, Mr. Simmons is channeling his flair for spectacle into a second career as a pitchman for hire. Never mind he sometimes has little knowledge about brands he promotes or, as is the case with marijuana, has openly disdained.

So is the co-founder of KISS and longtime critic of drugs worried his reputation may take a hit promoting a Canadian cannabis company?



"You're asking the guy who sticks his tongue out and drools blood," said Mr. Simmons during a recent interview at Toronto's Four Seasons Hotel. His theatrics have helped the band rack up 30 gold albums with such touches as black-and-white face paint, smoke-belching guitars and fake hemoglobin.

In addition to his new gig Please see GENE page A9

Trump Adds Giuliani To Fight Probe

Former New York mayor and ex-federal prosecutor to join president's legal team

BY REBECCA BALLHAUS AND PETER NICHOLAS

WASHINGTON—President Donald Trump, stepping up his efforts to bring the Russia investigation to a conclusion, has hired longtime ally and former New York City Mayor Rudy Giuliani as part of the legal team representing him in the probe.

Mr. Giuliani is joining the team amid bubbling tensions between the Justice Department and the White House.

Mr. Trump has called for a swift conclusion to the investigation and in recent weeks lashed out at the two top officials overseeing it, special counsel Robert Mueller and Deputy Attorney General Rod Rosenstein, leading people close to the president to believe he might dismiss them.

Both men have told the president that he isn't a target of the investigation, but Mr. Trump has been angered by the probe's broad scope and its focus on several close associates.

The addition of Mr. Giuliani, who has a decadeslong relationship with Mr. Mueller, could ease some of those tensions.

In an interview, Mr. Giuliani, a former U.S. attorney Please see PROBE page A4

North Korea's Hackers Are Now Dangerously Good

Nation's fingerprints have appeared in surprisingly sophisticated recent attacks

BY TIMOTHY W. MARTIN

SEOUL—North Korea's cyber army, long considered a midlevel security threat, is quietly morphing into one of the world's most sophisticated and dangerous hacking machines.

Over the past 18 months, the nation's fingerprints have appeared in an increasing number of cyberattacks, the skill level of its hackers has rapidly improved and their targets have become more worrisome, a Wall Street Journal examination of the program reveals. As recently as March, suspected North Ko-

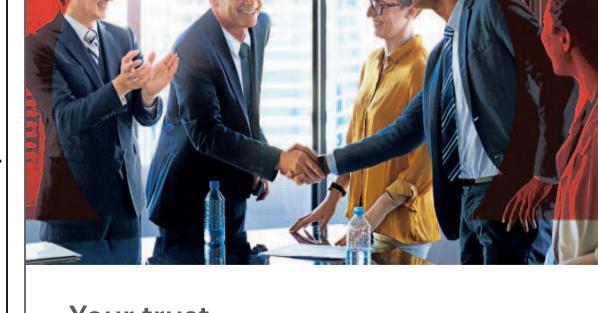
rean hackers appear to have infiltrated Turkish banks and invaded computer systems in the run-up to the Winter Olympics, cybersecurity researchers say.

For years, cybersecurity experts viewed North Korea as a second-rate hacking force whose attacks were disruptive but reasonably easy to decode. Researchers rated its operational skills well behind countries such as Russia, Israel and the U.S.

Those days appear to be Please see HACK page A9

◆ **Pyongyang drops demand on U.S. troops, Seoul says..... A7**

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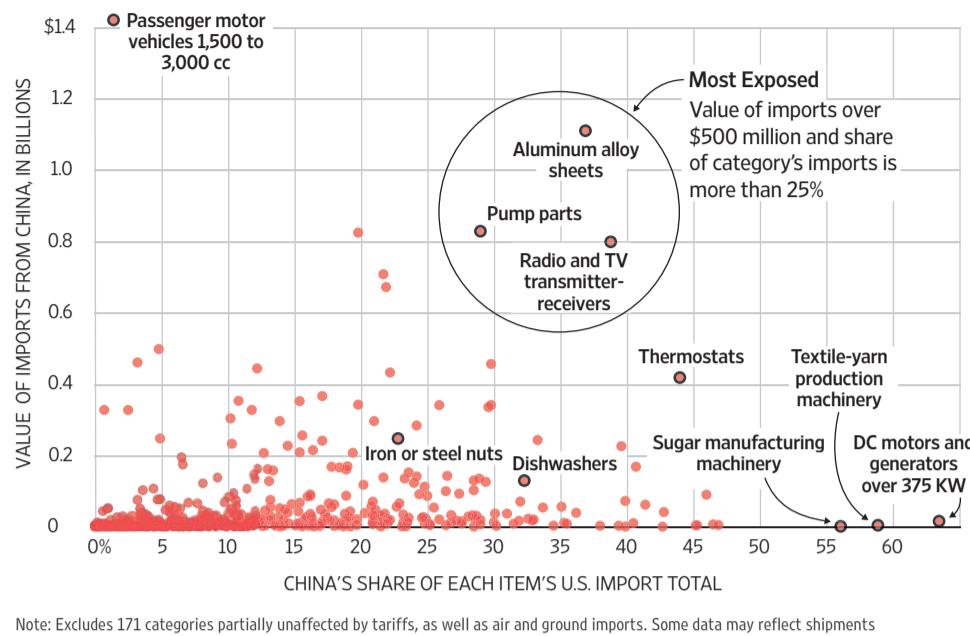
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U.S. NEWS

Companies Fear Uneven Penalties From China Tariffs

Trade Wares

Proposed U.S. tariffs on Chinese imports would fall unevenly across 872 product categories. China provided less than 5% of imported value in 345 categories. In others, China matters more.



Note: Excludes 171 categories partially unaffected by tariffs, as well as air and ground imports. Some data may reflect shipments containing a mix of products.
Source: S&P Global's Panjiva

than 30—from China.

As a result, manufacturers that import those products from China rather than elsewhere are likely to bear the brunt of the tariffs. If they can't find alternative suppliers some companies may have to raise prices at a time when raw-material and labor costs are already rising.

"We can't even source some

components here in the U.S.," said Aaron Jagdfeld, the chief executive of generator maker Generac Holdings Inc.

The scenario highlights how a Trump policy aimed at punishing China's alleged trade abuses can boomerang, threatening to create corporate winners and losers and drive up costs for American consumers.

Generac gets a sizable chunk

of various imported components from China, including alternators, pumps and electrical transformers. Mr. Jagdfeld estimated that the company, which has six factories in its home state of Wisconsin and about 3,500 U.S. employees, could face up to \$5 million in additional costs each year due to the tariffs, worth potentially 3% of its \$160 million profit in

Painful Portions

Proposed tariffs on Chinese imports would hit companies in the U.S. unevenly. Below are three products for which leading importers rely on China to different degrees.

■ Share of company import volume

Thermostats

97% Emerson	64% Honeywell

Value of Chinese imports by all U.S. firms

\$418 million

Iron or steel nuts

56% Stelsta	17% Fastenal

\$247

Dishwashers

67% Samsung	27% Electrolux

\$129

Note: Import volumes reflect seaborne trade only and may include mixed-product shipments.

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the company is working on a formal exemption request. The Trump administration is expected to unveil tariffs on an additional \$100 billion in Chinese imports in coming days.

The same tariff could hit two companies in the same industry differently, depending on where they source their components. For instance, about a quarter of the \$1.1 billion of U.S. imports of iron and steel nuts came from China last year. But Stelsta Inc., a Cleveland seller of industrial fasteners, got more than half its volume of such nuts from China, Panjiva data suggest. Stelsta didn't respond to requests to comment.

Meanwhile, Fastenal Co., a Winona, Minn., distributor and manufacturer of fasteners and other products, got 17% of its seaborne shipments of nuts from China last year, according to Panjiva data. So far Fastenal has identified as much as \$12 million in annual inputs—roughly equal to 0.5% of the company's cost of goods sold last year—that could be affected by the tariffs, Chief Financial Officer Holden Lewis told analysts this month.

"Most of what would be affected directly seems fairly modest," Mr. Lewis said. "Our bigger question is what impact does it have on our customers at the end of the day."

◆ Japan's car exports raise risk of clash with U.S. A7

Worker Dies After Missouri TV-Station Tower Collapses



CAUSE UNKNOWN: A maintenance worker from Washington state died Thursday while working on a 1,980-foot tower near Fordland.

TRADE

Continued from Page One

flex its muscles. It can certainly inflict pain on one large U.S. company, Qualcomm," said Peter Fuhrman, chairman and chief executive of investment and advisory firm China First Capital.

Washington has for years warned about China acquiring U.S. technology through unfair means, and protested that Beijing is walling off the world's biggest internet market from American companies. Beijing has in turn vowed to defend its tech champions, fueling a multifront battle that is catching many of world's biggest tech companies in the crossfire. During a visit to China last month, Apple Inc. Chief Executive Tim Cook urged President Donald Trump to support free-trade policies.

Qualcomm's supposed strategic value to the U.S. saved the company from a possible hostile \$117 billion takeover last month by Broadcom Ltd., which was based in Singapore but has since changed its domicile to the U.S.

Mr. Trump quashed Broadcom's pursuit of Qualcomm, citing national-security concerns raised by China's growing strength in advanced technologies. These include the fifth-generation wireless technology, known as 5G, that will usher in faster, more powerful connections.

The block put the mobile-chip company firmly at the center of a growing tech rivalry between its home country and its biggest market: China, which accounts for almost two-thirds of Qual-

comm's revenue.

China's Commerce Ministry spokesman, Gao Feng, said Thursday a preliminary review of Qualcomm's NXP deal turned up issues that make "it difficult to eliminate the negative impact," but he didn't rule out the possibility of an eventual approval.

Qualcomm said Thursday that it refiled its application with Chinese regulators, and agreed with NXP to extend the deal's deadline by three months to July 25.

Qualcomm has been waiting for Beijing's approval to proceed with the purchase of the Dutch company, having secured permission from the eight other major antitrust regulators around the world. The deal is seen as crucial to San Diego-based Qualcomm, which needs to look for growth beyond its dominance in the smartphone sector. NXP specializes in making chips for automobiles, a rapidly growing market.

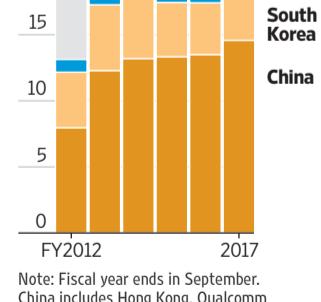
On Wednesday, Qualcomm said it began laying off an unspecified number of employees to fulfill a promise to boost profit by shedding \$1 billion in expenses. The layoffs are part of a cost-reduction program unveiled in January intended to persuade investors of the company's prospects as it fended off Broadcom.

Mr. Gao also took aim at the seven-year U.S. ban on selling technology to ZTE—punishment for ZTE breaching a pact reached last year to resolve alleged sanctions violations over the sale of gear to Iran. The ban is seen as potentially crippling for ZTE, which is one of two Chinese companies seeking to take a global lead in establishing 5G mobile

Revenue Centers

China is Qualcomm's biggest market, while the U.S. accounts for relatively little of the company's revenue.

Revenue by region



Note: Fiscal year ends in September. China includes Hong Kong. Qualcomm books revenue where it delivers products.

Source: the company

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internet networks.

"The action targets China," Mr. Gao said. "However, it will ultimately undermine the U.S. itself." He said the U.S. is risking "tens of thousands of jobs and shaking international confidence in the U.S. business environment."

Qualcomm is one of several U.S. suppliers hurt by the ban on sales to ZTE. The ban potentially covers software such as the Android operating system, developed by Google parent Alphabet Inc., that powers ZTE smartphones. ZTE is working to find ways to preserve its access to Android, according to a person familiar with the matter.

A Google spokesman declined to comment Thursday. ZTE also declined to comment.

It is delaying the release of its quarterly earnings report as it wrestles with the implications of the ban.

U.S. punishment of a company seen as a national champion touched off rallying cries for support on Chinese social media, with photos circulating of restaurants and stores displaying signs saying "We are all ZTE people."

Hu Xijin, the editor of tabloid Global Times, who has a large social-media following, wrote in a post Wednesday that the ban was an attempt to edge out China in the race to dominate 5G technology.

"Chinese society absolutely needs to support ZTE and back Huawei," Mr. Hu wrote, referring to China's other major telecom-gear maker.

Huawei Technologies Co., the world's largest provider of telecom equipment, acknowledged this week that after years of difficulties in the U.S., it is going to refocus on other markets.

The U.S. Federal Communications Commission approved a measure this week that would bar wireless carriers from using government subsidies to buy telecom gear from Chinese manufacturers. The U.S. Trade Representative's office also said this week it is considering retaliation for China's restrictions on U.S. providers of cloud-computing and other services.

"With tech companies playing an increasingly pivotal role in economic and geopolitical policy, it will be difficult for them not to be drawn into the tensions between the two countries," said Mark Natkin, managing director of Marbridge Consulting, a Beijing technology consulting firm.

U.S. WATCH

PHILADELPHIA

Chief Apologizes for Arrests at Starbucks

Philadelphia Police Commissioner Richard Ross apologized Thursday for the arrest of two black men last week at a Starbucks, an incident that has renewed a national discussion on how police and businesses treat African-Americans.

The commissioner said he regretted initially saying the officers who arrested the men did nothing wrong, though he defended their actions in other ways and denied that race had affected the police response.

A Starbucks manager had called police when the two men allegedly refused to leave the cafe after they were denied use of the restroom because they hadn't purchased anything.

—Scott Calvert

TRUMP-RUSSIA DOSSIER

Cohen Drops Suit Against BuzzFeed

President Donald Trump's personal lawyer, Michael Cohen, dropped a defamation lawsuit against BuzzFeed over the publication of an unsubstantiated intelligence dossier that alleged he played a role in working with Russia to help Mr. Trump become president.

Mr. Cohen is also dropping a similar suit against Fusion GPS, the private investigation firm responsible for the dossier.

Since filing the suits in January, Mr. Cohen has come under criminal investigation for potential bank fraud and campaign-finance violations. His lawyer said the probe made it difficult to continue with his cases.

—Lukas I. Alpert

HOUSE OF REPRESENTATIVES

Jordan Gets Backing To Be Next Speaker

The prominent conservative grass-roots group FreedomWorks jumped into the House leadership race this week, throwing its support behind Rep. Jim Jordan to succeed retiring Speaker Paul Ryan.

FreedomWorks, which says it has six million members, began encouraging its activists late Wednesday afternoon to tweet, call or email the Ohio Republican's office and urge him to enter the contest.

Mr. Jordan, one of the founders of the House Freedom Caucus, a group of about three dozen of the House's most conservative Republicans, said late last week that he was considering running to succeed Mr. Ryan, after other conservatives asked him to challenge the two front-runners for the post, Majority Leader Kevin McCarthy (R, Calif.) and Majority Whip Steve Scalise (R, La.).

—Kristina Peterson

PUERTO RICO

Power Restored After Blackout

Puerto Rico's power company said that it has restored electricity to all customers affected by an islandwide blackout that was caused by an excavator hitting a transmission line, but tens of thousands of families still remain without normal service seven months after hurricanes Maria and Irma.

Officials said that power had been restored to more than 1.4 million of its clients following Wednesday's blackout.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Merck KGaA's products include Femibion, a supplement for women. A Business News article in some editions Thursday

about the sale of Merck KGaA's consumer-health unit to Procter & Gamble Co. incorrectly called the product Febimion.

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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Many Fliers on Plane Failed Air-Mask Test

Airlines struggle to get passengers to follow instructions, listen to safety spots

BY PATRICK McGROARTY
AND DOUG CAMERON

Airlines and regulators have spent years refining the procedures they count on to save lives during accidents like the engine failure that killed a Southwest Airlines Co. passenger this week.

One step continues to confound them: getting passengers to do as they are told.

Some passengers aboard Southwest Flight 1380 didn't place oxygen masks over both their mouth and nose after engine fragments broke a window on the plane at more than 30,000 feet Tuesday, according to images from the flight and passengers on board.

Flight attendants had to begin helping passengers use masks as they were instructed in a preflight safety briefing, said passenger Kristopher Johnson.

Another passenger, Marty Martinez, said he didn't put the mask over his mouth and nose. "That 30-second demo of how to put the mask on properly is such an insignificant portion of most of our lives," said Mr. Martinez, who used the moments after the window burst to open his laptop and purchase a Wi-Fi connection to message his family, then put his mask over just his mouth.

"Having to use the oxygen mask for the first time amid all that chaos and the turbulence and fact that there was a huge hole out the side of the window made it very difficult," he said.

Airlines are loath to criticize their customers for their behavior during unexpected and dangerous situations. But carriers and aviation safety bodies have said emergency landings and evacuations can be compli-

cated by passengers who don't follow steps laid out in boarding announcements and safety pamphlets.

"We were surprised when we saw the pictures," said Jonathan Jasper, manager of cabin safety at the International Air Transport Association. The trade group was hosting a safety conference in Montreal when news of the Southwest accident emerged, and Mr. Jasper said within 20 minutes, airlines were discussing the passenger behavior on an internal forum.

He said he has been in contact with Southwest, and expects the industry to pick up on it in future staff training.

Southwest didn't immediately respond to a request to comment Thursday, but it has praised the actions of passengers and crew.

Mr. Johnson said his training as an Army staff sergeant and amateur scuba diver had taught him to cinch the oxygen mask snugly over both his nose and mouth.

But he noticed the young woman sitting next to him in the front row struggling to pull it over her head and pumping its plastic air bag with her hands. He gently pushed her arms down to her sides. "It works, it works!" he told her. "Just breathe, breathe, breathe."

Airlines have tried different ways to get passengers to listen to preflight announcements. Celebrities and exotic locations have become common features of the videos and demonstrations airlines use to convey mandatory safety instructions for seat belts, oxygen masks and emergency exits. Air New Zealand Ltd. commissioned a "Lord of the Rings" themed video it called "The Most Epic Safety Video Ever Made."

But after years of few major airborne accidents in the U.S., this week's incident puts pressure on them to better convey that information to passengers anticipating an uneventful flight, said Bobby Laurie, a former flight attendant for JetBlue Airways Corp. who hosts a television show about air travel.

"It's about personal responsibility and situational awareness," Mr. Laurie said. "Passengers should be thinking, 'Hey, this hasn't happened in a long time and probably won't today, but it could, so let me familiarize myself with what I need to do in case it does happen,' he said.

Industry observers said the latest Southwest incident showed the need for more work to address passenger behavior in an emergency.



Marty Martinez was one of many Flight 1380 passengers who didn't cover their noses on Tuesday.



MARIA BROSSE/THE ALBUQUERQUE JOURNAL/ASSOCIATED PRESS

Blunt Impact Killed Woman On Flight 1380

Blunt-impact trauma caused the death of a passenger on the Southwest Airlines Co. flight that made an emergency landing Tuesday in Philadelphia after an engine blew apart in midair, officials said Thursday.

Passenger Jennifer Riordan died from blunt-impact

trauma to the head, neck and torso, a spokesman for the Philadelphia Department of Public Health said.

The spokesman said he couldn't elaborate on the nature of the impact. The department's policy is to release only the cause and manner of death. The manner is listed as an accident.

The National Transportation Safety Board hasn't said how Ms. Riordan was killed. One theory, according to a person familiar with the matter, is that she was struck by

pieces of the crippled engine that came in through a jet window.

In addition, passengers have described trying to pull her back into the aircraft after she was partially sucked out of a shattered window when the engine broke apart. They were unable to revive her.

The NTSB said it appears Ms. Riordan was wearing a seatbelt.

Ms. Riordan, 43 years old, was a community-relations executive for Wells Fargo & Co. in New Mexico. She was

making her way back to Albuquerque, where she lived with her husband and two children, according to a family member.

Officials said seven passengers received minor injuries in the incident.

The engine broke apart while the Boeing Co. 737-700 was at cruising altitude, flying from New York's LaGuardia Airport to Dallas Love Field, with 149 passengers and crew aboard. The plane made an emergency landing at Philadelphia International Airport.

—Scott Calvert

In a Narrow Vote, Senate Confirms NASA Leader

BY NATALIE ANDREWS
AND ANDY PASZTOR

WASHINGTON — James Bridenstine was confirmed to lead the nation's space program, squeaking by in a Senate vote Thursday over unanimous opposition from Democrats who felt he lacked the necessary scientific background for running the National Aeronautics and Space Administration.

Mr. Bridenstine, a House Republican from Oklahoma and former combat pilot, was

nominated by President Donald Trump in the fall, but his confirmation stalled over objections from members in both parties. The delay means he has lost opportunities to influence policy for the agency he is set to lead, aerospace industry officials and people advising the White House say.

Mr. Bridenstine, confirmed in a 50-49 vote, has broad support in his party and across the aerospace industry. Democrats, in objecting to the nominee, pointed to Mr.

Bridenstine's scant management experience and a history of provocative, conservative views on gay rights, climate change and other issues.

Democrats also have faced pressure from the party's progressive wing to block all Trump nominees, making for many tight margins on confirmation votes. Mr. Bridenstine's nomination was slow to come up for floor action in 2017 because not a single Senate Democrat signaled support and Republican leaders were

worried about rounding up the necessary votes on their side. GOP Sens. John McCain of Arizona and Marco Rubio of Florida objected to the nomination. Mr. Rubio eventually said he would support Mr. Bridenstine and voted on Wednesday to allow it to move forward.

However, that procedural vote stalled when Sen. Jeff Flake (R., Ariz.) cast a vote against the nominee. He eventually changed his vote to yes, allowing the nomination to move forward.

Senate Majority Whip John

Cornyn (R., Texas) said Mr. Flake changed his vote after asking Senate GOP leadership to talk to Secretary of State-nominee Mike Pompeo about travel restrictions to Cuba. He was given the assurance of a meeting, Mr. Cornyn said. Mr. Flake is an advocate of opening relations with Cuba.

Mr. Flake denied that was the reason he changed his vote. "No, I wasn't seeking that," Mr. Flake said, adding that, on close votes, senators had more leverage, and he was

exercising that power. He didn't say what concessions he had sought from Republican leaders in connection with his vote to confirm Mr. Bridenstine. "I'm just working on a few issues," Mr. Flake said.

Mr. Rubio said he supported Mr. Bridenstine because NASA needed a leader and the process to nominate a new leader could take months.

Democrat Brian Schatz of Hawaii called Mr. Bridenstine "a climate denier with no scientific background."

Armstrong Settles Postal Service Suit

BY JOSHUA ROBINSON

Disgraced former cyclist Lance Armstrong will pay \$5 million to settle a government lawsuit alleging he defrauded the U.S. Postal Service by accepting millions in sponsorship money despite doping to win multiple Tours de France, the Justice Department announced on Thursday.

The suit was due to proceed to trial next month, where Mr. Armstrong stood to lose up to \$100 million.

"This ends all litigation against Armstrong related to his 2013 admission that during his career as a professional cyclist he had used performance-enhancing substances," a statement from Mr. Armstrong's attorneys said.

Mr. Armstrong, 46 years old, hasn't competed professionally in seven years, but the proceedings had dragged on ever since the U.S. Anti-Doping Agency began investigating his career. Specifically, the suit focused on the first six of his seven Tour victories between 1998 and 2005, which saw him win the yellow jersey for a team backed in large part by the U.S. Postal Service.

All seven of his Tour titles were stripped from him in 2012. And those editions of the race, dominated by Mr. Armstrong

and his teammates, are today considered to have no winner.

"I am glad to resolve this case and move forward with my life," Mr. Armstrong said in a statement.

"I am particularly glad to have made peace with the Postal Service," Mr. Armstrong added. "While I believe that their lawsuit against me was without merit and unfair, I have since 2013 tried to take full responsibility for my mistakes, and make amends wherever possible."

The suit originated from a whistleblower complaint by Mr. Armstrong's former teammate Floyd Landis, who was himself stripped of the 2006 Tour de France title after confessing to using performance-enhancing drugs. Under a provision of the False Claims Act, Mr. Landis will receive a \$1.1 million share of Mr. Armstrong's settlement.

"A competitor who intentionally uses illegal PEDs not only deceives fellow competitors and fans, but also sponsors, who help make sporting competitions possible," said acting Assistant Attorney General for the Justice Department's Civil Division Chad A. Readler. "This settlement demonstrates that those who cheat the government will be held accountable."

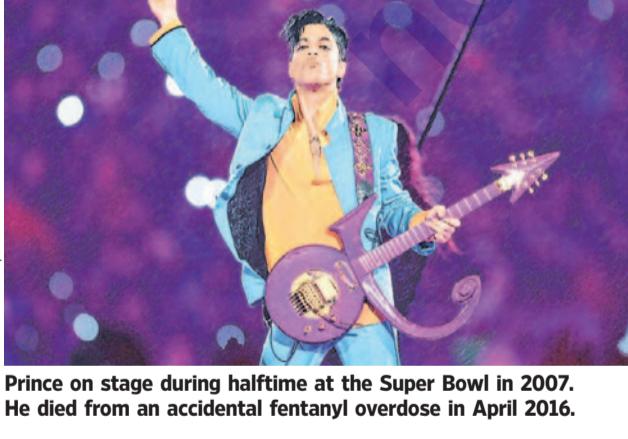
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Prince on stage during halftime at the Super Bowl in 2007. He died from an accidental fentanyl overdose in April 2016.

Charges Won't Be Filed In the Death of Prince

BY KRIS MAHER

No criminal charges will be filed in the investigation into the 2016 death of Prince from an accidental fentanyl overdose, a Minnesota prosecutor said Thursday.

There is insufficient evidence to show how the musician received counterfeit Vicodin pills containing fentanyl, Carver County Attorney Mark Metz said. The county sheriff's office has been investigating since the singer was found unresponsive at his Paisley Park mansion outside Minneapolis on April 21, 2016.

"We have no direct evidence that a specific person provided the fentanyl to Prince," Mr. Metz said at a news conference.

Key details surrounding Prince's death at age 57 remain a mystery. According to Mr. Metz, investigators didn't identify any suspects or evidence to suggest anyone had a motive to harm Prince.

Mr. Metz said that in all likelihood Prince was unaware that he was taking counterfeit pills. He said Prince had no prescriptions for Vicodin, a pain medication, and that there was no evidence that a doctor provided the pills.

The prosecutor said the investigation has been exhaustive but also complicated by the pop star's insistence on privacy throughout his life. Prince had no cellphone for investigators to examine, for example, Mr. Metz said.

U.S. NEWS

Democrat's Backing Helps Pompeo's Odds

BY BYRON TAU

WASHINGTON — Mike Pompeo secured his first Democratic senator's endorsement on Thursday, putting his nomination as the next secretary of state on stronger footing.

Sen. Heidi Heitkamp (D., N.D.) said she would vote to confirm the current Central Intelligence Agency director as the nation's top diplomat. Another Democrat, Sen. Bill Nelson (D., Fla.), told a local newspaper that he approved of Mr. Pompeo's recent diplomatic outreach to North Korea and continues to mull whether to support Mr. Pompeo.

Both Ms. Heitkamp and Mr. Nelson are up for re-election in November in states that President Donald Trump won in 2016 and are considered top targets by Republican political operatives in the midterm elections. Democratic support for Mr. Pompeo is key to winning Senate approval, given the Republicans' 51-49 majority in the chamber and the fact that Sen. Rand Paul (R., Ky.) has said he objects to the nominee's inclination to favor mili-

tary action.

Mr. Pompeo is still on track for an unprecedented rebuke Monday in the Senate Foreign Relations Committee, where he currently lacks a majority of the votes. Lawmakers have expressed concerns that his prior, hawkish stances will hinder his ability to conduct diplomacy.

Even with an unfavorable committee vote, he can still be brought to the full Senate floor for confirmation. The floor vote is expected to be tight, a wobbly show of support that could diminish his standing.

However, it is clear Mr. Pompeo will have the full backing of Mr. Trump, which serves as a signal to the rest of the world that he will act with the authority of the White House.

His role in the early rounds of negotiations for a North Korea summit meeting to discuss denuclearization of the Korean Peninsula is also being touted by his allies as evidence that he can operate on the diplomatic stage.

Mr. Pompeo has been on a Capitol Hill charm offensive



Secretary of state nominee Mike Pompeo, right, greeted one of his critics, Republican Sen. Rand Paul of Kentucky, last week.

But "we've had a tradition here of confirming people to important positions."

Mr. Trump accused Democrats of obstruction on Thursday and wrote on Twitter that "Mike Pompeo is outstanding. First in his class at West Point. A top student at Harvard Law School. A success at whatever he has done. We need the Senate to approve Mike ASAP."

Mr. Pompeo's nomination comes as Democrats have expressed alarm about Mr. Trump's policies in Iran, North Korea and Syria, and questioned the judgment of new national security adviser John Bolton, who has been an unapologetic advocate for U.S. military action.

"I do not believe Director Pompeo possesses the necessary experience and diplomatic skills to be secretary of state," said Sen. Gary Peters (D., Mich.) on Thursday.

The opposition breaks a tradition of confirming nominees to national-security positions with bipartisan majorities, especially at the State Department. Both of former President Barack Obama's secretary of

state nominees earned 94 votes in the 100-member Senate.

During the height of the controversial Iraq war, Condoleezza Rice was confirmed by the Senate in an 85-13 vote. Even then, the 13 dissenting votes drew notice. The Associated Press reported at the time that it "was still the largest 'no' vote against any secretary of state nominee since 1825."

But Mr. Trump's two secretary of state nominees have been controversial. Rex Tillerson, the former chief executive of Exxon Mobil Corp., drew only 56 yes votes.

Already 25 Democrats have said they oppose Mr. Pompeo—including five who voted for him to be CIA director. Several have said that the qualifications for being CIA director are different from being secretary of state.

"His previous roles are fundamentally different from that of secretary of state, who represents American values around the world. The secretary of state is a policy-making position, and I continue to have deep concerns," said Sen. Jeanne Shaheen (D., N.H.).

In a Pink Hat, Baby Makes Her Debut In Senate

BY NATALIE ANDREWS

WASHINGTON — Maile Pearl Bowlsbey, 10 days old, made history on the U.S. Senate floor Thursday, becoming the first baby to join her parent in the chamber for a vote.

Maile's mother, Sen. Tammy Duckworth (D., Ill.), on April 9 became the first senator to have a baby while in office. She is taking a 12-week maternity leave in Washington to be nearby for close votes. Less than 24 hours earlier, Maile's presence on the Senate floor would have been prohibited.

The Senate changed the rules Wednesday to allow senators to bring children under a year old onto the floor and breast-feed them during votes.

Ms. Duckworth, 50, advocated for the resolution, which passed by unanimous consent.

Thursday's vote in the Senate to confirm James Bridenstine as administrator of the nation's space program was expected to be close. A procedural vote on Wednesday had deadlocked for 30 minutes while Republican leadership persuaded Sen. Jeff Flake (R.,

Ariz.) to change his vote. He did, but he wouldn't confirm whether he would support Mr. Bridenstine on Thursday.

Ms. Duckworth was on standby, tweeting early on Thursday morning that she had prepped Maile's outfit.

"I made sure she has a jacket so she doesn't violate the Senate floor dress code (which requires blazers)," Ms. Duckworth wrote in a tweet.

"I'm not sure what the policy is on duckling onesies, but I think we're ready."

In the end, Mr. Flake supported Mr. Bridenstine, giving the nominee the simple majority needed to pass the Senate in a party-line vote. But Ms. Duckworth still appeared and voted against confirmation.

Wearing a pink hat and mostly covered in a blanket, Maile was greeted with soft applause and adoration by Ms. Duckworth's colleagues.

She also managed to bring a divided chamber together, if only for a few minutes. Both Majority Leader Mitch McConnell (R., Ky.) and the chamber's Democratic leader, Sen. Chuck Schumer of New York, came by to marvel at the cuteness.

Maile, oblivious to her bridge-building and precedent-breaking, slept through the whole thing.

Drug Smuggling on the President's Agenda



COMBATING ILLEGAL DRUGS: President Donald Trump was shown a submersible craft in Key West, Fla., Thursday, that officials said was used to smuggle drugs.

PROBE

Continued from Page One

for the Southern District of New York, said his first task after joining the team will be to "find out what Bob Mueller needs" to complete the investigation. "I'm pretty sure we can comply with it," he said.

Mr. Trump's legal team has "worked so hard to get this done. Hopefully we can speed it up," Mr. Giuliani said.

Mr. Mueller is investigating whether Russia meddled in the 2016 presidential election and whether associates of Mr. Trump colluded with Moscow. Mr. Mueller is also looking into whether Mr. Trump sought to obstruct justice when he fired former Federal Bureau of Investigation Director James Comey, who had been overseeing the Russia probe.

Mr. Trump, who has called the investigation a "witch hunt," has denied any wrongdoing. Russia has denied interfering in the election.

In a meeting last week at the White House, Mr. Rosen-

stein told Mr. Trump that he wasn't considered a target of the Russia investigation or the probe into Michael Cohen, the president's longtime lawyer, according to a person familiar with the matter.

Mr. Rosenstein's decision to inform the president that he wasn't a target—which occurred in a meeting attended by White House counsel Don McGahn, chief of staff John Kelly and others—came in a week in which Mr. Trump had publicly and privately attacked Mr. Rosenstein for his role in approving the FBI's raid of properties tied to Mr. Cohen.

The U.S. attorney's office in Manhattan is investigating Mr. Cohen in connection with allegations of possible bank fraud and campaign-finance violations, which Mr. Cohen has denied.

Two people who spoke with the president last week came away with the impression that Mr. Rosenstein, who appointed Mr. Mueller, and Attorney General Jeff Sessions wouldn't remain in their posts for long, The Wall Street Journal reported last week.

Mr. Rosenstein's recent statement to the president that he isn't a target of the investigation—reported by Bloomberg News on Thursday—echoes one made by Mr. Mueller to Mr. Trump's legal team last month in which the special counsel said the team was still investigating the president's actions but didn't consider him a target, according to another person familiar with the matter.

A person is considered a target of an investigation when prosecutors have substantial evidence linking that person to a crime, legal experts said. Informing Mr. Trump that he wasn't a target doesn't mean that prosecutors have concluded their investigation, or that he couldn't become a target in the future, the experts said.

Asked Thursday whether Mr. Trump had any plans to dismiss Mr. Rosenstein or Mr. Mueller, Mr. Giuliani said the two had "talked about Bob many, many times" and that the president had "never shown the slightest inclination of dismissal."

"Rosenstein, I can't tell

you," Mr. Giuliani said. That was an internal matter, he said.

On Wednesday, asked in a news conference whether he planned to fire Mr. Rosenstein or Mr. Mueller, the president didn't answer directly.

"They've been saying I'm going to get rid of them for the last three months, four months, five months," Mr. Trump said. "They're still here."

While Mr. Trump hasn't sought any personnel changes in the past week, the raids involving Mr. Cohen brought a reset to the legal team's strategy for the Russia probe, according to a person familiar with the matter.

Before the raids, Mr. Trump's legal team had been seeking to negotiate a deal with Mr. Mueller that would use an interview with the president as leverage to spur a conclusion to the Russia investigation. Mr. Trump's lawyers wanted to reach an agreement on the scope of the questioning before agreeing to an interview, which the president said earlier this year he was "looking forward" to doing.

Now, the president's law-

yers are reconsidering whether to allow Mr. Trump to sit for an interview, according to people familiar with the legal team's thinking.

Among the concerns is that Mr. Trump could receive questions not related to his decisions to fire Mr. Comey and former national security adviser Mike Flynn—two issues that the lawyers had expected to be the focus of any interview, the people said.

Mr. Giuliani said Thursday no decision had been made on an interview.

The former mayor, who ran unsuccessfully for president in 2008, was a top supporter of Mr. Trump, a fellow Republican, during the 2016 campaign and was floated as a possible attorney general nominee. Mr. Giuliani also was on the shortlist to be secretary of state. He ultimately wasn't tapped to serve in the administration.

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The Justice Department's inspector general's report also concluded that Mr. McCabe engaged in misconduct by sanctioning the disclosure to the Journal reporter, saying that violated the FBI's media policy. Mr. McCabe has said he had full authority to make decisions about speaking to reporters.

Inspectors general serve as watchdogs for government agencies, and are appointed by the president and confirmed by the Senate, but don't auto-

matically change with administrations in order to maintain independence from the agencies they are tasked with investigating.

Mr. Horowitz had previously spent a decade as a prosecutor in Manhattan and as an official at Justice Department headquarters in Washington. He also worked as a lawyer in private practice and served on the U.S. Sentencing Commission after being appointed by former Republican President George W. Bush.

Mr. McCabe, after rising swiftly through the ranks at the agency, was tapped by Mr. Comey in January 2016 to serve as his deputy.

Maile, oblivious to her bridge-building and precedent-breaking, slept through the whole thing.

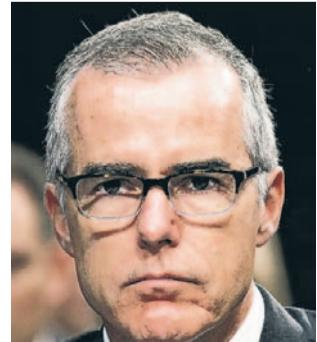
FBI

Continued from Page One

sure from high levels of the Administration, the US Attorney's Office will conclude that it should decline to prosecute," Mr. Bromwich said in a statement.

Mr. McCabe was fired last month, a day before he was eligible to retire from his post with full benefits, based on the inspector general's findings. He has said he never deliberately misled investigators and cited the "chaos" of the period when President Donald Trump fired Mr. Comey, and Mr. McCabe unexpectedly became acting director of the FBI.

According to the inspector general's report, Mr. McCabe had authorized a lawyer in his



Andrew McCabe

office to speak to a Journal reporter and provide details about a telephone call Mr. McCabe had with a senior Justice Department official, but later told agents from the FBI's inspections division he didn't know who had given information about the call to the Journal. The inspector general's report said Mr. McCabe provided a similar impression to Mr. Comey. Mr. McCabe has disputed those findings, saying he didn't intend to mislead anyone and corrected the record when he realized his errors.

"At worst, I was not clear in my responses, and because of what was going on around me may well have been confused and distracted—and for that I take full responsibility," Mr. McCabe wrote in a column for the Washington Post last month.

His dismissal drew scrutiny

and corruption going on at the highest levels of the FBI."

Last week, Mr. Bromwich said Mr. McCabe's legal team was "actively considering" filing civil lawsuits against Mr. Trump and "senior members of the administration" that would allege wrongful termination, defamation and constitutional violations.

The inspector general's report also concluded that Mr. McCabe engaged in misconduct by sanctioning the disclosure to the Journal reporter, saying that violated the FBI's media policy. Mr. McCabe has said he had full authority to make decisions about speaking to reporters.

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U.S. NEWS

Comey Memos Reveal Flynn Doubts

By BYRON TAU
AND MICHAEL C. BENDER

WASHINGTON—Former FBI Director James Comey revealed in a series of private memos that President Donald Trump and his then-chief of staff had doubts within days of taking office about national security adviser Mike Flynn, who would subsequently leave the administration after misleading officials about his contacts with Russia and later plead guilty to lying to law enforcement.

Mr. Comey's previously unreported account of their take on Mr. Flynn was part of seven memos spanning 15 pages that were written by Mr. Comey over a four-month period in 2017 and shared with Federal Bureau of Investigation leadership. They were reviewed by The Wall Street Journal on Thursday after being handed over to several congressional committees by the Justice Department.

Together, the memos provide Mr. Comey's account of several meetings with the new president and his staff as the FBI director faced uncertainty over whether he would be retained in his job by Mr. Trump.

The documents are part of the wide-ranging probe being conducted by special counsel Robert Mueller into Russian interference in the 2016 election, as well into whether Mr. Trump obstructed justice when he fired Mr. Comey last year, which Mr. Trump denies. Russia has denied interfering in the election.

The president tweeted Thursday night: "James Comey Memos just out and show clearly that there was NO COLLUSION and NO OBSTRUCTION. Also, he leaked classified information. WOW! Will the Witch Hunt continue?"

The memos reveal that Mr. Trump expressed concerns about Mr. Flynn, just eight days after becoming president.

Mr. Comey recounts a January 2017 dinner with the president where Mr. Trump said about Mr. Flynn: "The guy has serious judgment issues." At issue was the fact that Mr.



Former FBI head James Comey, center, is on a tour promoting his book, which is critical of Mr. Trump.

Flynn hadn't told the president about a phone call from an unspecified foreign leader.

People familiar with the matter say the call was from Russian President Vladimir Putin, who was the first foreign leader to call the White House to congratulate Mr. Trump after his inauguration. The call wasn't brought to Mr. Trump's attention until he was in the

period of time to return a call."

Another memo documents Mr. Comey's meeting with then-White House chief of staff Reince Priebus on Feb. 8, 2017. In that meeting, Mr. Priebus asked if Mr. Flynn was being surveilled under the Foreign Intelligence Surveillance Act. Surveillance under that law is reserved for suspected agents of a foreign government. Mr. Comey's answer is redacted.

An attorney for Mr. Flynn declined to comment. Mr. Priebus didn't immediately respond to a request for comment.

Mr. Comey testified for several hours last year in front of the Senate Intelligence Committee shortly after he was fired, telling lawmakers he believed he was receiving an order when Mr. Trump said he "hoped" he would be able to end the FBI's inquiry into Mr. Flynn.

"It's my judgment that I was fired because of the Russia investigation," Mr. Comey said.

Mr. Flynn pleaded guilty in December to lying about calls with Moscow's ambassador a month before Mr. Trump's inauguration. In a court hearing, Mr. Flynn admitted he misled FBI agents about a series of

calls he had last December with the Russian ambassador, Sergey Kislyak, about sanctions imposed on Russia by the Obama administration and about a United Nations resolution critical of Israel.

Mr. Flynn resigned in February 2017, acknowledging that he hadn't been truthful about his contacts with Mr. Kislyak.

The memos also give Mr. Comey's account of what he saw as Mr. Trump's fixation on salacious and unverified rumors that he had engaged prostitutes in a Moscow hotel in 2013. Specifically, a dossier compiled by an ex-British spy alleges that Mr. Trump watched as Russian prostitutes urinated on a bed where former President Barack Obama and his wife had slept.

Mr. Comey's memos recall a February encounter where Mr. Trump "brought up the 'Golden Showers thing' and said it really bothered him if his wife had any doubt about it." Mr. Comey added: "the president said 'the hookers thing' is nonsense," but also that Mr. Putin had told him that Russia had "some of the most beautiful hookers in the world."

A memo recounts Mr. Trump saying Mr. Flynn 'has serious judgment issues.'

middle of a lunch with British Prime Minister Theresa May and thanking her for being the first to call him.

Mr. Flynn piped up and explained that it was Mr. Putin, not Ms. May, who the first to call and that Mr. Trump was expected to return Mr. Putin's call soon, the people said. According to the memo, Mr. Trump was furious "because six days was not an appropriate

Town Gun Measure Triggers Backlash

By SHIBANI MAHTANI

DEERFIELD, Ill.—There hasn't been a murder in more than a decade in this affluent suburb north of Chicago. But this month, it passed one of the toughest gun-control laws in the country.

Recent village meetings discussing the proposal to ban assault weapons were packed, with dozens of people from neighboring cities flooding in to the stately brick village hall, set back behind a manicured garden, to speak out on the ordinance. The village of 18,000 has fielded dozens of calls and thousands of comments on its Facebook page from gun-rights and gun-control advocates. The village faces a lawsuit from a resident backed by gun advocates as it decides how to enforce its new law.

The assault-weapons ban, passed unanimously last month by six trustees and the mayor, requires residents to turn in assault-style weapons. It imposes on violators a fine of as much as \$1,000 a day from the point the law takes effect. That is much stiffer than the usual penalties, which don't rise every day, in other parts of the country.

Richard Pearson, executive director of the Illinois State Rifle Association, said: "Our members who have 30 or 40

such magazines could be fined thousands. It goes a lot further than what the other jurisdictions have done."

All seven village leaders, elected to the unpaid posts for four-year terms, declined to discuss the ban, citing the legal challenge.

Deerfield is among several communities in the U.S. pushing for gun-control legislation after the February high-school shooting in Parkland, Fla. The city council in Lincoln, Neb., and the Maryland General Assembly voted this month to ban bump stocks, which make semiautomatic rifles shoot like rapid-fire machine guns. Coral Springs, Fla., is pushing to limit the sale and transfer of large-capacity ammunition magazines in the city.

Many states prohibit municipalities from drawing up their own gun legislation. But in areas where local governments have changed gun rules, the laws are going further than federal or, in some cases, state rules. Deerfield passed an ordinance calling for the safe storage of assault weapons in 2013, when Illinois granted municipalities a 10-day window to establish their own gun laws before the state prohibited such laws. The city is amending its safe-storage ordinance to include a ban on assault weapons.

Gun Owner Contests Change in Ordinance

Easterday, a gun owner.

Mr. Easterday moved to Deerfield from Highland Park, Ill., several years ago when that city passed its own assault-weapons ban.

Mr. Easterday said he has installed sufficient security measures in his home to "maintain and keep track" of his guns.

"The village is confident that it had the authority to enact the ordinance under existing state law," Deerfield officials said in a statement.

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WORLD NEWS

Kim Drops Demand on U.S. Troops

South Korean leader says North no longer insists on removal of forces from peninsula

BY JONATHAN CHENG

SEOUL—South Korean President Moon Jae-in said that North Korea had dropped its longtime insistence the U.S. remove its 28,500 troops from the Korean Peninsula ahead of a planned summit, saying on Thursday that it sought only a security guarantee and an end to the U.S.'s "hostile policy."

The remarks by Mr. Moon—which weren't confirmed by North Korea and drew no immediate U.S. response—would potentially remove a longtime obstacle to talks between Washington and Pyongyang.

"North Korea hasn't demanded anything that the U.S. can't accept, like the withdrawal of U.S. forces from South Korea," Mr. Moon, who has pressed for talks with North Korea, said, according to the presidential office. "They have only asked for a security guarantee and an end to the 'hostile policy' against it. "This has been confirmed, so that is what is making talks with the U.S. possible."

But Korea experts doubted there was any substantive policy change from Pyongyang. It wasn't clear what Mr. Moon meant when referring to an end to a "hostile policy" toward the North. In the past, that North Korean demand included the removal of U.S. troops from the peninsula.

Pyongyang's use of terms such as "hostile policy," "denuclearization," "security guarantee" and "peace treaty" don't always match Washington's understanding.

"[Hostile policy] means whatever they want it to mean," said Robert Manning, a senior fellow at the Atlantic Council in Washington. "As long as there are American troops there,



A U.S. soldier stood guard near Peace House, venue for the planned inter-Korean summit in Panmunjom, at the demilitarized zone.

they're going to say it's a hostile policy. It's part of the typical North Korean playbook."

Soon after North Korean leader Kim Jong Un took the reins from his father in 2011, North Korea's state media published a statement outlining the components of what it regarded as the end of the U.S.'s "hostile policy" against it, said Patrick McEachern, a public policy fellow at the Wilson Center in Washington.

The statement, Mr. McEachern said, included comprehensive sanctions relief, a peace treaty that would end joint U.S.-South Korean military exercises, end the U.S. military presence on the Korean Peninsula, diplomatic recognition, and energy assistance.

"I appreciate President Moon's comments, but if Kim Jong Un simply said 'We want to see the removal of the U.S. hostile policy' and didn't say 'I want to see an end to U.S.

The remarks weren't confirmed by North Korea and drew no U.S. response.

troops on the peninsula,' it doesn't mean that he isn't looking for an end to U.S. troops on the Korean Peninsula," said Mr. McEachern, an ex-North Korea analyst at the State Department.

The haggling over the nuances of terminology is likely to take a prominent role in the coming weeks, as Mr. Kim meets with Mr. Moon on April 27, followed by a summit meeting with President Donald Trump that is being planned for early June or earlier, according to the White House.

On Wednesday, a senior South Korean security official said that Seoul would push for a more-permanent peace pact to replace the armistice that ceased hostilities at the end of the Korean War in 1953.

But that term, too, is a complex one. On Wednesday, a spokesman for South Korea's presidential office attempted to parse the differences between a "peace regime," a "peace treaty"

and a "peace agreement."

"These are things that the North Koreans can and do split hairs on," Mr. McEachern said.

Euan Graham, a North Korea expert and director of the international security program at the Lowy Institute for International Policy in Sydney, said he didn't expect North Korea to explicitly demand a removal of U.S. troops.

"I'd be surprised if it was put that starkly," Mr. Graham said. "That would be the end goal, but I think the North Koreans will want to proceed according to the script to get the treaty commitment, the logic being that once the U.S. had signed a treaty, then the rationale for maintaining forces on the Korean Peninsula is gone."

Japan Car Exports Raise Risk Of Clash

BY SEAN McLAIN

TOKYO—There is a reason Japan doesn't want to talk about trade with Donald Trump: Its auto exports are booming.

Auto makers exported nearly 10% more cars to the U.S. in the first three months of this year compared with a year earlier, according to figures released this week around the time the president was dining in Florida with Prime Minister Shinzo Abe.

The value of the exports has nearly doubled in six years to more than \$40 billion, driven by a U.S. hunger for sport-utility vehicles; only a tiny number of American-made cars are sold in Japan.

"Japan sends us millions and millions of cars, and we tax them virtually not at all. And we don't send so much product because we have trade barriers and lots of other things," Mr. Trump said.

Mr. Trump's view sets up a clash between the two allies.

Mr. Abe has asked the U.S. to join the Trans-Pacific Partnership trade deal, which has been signed by 11 nations including Japan. But the deal to lower tariffs and other trade barriers would do little to change the car-trade imbalance because Japan has no tariffs on imported cars.

That is why Mr. Trump is demanding a bilateral deal with Tokyo that could zero in on the \$69 billion U.S. trade deficit with Japan.

Buyers cite many reasons for shunning U.S. cars, including perceptions they are less reliable and the fact that they make few of the small models popular in Japan. Detroit cites safety standards and zoning rules as impediments.

—Peter Landers contributed to this article.

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A geothermal well at Eldvorp, a geological site in southwest Iceland. The country's geology has made it a global computing hub.

Iceland Rethinks Tech Boom's Cost

Cheap power draws businesses, but worries emerge of risks to environment

BY ZEKE TURNER

REYKJANESBAER, Iceland—Steaming geysers, dramatic waterfalls and icy landscapes lure millions of tourists to this country every year. Now its geology is fueling a computer tech boom.

But the voracious electricity demand of Iceland's proliferating data centers is testing the island nation's environmental ethos.

Iceland's Nordic climate and the geothermal steam rising from the tectonic fault line that runs beneath it provide two things the computers that run the world's economy need in seemingly endless supply: cooling and electricity.

By 2030, data centers and all internet-related activity—from streaming video to analyzing financial data to storing software, photos and emails—could use more electricity than all of China did this year, according to a study from the Western Norway Research Institute. Iceland is becoming the bleeding edge of the world's newest power-hungry industry.

Iceland's first environmentalist government is now considering ways to slow the rise of data centers in the country by reviewing its rulebook for adding new power plants. Many lawmakers say they worry the tech boom is



A data center in Iceland belonging to Verne Global.

putting Iceland's pristine nature at risk—the crux of its crucial tourism industry.

"When you get down to it you are dealing with extremely rare and beautiful places, delicate places," said Andri Snaer Magnason, a poet, activist and third-place finisher in Iceland's last presidential election. "The expansion of the current grid is quite painful."

The rise of processor-heavy technologies is turning computing power and data storage, the services data centers offer, into commodities. That means variable costs help determine whether data-center operators and their clients are profitable. And the most important variable cost in the data economy, executives and

experts say, is power. Iceland—steaming geysers, dramatic waterfalls and icy landscapes—lure millions of tourists to this country every year. Now its geology is fueling a computer tech boom. But the voracious electricity demand of Iceland's proliferating data centers is testing the island nation's environmental ethos.

Tate Cantrell, chief technology officer at Verne Global Inc., one of the leading data center companies operating here, said the country's mid-Atlantic location also allows data and the technicians who manage it to travel between the U.S. and Europe relatively quickly.

In its most recent Data Centre Risk Index, commercial real-estate investment company Cushman & Wakefield Inc. ranked Iceland first in the world as a data center location based on factors like energy cost, the ease of doing business and internet bandwidth. It ranked the U.S. 10th.

Data centers are already contributing hundreds of millions of dollars per year into Iceland's economy, according to a March study by KPMG for the Icelandic Data Center Association, and creating almost 1,000 jobs.

Apple Inc. has invested about \$3 billion in the past three years to build two data centers in Denmark as well as one in Ireland to support its iTunes Store, App Store, iMessage, Maps and Siri products. Iceland's big competitive advantage is its 100% emissions-free power, which comes exclusively from hydroelectric dams and geothermal wells. Its relatively consistent, cool temperatures are also just right for data centers to use free-air cooling, not too hot like Denmark in summer, or too cold like northern Sweden.

But Guthmundur Ingi Gudbrandsson, Iceland's new Yale University-educated environmental minister, is urging caution. "Electricity already produced should be used more efficiently," he said.

"That is goal number one."

FROM PAGE ONE

MATTEL

Continued from Page One
into the world of Silicon Valley by hiring Ms. Georgiadis away from Alphabet Inc.'s Google unit. Mr. Kreiz comes from the entertainment world, where he most recently was CEO of Maker Studios, a creator of content for YouTube.

After The Wall Street Journal reported earlier Thursday that Ms. Georgiadis was preparing to leave, Mattel said Mr. Kreiz would succeed her as CEO. The El Segundo, Calif., company said Ms. Georgiadis

informed the board she would leave "to pursue a new opportunity in the technology sector." The company behind the Ancestry.com website and DNA testing service later said it had hired Ms. Georgiadis as its CEO.

Mr. Kreiz's ascent since being named a board member last June has been rapid. The company tapped into his expertise in multimedia and content creation, areas that have become crucial in the toy industry but where Mattel was lacking. Mr. Kreiz was the first new board member named after Ms. Georgiadis's hire.

In February, Mattel said it planned to name the 53-year-old as board chairman at next month's shareholder meeting, but last month abruptly elevated him to executive chairman, giving him more involvement in day-to-day decisions.

Ms. Georgiadis, 54, who joined Mattel in February 2017, was unable to reverse the company's slide. She overhauled Mattel's management team, suspended its dividend and unveiled plans to slash \$650 million in costs.

Mattel shares have fallen nearly 50% since Ms. Georgiadis took over, chopping its market value to just under \$5 billion. Thursday, the shares rose about 1% to \$13.60 in after-hours trading following Mr. Kreiz's appointment.

The company's annual sales have slipped below those of rival Hasbro Inc., which the Journal reported last fall was exploring a potential takeover. It is unclear where those discussions currently stand.

One large Mattel shareholder said Thursday that despite the CEO change, the board should explore a sale or merger.

"We think Mattel is a great company with great brands," said Charlie Bobrinskoy, vice chairman at Ariel Investment LLC, which owns about 3% of Mattel's shares outstanding. "We think there would be huge synergies in a merger with any number of different partners with whom brands would fit wonderfully. Content is critical



Noni Kreiz, shown in 2015, comes from the entertainment world.

today and now is the time to pursue a potential combination with one of these partners."

A Mattel spokesman said Thursday that Mr. Kreiz and the leadership team were "committed to building on our existing strategy as we continue to aggressively implement our transformation plan."

Ms. Georgiadis's exit from Mattel would further shrink the number of women running major U.S. businesses. As of March

13, there were 26 women CEOs in the S&P 500, according to Catalyst, a research firm. The tally included Ms. Georgiadis.

She was recruited to join Mattel in late 2016 as it was signaling confidence in the coming holiday season. But Mattel's products didn't sell as expected, and the company had to cut prices to try to salvage the most critical period in the year. Sales and profits plunged as a result.

Instead of inheriting a company on the upswing, by the time she joined after the holidays, Ms.

Georgiadis found herself trying to stabilize what was then the world's largest toy maker.

Before she arrived, Mattel leadership was trying to recoup more than \$400 million in sales it lost when Hasbro took over a major Walt Disney Co. license tied to the "Frozen" movie and other princess dolls. But the slew of smaller products it turned to in an effort to close the gap added complexity and costs.

Ms. Georgiadis will join Ancestry on May 10, Ancestry said Thursday. The Utah-based company has been searching for a permanent CEO since October.

Before joining Mattel, Ms. Georgiadis was president, Americas at Google, where for six years she led commercial operations and ad sales.

She received a pay package initially worth more than \$35 million to join Mattel, though much of it was equity awards, restricted stock and stock options—all of which have lost value with the stock's decline.

"Sometimes what you think is a good marriage ends up being a poor fit," said Jim Silver, editor of TTPM.com, a popular toy review website.

Mr. Kreiz, meanwhile, brings a wealth of connections in the entertainment industry to Mattel's corner office, as well as acumen as a deal maker. "He knows everybody in Hollywood," Mr. Silver said.

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IN DEPTH

HACK

Continued from Page One
over, with Pyongyang flashing levels of originality in its coding and techniques that have surprised researchers. It also has shown a willingness to go after targets such as central banks and point-of-sale systems. As North Korea prepares for possible negotiations with Washington aimed at freezing its nuclear program, its hacking capabilities could help it generate money to compensate for economic sanctions or to threaten foreign financial institutions.

North Korea is cultivating elite hackers much like other countries train Olympic athletes, according to defectors and South Korean cyber and intelligence experts. Promising students are identified as young as 11 years old and funneled into special schools, where they are taught hacking and how to develop computer viruses.

"Once you have been selected to get into the cyber unit, you receive a title that makes you a special citizen, and you don't have to worry about food and the basic necessities," says Kim Ji-hong, who studied software programming and hacking for six years at North Korea's top technical university before defecting to South Korea three years ago.

To assess North Korea's cyber program, the Journal interviewed dozens of North Korean defectors, foreign cybersecurity researchers, South Korean government advisers and military experts. The researchers emphasize that catching hackers is difficult, and that they can't be 100% certain that every attack attributed to North Korea was orchestrated by its cyberwarriors.



KIM JAE-HWAN/AGENCE FRANCE PRESSE/GETTY IMAGES

Under Kim Jong Un, pictured with his wife, North Korea has developed one of the world's most sophisticated hacking operations.

tal files and demanded bitcoin payment for their release, or the 2016 cybertheft of \$81 million from Bangladesh's central bank. Calls for comment to the North Korean consulate in Hong Kong weren't answered.

Researchers say telltale signs are buried deep inside the malware and coding: Korean words only used in the North, the use of data servers commonly associated with Pyongyang hacks and files created by usernames linked with the country's hackers.

The U.S. and other governments have publicly blamed North Korea for an array of infiltrations in recent months, including WannaCry, citing patterns in coding and techniques they say lead to Pyongyang. South Korean officials estimate their country is now targeted by an estimated 1.5 million North Korean hacking attempts daily, or 17 every second.

in the event of war. North Korean hackers are believed to have stolen hundreds of millions of dollars, ranging from stealing credit-card information from ATMs to a \$530 million raid of a Japanese cryptocurrency exchange in January.

Cryptocurrencies appear to be a particular interest. Last year, suspected North Korean hackers began creating fictitious Facebook profiles, posing as attractive young women interested in bitcoin or working in the industry, according to people familiar with a South Korean investigation into the matter. They sought friendships with men at cryptocurrency exchanges and banks.

The Facebook accounts listed links with an "NYU Research Center" and other institutions to make them appear believable. Then the hackers lured men into

opening app downloads or word documents, disguised as greeting cards or invites, that flooded their systems with malware, say the people familiar with the investigation.

It isn't clear what the scheme netted. Facebook shut down fake accounts used by hackers linked to North Korea that "pretended to be other people in order to do things like learning about others and building relationships with potential targets," the company said in December.

North Korea also has been using a targeting "watering hole" attack, in which a person's computer becomes infected by accessing a certain website, according to cybersecurity researchers. Research firms say Pyongyang used watering holes to target banks in Mexico, Poland and Asia in 2016.

YUN DONG-JIN/ASSOCIATED PRESS
The Korea Internet & Security Agency in Seoul monitors attacks.

Adobe attack

Late last year, North Korean hackers were the first to unearth a vulnerability in the popular Adobe Flash multimedia player that allowed an unchallenged attack to go undetected for months, according to cybersecurity researchers. After Adobe released a security patch in February, the suspected Pyongyang cyberwarriors modified the malware to target European financial institutions, giving them the ability to steal sensitive information about their networks, according to cybersecurity firm McAfee LLC.

North Korea's cyber advances parallel its breakthroughs in missile technology since Kim Jong Un assumed power in 2011.

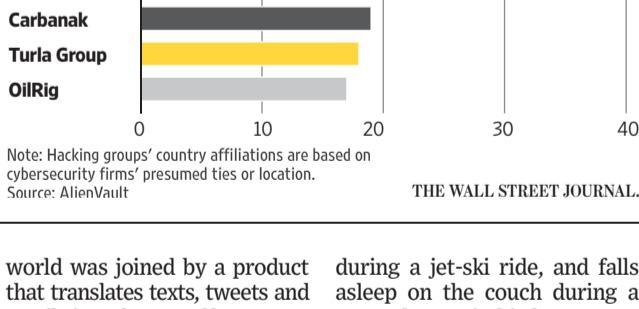
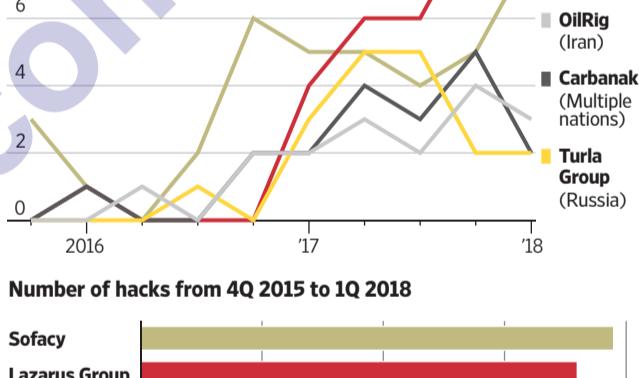
Many suspected North Korean attacks occur without a clear objective. Some researchers have described it as akin to an organized-crime ring seeking any weaknesses to learn about enemies or generate cash. Researchers generally agree the program is becoming more focused on obtaining military intelligence or earning income as sanctions tighten and negotiations with the U.S. approach.

"Hacking abilities give them a much stronger hand at the negotiating table," says Ross Rustici, a director at cybersecurity firm Cybereason Inc. and a former Defense Department analyst.

In October, South Korean lawmakers said North Koreans had stolen 235 gigabytes of data and military secrets, including a joint U.S.-South Korean plan to eliminate Pyongyang leadership

Global Threat

Frequency of hacks by 5 most active operations, measured by how often they are mentioned in cybersecurity reports each quarter.



THE WALL STREET JOURNAL.

performances and enormous inventory of merchandise.

Celebrities have long endorsed products, and there is no exception for aging rockers. The singer of the Sex Pistols, John Lydon, known as Johnny Rotten, in 2008 donned a tweed suit to appear in a British butter commercial. Bob Dylan appeared in a 2004 Victoria's Secret commercial, and Sting pitches his wine from his Tuscan estate.

Yet marketing experts say Mr. Simmons—who still tours with KISS and gamely signs autographs for fans at product-promotion events—has charged into a virtually unrivaled assortment of items and firms.

Mr. Simmons chatted about Libor and financial arbitrage during business television interviews several years ago to promote a debt-based insurance product he was backing, even though he also admitted musician types "aren't really the most well-informed people."

Pitching a translation-software company in 2013 he said in an interview that aliens would one day remember the year it was launched as a "pivot point in history," when a divided

world was joined by a product that translates texts, tweets and emails into dozens of languages. The company no longer exists; Mr. Simmons says he got out in time.

He spied another opportunity during the first season of the now-canceled show "Gene Simmons Family Jewels," which followed him, his wife, Shannon Tweed, and his two children, Nick and Sophie. A trip to Mammoth Mountain in California turned into a chance to have his image painted onto a snowboard, even though he spent much of the show falling down on the bunny slopes.

Yet companies are willing to bet that the bass player, known for 1970s hits such as "Rock and Roll All Nite" and "Detroit Rock City," can generate hype purely on the basis of his celebrity, if not his charm.

During his stint pitching IndyCar racing, he wrote a song called "I am Indy." His reality-TV show followed him to the Turks and Caicos Islands in an effort to persuade officials into hosting a race.

He grimaces when offered a conch salad, cries out in terror

during a jet-ski ride, and falls asleep on the couch during a party thrown in his honor.

"I am not a dancing monkey," he grumbles on the show.

With the pot deal, he has taken on what may be his toughest pitch: promoting a marijuana company.

KISS guitars may have smoked, but the man fans call "The Demon" swears he never did. Drugs, as Mr. Simmons frequently said in interviews and his books, were for dopes.

Promoting Invictus, Mr. Simmons made an appearance at Toronto's venture stock ex-

change in March to mark the company switching its trading symbol to GENE.

"Gene is easy to remember," Mr. Simmons said. "Gene is as cool as Google or Yahoo."

Invictus CEO Dan Kriznic said "Gene will be able to open doors for us internationally."

In exchange for acting as a media and investor spokesman, Mr. Simmons's five-year deal calls for him to be paid \$2.5 million upfront and 6.6 million Invictus shares.

As for his hostility toward marijuana, Mr. Simmons said he has had a "come to Jesus" moment about the drug, which he now believes has medicinal potential.

Then he remembered Canadian law restricts cannabis-company spokespeople from endorsing the products outright. "Oops, I can't say that," Mr. Simmons said, slapping his hand over his mouth.

Canadian brand expert John Mizolek said celebrities are usually hired because they can convincingly express admiration for products and businesses that they endorse. "I'm struggling with this connection," he said.



RICK CHARD

Gene Simmons is promoting a Canadian cannabis company.

GENE

Continued from Page One

backing cannabis producer Invictus MD Strategies Corp., Mr. Simmons has been a pitchman for a vast array of products, including life insurance, translation software, the IndyCar racing league, a new line of soda called MoneyBag and a soon-to-be-launched monthly magazine called Mogul, targeting mom-and-pop investors with limited financial experience.

"The whole world needs to take notice," says John Hultquist, director of intelligence analysis at U.S. cybersecurity firm FireEye Inc., who now ranks North Korea among the world's mature hacking operations.

Many North Korean hackers are using perfect English or embedding other languages into coding to make it appear hacks came from other countries, the researchers have concluded.

And they are earning a reputation as innovators at breaking into smartphones, hiding malware in Bible apps or using Facebook Inc. to help infect targets.

"The whole world needs to take notice," says John Hultquist, director of intelligence analysis at U.S. cybersecurity firm FireEye Inc., who now ranks North Korea among the world's mature hacking operations.

North Korea has denied involvement in hacking attacks, including last year's WannaCry ransomware, which locked digi-

The defectors and South Korean researchers say North Korea's cyber army has about 7,000 hackers and support staffers, loosely divided into three teams. The A team, often called "Lazarus" by foreign researchers, attacks foreign entities and is associated with North Korea's most headline-grabbing campaigns, such as the WannaCry and Sony attacks.

The B team traditionally focused on South Korea and swept for military or infrastructure secrets, though it has begun mining for intelligence elsewhere recently, the cyber researchers say. The C team does lower-skilled work, such as targeted email attacks called spear phishing.

While its earlier attacks used well-known tools and familiar coding, Pyongyang tried to learn from better hackers abroad, says Simon Choi, a cybersecurity consultant to South Korea's government who tracks online behavior. North Korean-linked accounts on Facebook and Twitter began following famous Chinese hackers and marked "like" on pages of how-to books outlining how to make malicious code for mobile devices, he says.

Sent abroad

North Korea has planted programmers abroad where they can more easily connect online with the global financial system, security firms say. Recorded Future Inc., an intelligence firm, says it has tracked cyber activities with North Korean fingerprints to places such as China, India, New Zealand and Mozambique.

McAfee said it took suspected North Korean cyberwarriors just seven days in December to discover and use InvokePSImage, a new open-source hacking tool, to target groups involved in the Winter Olympics. McAfee said hackers used the tool to custom-build a malware download that was invisible to most antivirus software and hid malicious files in an image attached to a Microsoft Word document.

Researchers say they were particularly impressed with the recent attack that capitalized on previously unknown vulnerabilities with Adobe Flash. According to South Korean and U.S. cyber researchers, the malware popped up in November targeting South Koreans, attaching itself to Microsoft Office files distributed by email. Victims infected their computers by viewing embedded Adobe Flash content in Word documents or spreadsheets. Hackers were then able to gain remote access to those PCs and steal files.

Adobe put out a security advisory on Feb. 1 and released a software patch five days later. FireEye said it suspected the malware came from North Korean hackers.

Within weeks, suspected Pyongyang hackers had adapted the original malware, which then appeared in attacks on financial institutions in Turkey in early March, according to McAfee.

Mr. Choi, the South Korean cyber consultant, digitally pursued the author of the malware, piecing together details from the attack to gather biographical details. He eventually found what he believes is the male hacker's Facebook page. The listed hometown and current city was Pyongyang.

—Jonathan Cheng contributed to this article.

GREATER NEW YORK

'Fearless Girl' Will Move to Stock Exchange—No Bull



JEWEL SAMAD/AGENCE FRANCE PRESSE/GETTY IMAGES

'Fearless Girl' has been confronting 'Charging Bull' since March 2017.

Safety concerns cited as part of the reason she will leave her Bowling Green perch

BY KATE KING

The "Fearless Girl" statue, which has attracted admirers and photo-takers since its installation last year opposite the charging bull near Wall Street, will be moved to a new location in front of the New York Stock Exchange.

Mayor Bill de Blasio said the move, which will happen by the end of the year, was motivated in part by safety concerns. The statue is currently located at the narrow northern tip of Bowling Green park, with barely any buffer separating visitors from the

traffic on Broadway. The mayor said the new location a few blocks away will improve access.

"We are proud to be home to the 'Fearless Girl.' She is a powerful symbol of the need for change at the highest levels of corporate America—and she will become a durable part of our city's civic life," he said.

The statue was installed in March 2017 by State Street Global Advisors, the asset-management business of Boston-based State Street Corp., and quickly became a symbol of female empowerment. New Yorkers, tourists, celebrities and politicians flocked to take photos with the 50-inch tall bronze statue of a young girl, who stands with her hands on her hips and ponytail swinging as she confronts the "Charging Bull," an iconic image of Ameri-

can capitalism.

"In front of the New York Stock Exchange really is an ideal location to symbolize the need to change the face of leadership in corporate America," said Lynn Blake, chief investment officer of State Street's Global Equity Beta Solutions.

Patrick Kennell, founder and president of the Financial District Neighborhood Association, said the statue is beloved by many residents but does pose a safety risk to the visitors who gather in the heavily trafficked area. Mr. Kennell said he supported the new location and hoped that "Charging Bull" eventually would be moved to the stock exchange, as well.

"The city put up some concrete barriers maybe six months ago," he said. "That helps with the safety issue, but it's un-

sightly. There's a lot of congestion around Bowling Green and I'm just worried somebody is going to get hurt."

The statue has faced criticism, including from those who said "Fearless Girl" was a marketing ploy, and pointed to diversity issues within State Street. The "Charging Bull" sculptor also said the statue distorted his art.

The statue was intended to promote State Street's SHE fund, which invests in companies with women executives and to pressure its publicly traded companies to add more women to their boards.

The firm estimated last year that the brand exposure "Fearless Girl" generated in the first 12 weeks after its installment was worth between \$27 million and \$38 million.

Buckle Up, These Broadway Shows Are Really Long

BY CHARLES PASSY

Planning to see a Broadway show? Better wear comfortable clothing.

In an era when attention spans seem shorter than ever, a trio of hit shows—"Angels in America," "The Iceman Cometh" and "Harry Potter and the Cursed Child"—now ask audiences to stay in their seats for several hours at a stretch.

The common thread? "You want to lose yourself in exquisite storytelling," he said.

To some extent, the success of all these long shows on Broadway may speak to factors beyond their epic nature. The Potter franchise obviously is well established, to say nothing of the fact that the play already is a hit in London. And "Iceman" benefits from Mr. Washington's presence, as does "Angels" from the appearances of Broadway veterans Nathan Lane and film star Andrew Garfield.

In other words, you perhaps can't sell the long show without a hook.

"If someone did a six-hour, two-part thing out of nowhere, I can't imagine it would do well," said Chris McKittrick, a writer with Daily Actor, a website that covers the theater industry.

And even with the hook, theatergoers say the long show has its drawbacks.

"It's grueling to sit in a teeny seat for so long," said Debbie Serrano, a schoolteacher from Queens, during one of the intermissions at a recent "Iceman" performance.



CLOCKWISE FROM TOP: BRINCKHOFF-MOEGENBURG; CLAUDIO PAPAPIETRO FOR THE WALL STREET JOURNAL; MANUEL HARLAN



'Angels in America,' above, and 'Harry Potter and the Cursed Child,' left, are two shows with lengthy run times. Below, theatergoers take a selfie while waiting on line for 'The Iceman Cometh.'



City Launches Task Force on Mentally Ill Following Shootings

BY ZOLAN KANNO-YOUNGS

Two weeks after New York Police Department officers fatally shot a mentally disturbed man they thought was armed with a gun, Mayor Bill de Blasio launched a task force aimed at improving city responses to emergencies involving the mentally ill.

The task force, made up of city officials, as well as New Yorkers living with mental illness, will over the course of 180 days focus on ways to prevent crises with the mentally ill and increase collaboration between the NYPD and the city's health agencies, municipal officials said on Thursday.

After six months, the city will announce a strategy based on the task force's findings.

"A mental illness shouldn't be a death sentence," Donovan Richards, chairman of the city council public-safety committee, said in a statement.

"Which is why it is imperative that we continue the conversation around better practices and keep pushing to find a smarter and safer approach."

Calls for the task force were renewed when earlier this month police officers shot and killed Saheed Vassell, a 34-year-old man suffering from bipolar disorder. Police received three 911 calls that he was threatening passersby with a gun in the Crown Heights section of Brooklyn.

Mr. Vassell took a "shooting stance" and pointed an object at several officers, prompting them to fire a combined 10 shots, according to the NYPD. Officers later discovered he was holding a metal pipe. Eric Schneider-

man, the state attorney general, is investigating the shooting.

Earlier this year, a Bronx judge acquitted an NYPD sergeant of murder for fatally shooting Deborah Danner, a 66-year-old paranoid schizophrenic, who allegedly swung a bat at his head in her apartment.

The NYPD responded to more than 160,000 emergency calls involving the mentally ill last year, according to city officials.

Steve Coe, the CEO of Community Access, an organization that advocates for the mentally ill and works with

the NYPD training officers on how to treat that community, said he hopes the task force focuses on creating a system that also would dispatch social workers to emergencies involving the mentally ill.

He said the task force should look at expanding the number of the city's core-response teams, which pair police officers with clinicians.

The formation of the task force comes on the same day as the wake for Mr. Vassell, according to Tina Luongo, attorney in charge of criminal defense at the Legal Aid society, which has been working with the Vassell family. Ms. Luongo called the task force "the lippiest of all government responses to this crisis."

Olivia Lapeyrolerie, a spokeswoman for Mr. de Blasio, said the task force would bring together some of the "brightest minds" in the city to work on the complex matter.

"This problem isn't unique to NYC, but no city of our size has leveraged all levels of [government] to address this issue in this way," she said.

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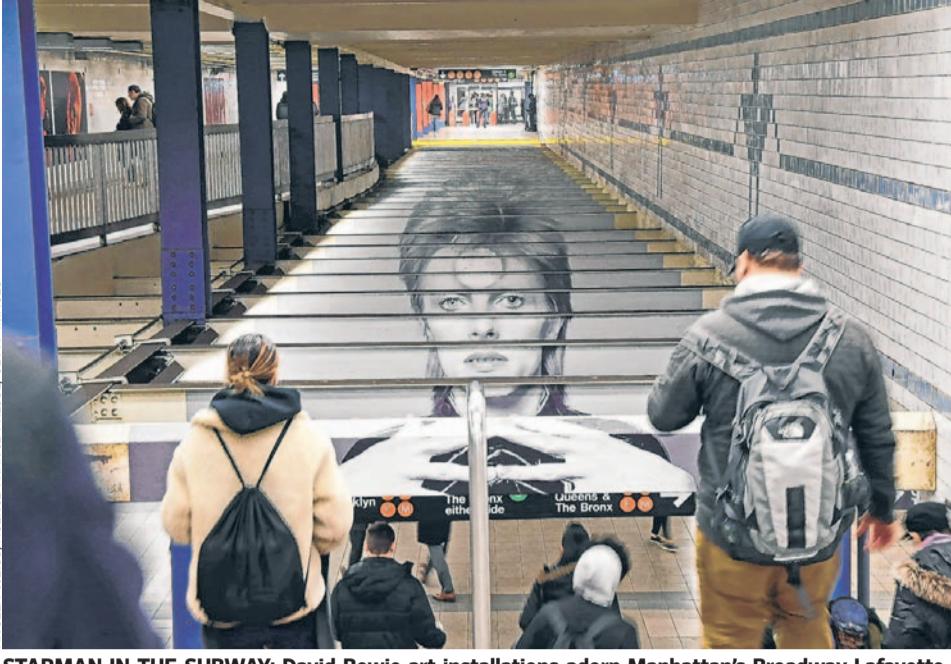
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GREATER NEW YORK

(Under)Ground Control to Major Tom



STARMAN IN THE SUBWAY: David Bowie art installations adorn Manhattan's Broadway-Lafayette station, in conjunction with the Brooklyn Museum's exhibition 'David Bowie is.' The MTA is offering special MetroCards featuring five Bowie personas, including Ziggy Stardust and the Thin White Duke.

Alabama Town Finally Gets Rid of NYC Waste

By VALERIE BAUERLEIN

About 200 shipping containers of rotting sewage from New York City have been removed from a rural Alabama town, putting an end to three months of legal challenges, the mayor there said Thursday.

The waste had been sitting on train tracks adjacent to the small town of Parrish, stalled on the way to the nearby privately owned Big Sky Landfill. Parrish Mayor Heather Hall said the waste was taken by Big Sky to its landfill gradually during the past two weeks, with the last containers removed this week.

Ms. Hall said she was grateful the company finally was able to haul them all away, and hopes no more take their place. "Alabama is a beautiful state," she said. "We'd like to keep it that way."

Big Sky didn't respond to a request to comment. A spokesman for the New York City Department of Environmental

Protection said the city had "no plans at the current time" to resume sending biosolids to Alabama.

New York City has multiple contracts for shipping biosolids to landfills in states including Georgia, Ohio, Pennsylvania, as well as upstate

Sports teams have postponed games on the town's ballfields because of the stench.

New York. The city has set a goal of eliminating landfill disposal by 2030, perhaps by converting biosolids into energy or compost.

The containers had been in limbo since January, Ms. Hall said, and the material inside smelled of rotting animals, and made being outdoors nearly unbearable, especially on a

warm day. In recent weeks, teams have postponed games on the town's ballfields because of the stench, she said.

Their removal was the subject of legal and zoning disputes in Alabama about how and where the waste could be transferred from train cars to tractor-trailers and hauled to the landfill.

For years, New York City has struggled to dispose of or reuse the 1,200 tons of biosolids, or treated sewage sludge, it produces every day. In 2016, Big Sky received Alabama state permits to accept nearly all New York's waste.

Ms. Hall said she doesn't harbor ill will toward New York or other big cities seeking places to cheaply bury their waste. "They have this material and it needs to go somewhere," she said, "it just seems to me they have to find a better solution for it than what they're doing now."

—Kate King contributed to this article.

GREATER NEW YORK WATCH

MS-13

Alleged Gang Leader Is Held Without Bail

The alleged East Coast crime boss of the notorious street gang MS-13 was ordered held without bail on Thursday at his first court appearance on Long Island, where prosecutors accuse him of having a hand in a wave of violence.

When the charges against Miguel Corea Diaz and 16 other defendants with alleged ties to MS-13 were announced earlier this year, DEA officials described him as the "point man on the East Coast who would report to MS-13 hierarchy in El Salvador."

An indictment alleges Mr. Corea Diaz ordered beatings and killings and directed the gang's drug operations in New York, New Jersey, Maryland, Texas and elsewhere while using the street name "Reaper."

Mr. Corea Diaz's attorney declined to comment on Thursday.

—Associated Press

LONG ISLAND

Wrongful Conviction Lawsuit Is Settled

A New York man who spent 17 years in prison for his parents' murder before a court overturned his conviction has settled a civil case with Suffolk County on Long Island for \$10 million.

Martin Tankleff said Thursday he was gratified that the county "has finally acknowledged the terrible wrong" that was done to him.

Mr. Tankleff was 17 years old when he was arrested in 1988 for the murders of his parents, Seymour and Arlene Tankleff.

He initially confessed but quickly recanted. He was convicted in 1990 and sentenced to 50 years in prison. Mr. Tankleff was freed in 2007 when an appellate court said evidence in his trial had been overlooked.

He settled a wrongful conviction lawsuit against New York state for nearly \$3.4 million in 2014.

—Associated Press

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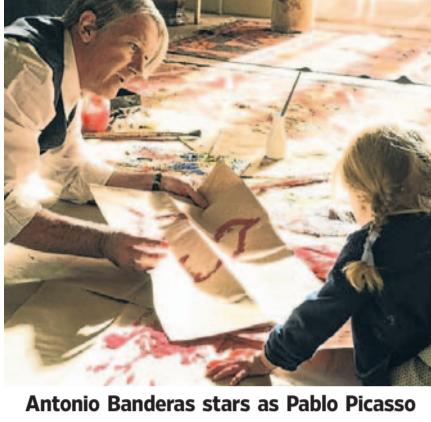
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LIFE & ARTS



Antonio Banderas stars as Pablo Picasso

FILM REVIEW | By Joe Morgenstern

'I Feel Pretty': More Alarming Than Charming

AT FIRST BLUSH "I Feel Pretty" has a promising premise. A sad duckling who's far from ugly, only pleasantly plump and plagued by self-doubt, suddenly believes herself to be drop-dead gorgeous, and her delusion releases her joyous, lovable self. At second blush, after I saw the film, it's a botched premise. At third blush, after I thought about what I'd seen, the premise never had a chance of working out well in the hands of filmmakers whose take on their subject is sitcom-deep.

The duckling, Renee Bennett, is played by Amy Schumer, who knows how to sell a comic notion and commits to selling this one, come what may. Renee, whose only wish is to be beautiful, works for a global cosmetics company modeled on Revlon or L'Oréal, but she does so from the company's online office, a squalid warren in a Chinatown basement. (Her sole co-worker, a guy, is a dim bulb, and a slob.) This establishes two things—the heroine's obsession with physical appearance, and the movie's devotion to selling plot points, however absurd they may be.

And however arbitrary, Renee's imagined transformation follows an evening at home, when, watching TV, she happens on a pivotal scene of "Big"—the one in which the disconsolate kid tells a carnival machine fatefully, "I wish I were big." This is a praiseworthy example of truth in borrowing—if the "Big" people could transform a character just like that, the filmmakers seem to be saying, so can we. But it's also a reminder to be careful what you wish for; some instant transformations have wondrous consequences, while some don't. This one really doesn't, notwithstanding Ms. Schumer's gallant efforts, and despite our wishing the movie well for its message that beauty comes from within.

Renee's initial doubts about herself—doubts that verge on self-loathing—are an extension of what Ms. Schumer's character felt in her previous, partly autobiographical and more successful feature, "Trainwreck." As for the specifics of how Renee's transformation takes place, they're too silly to relate. The question is what happens next, and next, and next.

After the kid in "Big" wakes up the next morning and is big enough to be played by Tom Hanks, our delight extends beyond the physical change to the sweetly naïve 13-year-old point of view that the ostensibly mature hero brings to the adult world around him. When Renee transmogrifies the day after she sees the scene from "Big," it's all in her head, since the co-writers and co-directors, Abby Kohn and Marc Silverstein, have decided against the strategy of fantasy sequences, à la Danny Kaye's Walter in "The Secret Life of Walter Mitty" or The Dude's bowling-themed musical sequence in "The Big Lebowski." Renee's body remains as agreeably zaftig as it was, so the rest of the movie depends on her behavior, which is comically delusional if you buy it, and scarily demented if you don't.



Amy Schumer, above, and Busy Philipps and Aidy Bryant, below right

All the beautiful people in her company buy it, or at least go along with it, even when Renee, believing she's a supermodel, talks febrile nonsense that no one questions. (The staff includes such real-life super, or superish, models as Naomi Campbell, Lauren Huntington and Emily Ratajkowski, whose character dutifully confesses her own insecurities.) Unshakably confident in her new state of grace, Renee rises quickly, if unaccountably, through the ranks, then achieves a position of eminence in the eyes of the company's CEO, Avery LeClair, who's played by Michelle Williams with a wan presence and squeaky, unfunny voice.

Avery values Renee for the smart and sensible things she says about how the company should pitch its new lower-priced line of cosmetics to real women. (That's an echo of Tom Hanks's Josh giving toy company executives good advice on how to sell toys.) Still, there's no accounting for the way

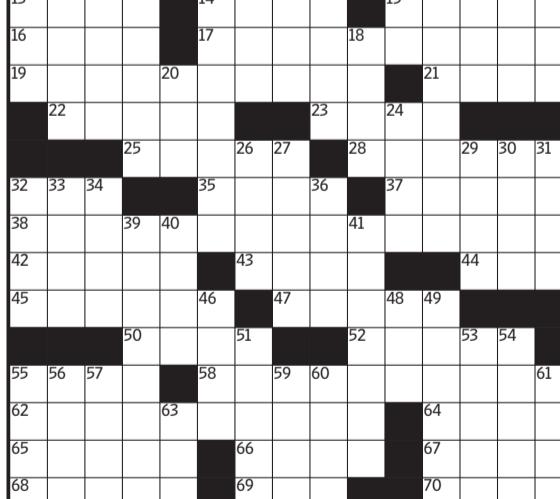
Renee enchants the men she meets, although Ms. Schumer is very funny doing bumps, grinds and twists in a bikini dancing contest at a downtown club. In the eyes of the man who takes her there, a good though somewhat nebbishy soul named Ethan (Rory Scovel), she is perfect: "You're so yourself," he tells her ardently. According to Grant LeClair, Avery's hunky brother, she is dazzling, though we don't see it.

Most of the compliments Renee receives are unearned, because much of the time she comes off like a runaway narcissist, the kind of woman any sensible man would flee in a New York second. The writers haven't given her the nuance needed to differentiate confident from crazy, and the directors, who are two and the same, haven't given the production as a whole consistent verve; the pace drags when it isn't frenetic. Renee eventually reverts to her original self, as in "Big" (or in "Charly," for that matter), though duly cured of her paralyzing insecurity, and she gets to deliver an earnest exhortation about the need for girls, as well as women, to believe in themselves. But it's hard to believe in "I Feel Pretty," a put-up job about a self-enchanted Cinderella.



PUZZLE CONTEST

The WSJ Daily Crossword | Edited by Mike Shenk



27 Seasonal songs

29 Repulsed utterances

30 Party snacks

31 Barbary passahs

32 "East River" author Sholem

33 Move, in mover lingo

34 Puma rival

36 Make mittens

39 Ticking off

40 Cardinal base

41 Series unit

46 James in the Blues Hall of Fame

48 2016 Games host

49 Cuts a small notch into

51 Handled

53 Square

54 Enjoy the rink

55 Remitted amts.

56 Dark red

57 "Help ___ the way"

59 Scarlett's place

60 Difficult journey

61 Worry

63 Semicircular letter

Down

1 Splinter group

2 Three, so they say

3 License

4 Gives a new look to

5 In a frenzied state

6 "Sorry Not Sorry" singer Lovato

7 Without interruption

8 "How adorable!"

9 Pea soup

10 Be a good soldier

11 Where the Swiss Federal Assembly meets

12 Gaelic tongue

14 "I've had enough!"

18 Citronella feature

20 CDC concern

24 Singer Halliwell

26 Iowa State site

19 Short-lived sitcom starring Mary-Kate and Ashley Olsen

20 Last word in a seasonal song

21 Resided

22 Venetian magistrate

23 Sister of Peter, Edmund and Lucy in C.S. Lewis's Narnia stories

24 Pursuers of paperhangers

25 Big name in grills

26 In hospitable

27 Folks with titles

28 Check for a filer

29 Coach Parseghian

30 Post-trip assurance

31 Miscreant

32 Short-lived sitcom starring Mary-Kate and Ashley Olsen

33 Sister of Peter, Edmund and Lucy in C.S. Lewis's Narnia stories

34 Purse

35 Short-lived sitcom starring Mary-Kate and Ashley Olsen

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70 Short-lived sitcom starring Mary-Kate and Ashley Olsen

Previous Puzzle's Solution

PACECAR	BARRHOPS
ALLDONE	OCEANIAS
PLASTIC	GOLFTEES
AIRRES	RUMSEATS
SEAL	GUILESLAY
DINER	TAILLEND
ATFAUL	RIVITAL
THAIABAH	EAMMATE
FORGETTIN	AGLINES
DINER	REY
MILLE	AMASSA
ONOFF	KOIALA
IMAD	LEAVES
CAFFEINATED	TEAS
ANTIART	UNNERVE
PESETAS	PLAYSET

JOAN MARCUS (BELOW)

THEATER REVIEW | By Terry Teachout

PREDICTABLY POLISHED

New York **OF ALL THE GREAT** Broadway musicals of the postwar era, "My Fair Lady" is the only one that takes a major work of literature, George Bernard Shaw's "Pygmalion," and turns it into an equally distinguished musical that is true to the spirit and letter of its source material. Not slavishly so—Alan Jay Lerner and Frederick Loewe put a romantic spin on Shaw's deliberately unromantic satire of the British class system—but it's remarkable how much of "My Fair Lady" either comes straight out of "Pygmalion" or is clearly and closely derived from it.

For this reason alone, it's appropriate that Lincoln Center Theater, which is as well known for its musical-comedy revivals as it is for its productions of the plays of such noted modern dramatists as John Guare and Tom Stoppard, should now be mounting the fourth Broadway revival of "My Fair Lady," which was last seen in New York in 1994. Nor would anyone reasonably expect LCT to offer the kind of radical transformation of so beloved a musical that Bedlam recently gave us in its small-scale "Pygmalion" (which closes on Sunday, if you haven't seen it yet). Instead, Bartlett Sher, the director, has mounted "My Fair Lady" in the now-familiar manner of his hugely and deservedly successful LCT revivals of "South Pacific" and "The King and I." Like its predecessors, it's a very big show, with elaborate costumes, a full-sized pit orchestra, a Turneresque drop curtain portraying Victorian London, and a star, Lau-

ren Ambrose, who is famous for her TV work

LIFE & ARTS

TELEVISION REVIEW | By Dorothy Rabinowitz

Grounded Space-Flight Aspirations

MERCURY 13, a Netflix documentary, tells the story of a group of women, all highly experienced pilots, who thought that they might become part of NASA's "man in space program"—a project whose very name should have been a warning that this was unlikely. The men chosen for Project Mercury, begun in 1958, were all military test pilots and would come to be known as the Mercury 7. There was one little-known fact about the Mercury project—women test pilots had been screened as well, 13 of them had qualified, and in some cases the females had done better than the males.

This film concerns the effort of the women pilots later given the chance, as the race with the Soviets grew more heated, to join the space program. They would undergo testing, under a special program, and take the same tests as men.

This is the sort of film that begins modestly—



seemingly only a piece of curious history—and grows steadily deeper as it moves to its climax, and that climax is a powerful one. It's a work bolstered by archival footage, not to mention the stories of each of the women. Their accounts of the grueling tests, physical and psychological, they would have to pass to enter the space program are wonderful in their ironies. Women who had children weren't supposed to be allowed into the space program. Still, one extraordi-



Clockwise from above: Sarah Ratley, in helmet, and her work colleagues from AT&T in the early 1960s; Bernice 'B' Steadman; Gene Nora Jessen, née Stumbough

narily experienced one, who had, in her busy flying career, managed to have and raise nine of them, took the test anyway and passed. But neither she nor any of the other female pilots who had qualified would prevail against the opposition from NASA, not to mention various political luminaries. The long list of opponents preventing them from being accepted into the space program—John Glenn in-



cluded—is fascinating. You could say the same about virtually everything packed into this hour.

Mercury 13
Friday, April 20, Netflix

LADY

Continued from page A10 pears to be trying to split the difference between Shaw's dryly ironic but politically correct conclusion and the happily-ever-after curtain that Lerner and Loewe had in mind. It doesn't quite come off—there is no believable way to end "My Fair Lady" unromantically after Professor Higgins declares his love for Eliza by singing "I've Grown Accustomed to Her Face"—but it isn't egre-giously offensive, either. To be sure, I've seen more adventurous revivals, most notably at the Oregon Shakespeare Festival in 2013 (where Amanda Dehnert staged the show in the style of Brecht) and at Boston's Lyric Stage in 2015 (where it was mounted in a small-scale production of the utmost ingenuity). Nevertheless, this version works—up to a point.

That point is Harry Hadden-Paton, lately of "Downton Abbey" and "The Crown," who is making his U.S. stage

debut as Henry Higgins, the irascible phoneticist who endeavors to turn a Covent Garden flower girl into a Reel English Liddy by scrubbing off her Cockney accent. Mr. Hadden-Paton is competent but less than exciting as Professor Higgins, and seeing as how the famously charismatic Rex Harrison is so completely identified with

Back on Broadway
in a big-budget
production directed
by Bartlett Sher

the part in the minds of everyone who's seen the 1964 film, that's a hard hurdle to leap. I was also taken aback by the blandness of Norbert Leo Butz's performance as Alfred Doolittle, Eliza's unscrupulous father: Mr. Butz is one of our best stage comedians, but his Alfred lacks comic bite.

Everyone else satisfies, especially the ever-excellent

Allan Corduner as Colonel Pickering. The 29-piece band (what a joy it is to write those words!) plays the original orchestrations of Robert Russell Bennett and Philip J. Lang luxuriantly. Michael Yeargan's budget-busting sets are suitably lavish—the Vivian Beaumont Theater's turntable gets quite a workout in this show—and Catherine Zuber's costumes are more than good enough to stand up to comparison with the ones designed by Cecil Beaton for the original 1956 production.

I enjoyed this revival very much, but I'd expected to be more wholehearted about it, and I wonder whether another director might have gotten livelier performances out of Mr. Hadden-Paton and Mr. Butz. I even caught myself wondering at times whether Mr. Sher was going through the motions instead of digging deeper into "My Fair Lady." Having loved what he did with "The King and I" and "South Pacific," I took for granted that he'd make an equally strong and consistent impression this

time around. Perhaps he made the same mistake.

My Fair Lady
Lincoln Center Theater, Vivian Beaumont Theater, 150 W. 65th St. (\$87-\$199), 212-239-6200

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

one's shock, Picasso refused to sign. The explanation given by the Picasso of the series is a smooth, earnestly delivered one in which the painter declares that the Germans hate him and that it would only harm Max if he signed such a letter. This is a far cry from the evasive response quoted in all records of the exchange, in which Picasso airily declares that Max doesn't need any help and "Max is a little devil." The film's producers were evidently not eager to risk tarnishing this genius's image as a fearless and heroic figure. Max Jacob died in Drancy.

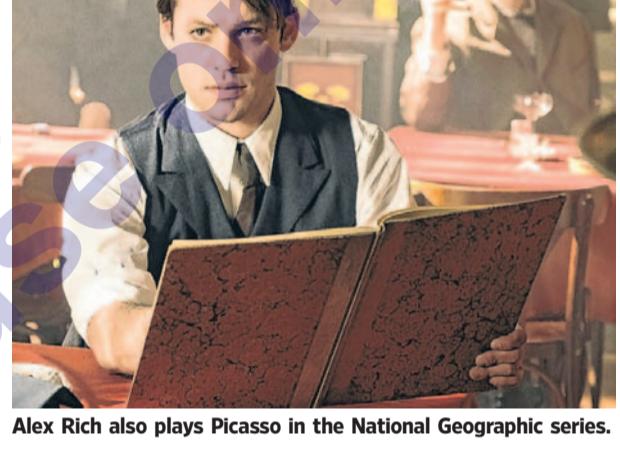
Like so many other old stories now, the parade of Picasso's women—ironically, the dramatic heart of this story of genius—takes on a certain resonance. For though Picasso was no predator, most of his women in these portraits are accepting victims, grateful for crumbs of attention from the master. Picasso may have found that wrestling match between his mistresses one of his choicest memories, but the artist in him doubtless recorded the meaning of such abasement—which is perhaps why so many of the women he painted have such a haunted look.

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

PICASSO

Continued from page A10 his studio while Dora was there. When the women quarreled over who had a greater right to be there, Picasso told them they should fight it out among themselves—which they did, in a wrestling match. This was, Picasso recalled many years after, a gratifying experience—one of his "choicest memories."

Dora is also among those in Picasso's circle who worry about the fate of the beloved French poet Max Jacob (T.R. Knight). Jacob, one of Picasso's closest friends for many years, was born a Jew and, in German-occupied France, was in danger of being deported to a death camp as his brother and sister had been. That he had converted to Catholicism was unlikely to help. When he was in fact arrested and taken to Drancy, the holding camp for Jews to be sent to Auschwitz, his intellectual circle rallied around to seek his release. Jean Cocteau drew up a petition signed by many luminaries and presented it to Picasso, whose signature was especially important given his influence with German authorities—he was the world's most famous painter. To every-



Alex Rich also plays Picasso in the National Geographic series.

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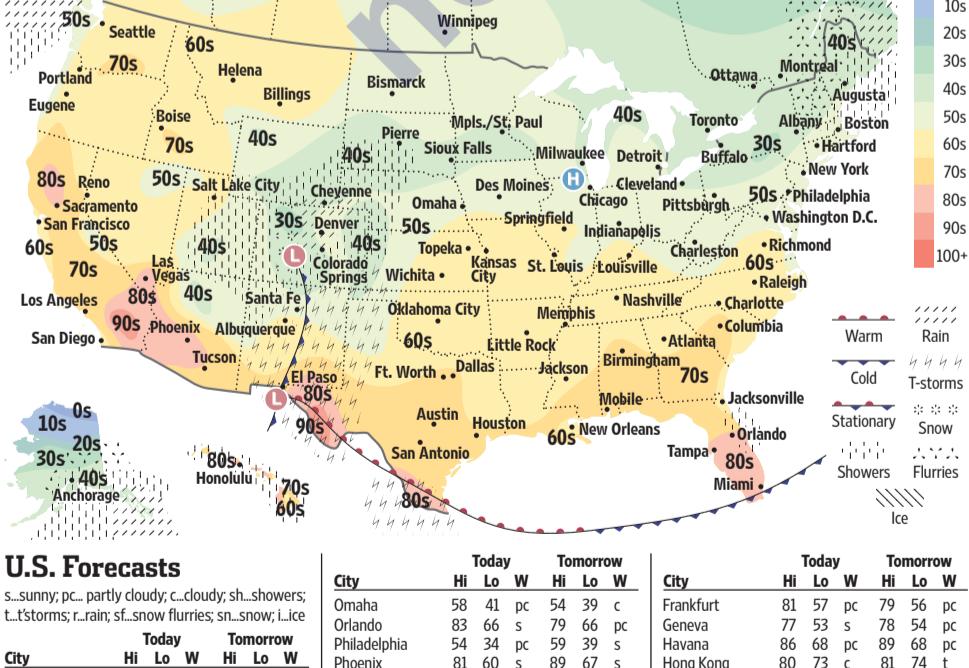
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Weather



U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

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City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Alaska	44	35	c	47	37	c
Atlanta	68	46	s	71	53	s
Austin	72	56	c	71	52	s
Baltimore	57	36	s	61	38	s
Boise	69	45	s	69	41	pc
Boulder	52	37	pc	53	36	s
Burnett	45	33	sf	48	29	pc
Charlotte	67	42	s	71	46	s
Chicago	55	34	s	55	38	pc
Cleveland	47	32	s	51	33	s
Dallas	70	51	pc	61	48	r
Denver	52	31	r	50	33	sn
Detroit	56	34	s	56	36	s
Honolulu	83	73	c	84	73	r
Houston	74	59	pc	72	61	t
Indianapolis	58	36	s	58	42	pc
Kansas City	60	42	pc	54	41	c
Las Vegas	80	61	s	85	66	s
Little Rock	67	45	pc	68	54	c
Los Angeles	73	55	s	80	58	s
Miami	87	71	s	84	72	c
Milwaukee	49	33	s	50	36	pc
Minneapolis	69	43	pc	54	34	pc
Nashville	67	40	s	71	51	s
New Orleans	69	57	pc	76	66	c
New York City	53	38	s	58	40	s
Oklahoma City	66	45	pc	51	42	r

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	73	49	pc	71	53	pc
Athens	77	56	t	69	54	s
Baghdad	95	66	pc	86	68	pc
Bangkok	94	78	t	95	81	s
Beijing	87	64	s	88	58	r
Berlin	79	55	pc	69	47	pc

SPORTS

MLB | By Jason Gay

Frozen Baseball Should Cut Games



Baseball has a supermarket-on-Saturdays problem. Allow me to explain this daffy analogy.

I don't go to the supermarket on Saturdays. Sorry—I do go to the supermarket on Saturdays, because I am an idiot. Every time I do, however, I hate myself. It's too crowded. They've run out of all my favorite stuff. The guy giving away astonishingly healthy kale chip samples doesn't have any more astonishingly healthy kale chip samples. The checkout line is 19 miles long.

In that moment, I say to myself: You're a moron. You're never going to the supermarket on a Saturday ever again.

Then some time passes, and I forget, and I go back to the supermarket on a Saturday. And once more, I sob in line at the picked-over cheese counter and say: Why? Whyyy? Whyyyy?

This is baseball's problem with April. In more than a few Major League cities, it's been too cold for baseball this month. It's been too cold for snowmobile races. It's been too cold to ice fish.

Kidding. It's never too cold to ice fish.

The point is, in a bunch of fine baseball towns, April baseball has been uncomfortable to play, uncomfortable to watch. It isn't that it's impossible to play, it isn't that April can't be warm, even nice, it's just...dodgy.

With 25 weather postponements through Wednesday, the game is on pace to break its record for weather-related April scratches. In Chicago this season, they had to cancel both a White Sox and a Cubs game for snow. Same with the Yankees and Mets in New York. A Kansas City Royals game got canceled for bone-chilling cold. The Twins postponed three games in a row.

Did you see the Twins walking across the snowy tarmac in Minnesota to get on a plane for games in Puerto Rico? They were ecstatic.

Even if the games happen, nobody's that thrilled. It snowed during the Pirates game the other night. I saw a photo of a Tigers game where I think there were more humans in the dugout than in the stands. It looked like, you know, a Marlins game.

Sorry, Marlins fans. This isn't football, where people



BRIAN CASSELLA/ASSOCIATED PRESS

will suck up freezing temperatures for a few hours on a Sunday, because it's football—and also because someone has a flask of bourbon. It isn't baseball's postseason, where fans will suck up freezing temperatures because their team is making a run at the World Series—and also because someone has a flask of bourbon.

We like to rationalize and say the weather has been unusually cold this month, and that's true, especially in the Midwest. But a warm game is better product. A study of 22,215 baseball games from 2000 to 2011 by University of Nevada academics found that offensive production goes up significantly in warm weather.

You know what goes up in cold weather?

Walks! Every baseball fan loves walks. Ugh.

Nobody can deny this: Baseball on a 75-degree day is about 5,000 times more fun than baseball on a 40-degree day.

That's not an opinion, folks,

that's analytics.

Yet you and I know what will happen next: The weather will warm into baseball weather, and all that early season frustration will fade. We turn the page. We forget the misery of early, raw April.

And then we do it all again the next year. It's crazy. It's crazier than the supermarket on Saturdays.

The good news is that people are speaking up about this. The other day, the Cubs first baseman Anthony Rizzo came out and said the Thing That's Not Supposed to be Said in Baseball.

He said that baseball should cut games.

"I think we play too much baseball," Rizzo said on ESPN radio. He said "playing in the cold sucks."

"When you think about the Cubs and Cardinals, you think of a beautiful Sunday at Wrigley Field. You don't think about playing in 20 degrees."

In baseball, this talk has been heretical.

It's been heresy because baseball is a game of traditions and records—and messing with those traditions and records is a bad for the sport.

Just kidding! It's about money.

It's assumed that fewer games will mean less money for teams—and therefore, less money for players. Cut back on games, and you're potentially cutting back on attendance, merch, and—most important—the ability to shake down cable television executives for long-term programming contracts.

Have you met a cable television executive in 2018? You could tell them you started a Hamster Wrestling League (HWL) in your backyard, and they might buy it for \$100 million. Maybe \$200 million, if you could promise four hamster wrestling matches a week.

Baseball has alternatives—maybe the cold weather teams can play in the warm weather cities in April, then migrate northward like geese when it thaws.

I'm not sure about that. Cuts

sure seem a cleaner way of doing it. Let's lop off 10 games. Twenty!

Rizzo takes a holistic view.

"Yes, guys are going to take pay cuts. But are we playing this game for the money or do we love this game? I know it's both, but in the long run, it will make everything better."

Whoa, whoa, whoa. Are you guys hearing what I'm hearing?

IT'S THE "SOMEBODY IN SPORTS IS MAKING SENSE" SIREN. WOOOO-WOOOOO-WOOOOO.

Be careful: the next thing you know, Rizzo is going to be saying the World Cup shouldn't be sold to the highest bidder, and the Olympics should be rotated among a small list of cities. He's going to say championship games shouldn't start after 9 p.m. Eastern.

These things are just common sense. Come on.

It's 42 degrees this morning in New York.

It's a great day for soup. Baseball, less so.

A MOMENT OF RECKONING FOR BASEBALL IN FLORIDA

BY JARED DIAMOND

WHEN THE NEWLY christened Tampa Bay Devil Rays started selling tickets for their 1998 debut season, they threw a party outside their St. Petersburg ballpark with players on hand to greet fans and sign autographs. They sold out exactly one game.

"That was a pretty big alarm bell," one former team official said.

About 15 years later, the Miami Marlins finally built a stadium after a long battle, signing a crop of big-name free agents to mark the occasion. Then tickets went on sale, and the Marlins didn't fill the seats for their series against the Boston Red Sox, an opponent with large support in South Florida.

"We knew there could be trouble," former Marlins president David Samson said.

The 25-year baseball experiment in Florida has not gone according to plan. The Marlins have ranked among the bottom five teams in average attendance in 18 of the last 19 seasons and haven't reached the playoffs since 2003. The Rays—they dropped the "Devil" in 2008—have ranked last at the box office in six consecutive seasons.

Now the two organizations are at a moment of reckoning, as both teams face scrutiny after a winter in which they traded away talent to cut costs and rebuild.

boded well. Florida has hosted spring training for a century.

MLB says it remains committed to Florida. In a February news conference, commissioner Rob Manfred said, "I believe that both Florida franchises can be a success in the right circumstances."

The Marlins believe they have the right circumstances following the \$1.2 billion sale of the team to a group led by businessman Bruce

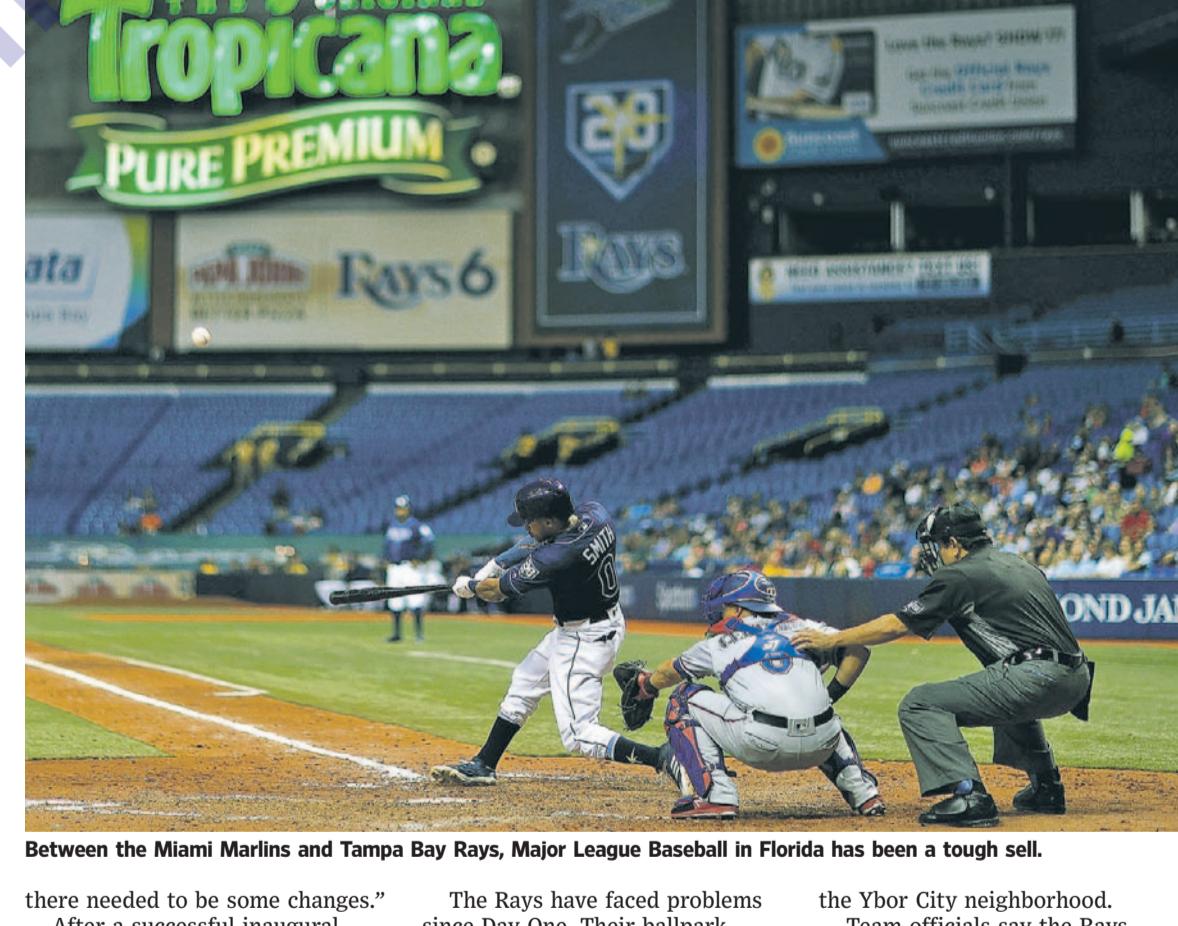
Both teams face scrutiny after a winter in which they traded away talent to cut costs and rebuild.

Sherman and Derek Jeter, the retired New York Yankees shortstop. They will try to accomplish what Wayne Huizenga, John Henry and Jeffrey Loria—all previous Marlins owners—failed to do: turn the Marlins into a success.

Their first moves did not ingratiate the new owners with fans. This offseason, the Marlins traded Giancarlo Stanton, Marcell Ozuna, Christian Yelich and Dee Gordon, breaking up a talented young core. They have averaged 13,172 fans so far in 2018, with three games drawing under 7,000.

Miami fans have gone through this before. After the Marlins won the World Series in 1997, Huizenga orchestrated perhaps the most infamous fire sale in sports history, citing poor revenues as he dismantled the team. (Huizenga died last month at the age of 80.) Later, under Loria, the team dumped talent twice more, including after winning a second title in 2003.

"People in their minds are going, 'Here we go again, it's the same old thing,'" Jeter said. "But it's not the same thing. We're trying to fix something that's been broken. In order for us to do that,



MIKE EHRMANN/GETTY IMAGES

there needed to be some changes."

After a successful inaugural campaign in 1993 that attracted more than 3 million fans, the Marlins struggled to draw to the football stadium where they initially played. Don Smiley, a top executive under Huizenga, says the strike of 1994 crushed momentum. Weather was a frequent concern.

"If it was raining in Fort Lauderdale and nice at the ballpark, that was a really hard message to communicate," Smiley said.

The new Marlins Park has a retractable roof, but the market problems remain.

"South Florida has some fundamental issues with baseball that are 25 years old," Samson said.

"I'm not sure how that changes."

The onus now falls on Jeter to turn around what he admits "is a complicated history."

"We bet on Miami, the baseball fans, the community," Jeter said.

The Rays have faced problems since Day One. Their ballpark, Tropicana Field, "was outdated before the Rays even started playing," team president Matt Silverman said. (It was built eight years before the creation of the Rays in an effort to entice an existing team to relocate there.)

After current owner Stuart Sternberg acquired the team, the Rays won the pennant in 2008 and averaged 91 victories over a six-season span. Attendance improved just marginally, forcing the Rays to turn their attention to "some structural issues within our marketplace that have been there since the beginning of the franchise," Silverman said.

That means securing a new stadium not in St. Pete, but in Tampa. Only about 20% of the market lives within a 30-minute drive of Tropicana Field, compared to 50% in the proposed site for a new ballpark in

the Ybor City neighborhood.

Team officials say the Rays need a new park not just to attract fans, but to attract sponsors in a market that lacks a large base of corporate headquarters. Most baseball teams receive 70% of their ticket sales from businesses and 30% from individuals. The Rays are the exact opposite.

Tampa Mayor Bob Buckhorn said that if the Rays don't contribute at least half of the anticipated \$800 million necessary for a stadium, it will "make an already difficult deal impossible to do." At this point, Buckhorn said, the Rays have committed to put in \$150 million, though additional support from the business community could cause that number to climb.

"We don't need the Rays to be successful," Buckhorn said. "We want to keep them here, but this city will not wither and die whether or not the Rays stay."

OPINION

REVIEW & OUTLOOK

The Fed's Capital Mistake

Happy days are here again for American finance. Tax reform and rising interest rates are throwing off huge profits, and maybe a little amnesia is setting in among banks and regulators. Lo, the Federal Reserve thinks now is a splendid time to ease capital requirements.

Last week the Fed proposed recalibrating its leverage requirements for the eight globally significant banks (GSIBs). The regulations were enacted after the 2008 financial crisis to ensure that banks maintain adequate capital. The Fed can restrict banks that fail annual stress tests from returning capital to shareholders.

Recall how investment and commercial banks prior to the crisis piled into mortgage-backed securities, which regulators deemed low-risk. This allowed them to expand their balance sheets while meeting the international Basel Committee's risk-based capital requirements. But when the housing market crashed, banks were exposed.

The government rescued banks with a capital and liquidity infusion to prevent the financial system from locking up. Banks have repaid the bailout money, and last year they all passed the Fed's annual stress test for the first time. Over the last year, J.P. Morgan, Citigroup and Wells Fargo have returned some \$60 billion to shareholders. First quarter net profits rose 35% from a year ago at J.P. Morgan, 34% at Bank of America and 13% at Citigroup.

Yet now banks gripe that the Fed's leverage limit is too stringent, and Goldman Sachs CEO Lloyd Blankfein last year complained that banks are overcapitalized. A Morgan Stanley analysis estimated about \$120 billion in "excess" capital at the 18 largest banks. What excess?

GSIBs maintain an average 6.6% leverage ratio, which is only slightly more than the losses they experienced during the crisis. Regional and community banks that don't benefit from an implicit government guarantee on average boast a 8.7% leverage ratio.

Big banks argue that the leverage limit restricts lending. Yet several complained during earnings calls last week that low borrower demand was putting a damper on lending. Which is it? The reality is that better capitalized banks can support more loan growth. Two recent studies have found that a percentage point increase in banks' equity capital ratio is associated with a 0.6 to 1.69 percentage-point increase in lending growth.

Another bank argument is that the simple leverage limit encourages riskier behavior. But the GSIBs' risk-based capital exceeds the Fed's

minimums, which suggests they aren't piling into junk bonds or other speculative investments. If they did, the risk-based limits would kick in.

The Fed has adopted the bank lobby's view that the 6% leverage limit is too restrictive. Under the Fed's new proposal, banks would be required to maintain a 3% leverage ratio plus a modest "surcharge" based on their complexity. This would have the effect of reducing capital requirements for the biggest insured depository institutions by an average 20%. Banks could thus take on more leverage and boost returns to shareholders as markets heat up and profits improve. Sweet.

The Fed estimates that its proposal would reduce the amount of tier 1 capital required among the GSIB insured depository institutions by \$121 billion. Yet it paradoxically projects only \$400 million in relief for bank holding companies, which would supposedly still be bound by "the current risk-based capital requirements, supervisory stress testing constraints, and other limitations."

But wait. The Fed last week proposed a separate rule to dumb down stress tests. Banks would no longer face restrictions on capital distributions to shareholders if they don't meet the Fed's "quantitative" standards. According to the Fed, the "proposal generally would lower the amount of tier 1 capital" a firm would need to maintain during stress. The Fed should clarify how its proposed rule-makings would interact and explain how it foresees banks will deploy the \$121 billion in freed-up capital.

Another question is how the Fed's proposals would be affected by the looming Senate banking bill, which exempts central bank deposits from the leverage limit for custodial banks. This provision would reduce capital requirements by an effective 20% to 25% for State Street and Bank of New York Mellon.

We warned last month that other big banks like Citi and J.P. Morgan would also demand a dispensation, and what do you know? The Fed is soliciting comment on "carving out central bank reserves" from the leverage limit.

* * *

All of this seems short-sighted, not least for the banks. They support easing some of Dodd-Frank's regulations, and we agree. But then they should support higher capital as protection against bad lending bets or another recession. Instead the banks want less regulation and less capital, which will set them up for Senator Elizabeth Warren's tender mercies when the next panic strikes.

War of the Roses at the FBI

Donald Trump has made more than a few headlines by accusing FBI officials of lying. But since the Justice Department's inspector general faulted Andrew McCabe for a "lack of candor" about a press leak he had authorized, former FBI director James Comey and former deputy director Mr. McCabe have been telling different stories.

On Wednesday Mr. Comey backed the IG's findings on ABC's "The View," saying "there are severe consequences in the Justice Department for lying." Mr. McCabe's lawyer shot back that he had "documents that prove" that Mr. McCabe "advised Director Comey repeatedly" about his contacts with a reporter that are the basis of the dispute. On Thursday the IG referred its findings on Mr. McCabe for potential prosecution.

The IG says the circumstantial evidence strongly backs Mr. Comey. Maybe. But an indictment and trial would mean discovery and witnesses appearing under oath. Even if it ended up confirming Mr. Comey's version of

Andrew McCabe and James Comey accuse each other of lying.

events, a trial might also reveal much more detail about what was going on at the FBI as it handled investigations into Mr. Trump and Hillary Clinton in 2016. That would be especially valuable given how hard the bureau has fought disclosing such information to Congress.

When Mr. McCabe was fired last month, he issued a statement claiming to be a victim of Mr. Trump's "ongoing war on the FBI." But the IG investigation that judged his "lack of candor" was led by Michael Horowitz, who was appointed by President Obama. And it was launched because Democrats demanded it, blaming Mr. Comey's late-campaign announcement that the FBI was re-opening the investigation into Mrs. Clinton's emails for robbing her of the Presidency.

So we are left with a nasty divorce between the two former top FBI officials who both claim to be Boy Scouts. More important than whether anyone goes to jail is whether the American people will ever learn the truth about what the FBI did in 2016 and why.

Reed College Bows to the Bullies

Reed College announced last week that it will overhaul its core humanities course after students claimed the curriculum's focus on the classics "perpetuates white supremacy." Mark down another school that has succumbed to demands to let politics trump education.

For more than 70 years the 1,500-student private liberal arts school in Portland, Oregon, has required every freshman to take a yearlong course covering the Judeo-Christian and Greco-Roman canon (Humanities 110). Through these texts, students explore "issues of continuing relevance pertaining to ideals of truth, beauty, virtue, justice, happiness and freedom, as well as challenges posed by social inequality, war, power and prejudice," according to the course description. These themes transcend race, gender and culture.

But activists calling themselves Reedies Against Racism denounced the course as "oppressive" and "Caucasoid," claiming too many of the writers were white men. You know, like that lame Aristotle dude. Last spring they demanded that their peers participate in sit-ins, and last fall the bullying grew worse.

When a parent complained online about the disruptions, a Reedies Against Racism participant "tagged the parent's employer in a post," the Atlantic newsite reported.

Students get their way by harassing staff and shutting down class.

English professor Lucia Martínez Valdivia said protesters were so intimidating that she suffered "physical anxiety—lack of sleep, nausea, loss of appetite, inability to focus—in the weeks leading up to my lecture."

Protesters shouted down lecturers, forcibly grabbed microphones, and shut down class. The faculty finally voted to prohibit protesters from attending the class, and the college had to issue no-contact orders to stop them from harassing staff.

But even as the school punished unruly protesters, the faculty voted to advance the decennial review of the Humanities 110 course. Reed College now says it will scrap some of the traditional texts and focus half the course on Mexico City and Harlem. Reedies Against Racism still isn't satisfied. In a statement on Facebook last week, the activists called for faculty to cut more "white" texts from the curriculum "as reparations for Humanities 110's history of erasing the histories of people of color, especially black people."

Reed's curriculum has plenty of other courses that deal with "the histories of people of color," so this is more about blocking the study of the core texts of Western civilization. That Reed would agree to this, and especially under political pressure, is an insult to the meaning of a liberal arts degree.

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LETTERS TO THE EDITOR***Is It Finally Time for an Internet Sales Tax?***

As the founder and ex-president and CEO of Quill Corp., I follow the frequent stories about online taxation of interstate sales with interest. This is a battle we fought and won in the U.S. Supreme Court in 1994. At the end of your editorial "The Interstate Tax Grab" (April 16), you mention that: "Members of Congress have been working for several years on legislation that would let states enter a compact to collect a simplified sales tax from remote sellers."

That was the exact offer we made to the states 24 years ago and they turned it down. They could have been collecting sales tax for these past 24 years, billions of dollars. We had tested charging a sales tax in a state where we had no presence, and it didn't affect our sales one bit. In the nine states where we built warehouses and began to collect sales taxes, our sales continued to increase. The only reason we spent over a million dollars taking this case all the way to the Supreme Court was because of the onerous burden of complying with over 10,000 different taxing entities, each with its own complex regulations.

Big companies such as Amazon can afford the costs of complying with such a maze of regulations. But small companies, and there are probably even more of them these days with the ease of selling online, simply couldn't, and can't, afford it. The reason for the *Quill Corp. v. North Dakota* decision to stand is as strong today as it was in 1994.

JACK MILLER
Bannockburn, Ill.

I recently went through an exhaustive and demeaning sales-tax audit from the state of Texas. Six months, several hundred hours of my time and several thousand dollars of accountant's and lawyer's time led to a tax bill to 31 different tax authorities within the state of Texas, including \$2.50 for the Blanco County North Library District and 23 cents in penalties.

While states argue that "software" can help mitigate the effects of multiple tax jurisdictions, that solution isn't available to many businesses, such as mine with three employees. One of my colleagues with 10 employees was quoted \$3,000 a month for this service.

I fully support the need for states to be financially viable and to collect taxes to fund their services. However, my experience in Texas, as well as those of fellow small-business owners, indicate that states, given the authority to tax out-of-state businesses, will use a variety of mechanisms to collect money from people they are not accountable to. There is little

likelihood that the states will agree to a compact to simplify sales taxes. So after the law is overturned, small businesses should expect multiple letters, emails, phone calls and threats from not one taxman, but the 12,000 jurisdictions that have the authority to tax. My recommendation to budding entrepreneurs: Don't hire anybody from out of state and don't do business out of state.

Hardly a prescription for economic growth.

STAN MENDENHALL
Ann Arbor, Mich.

Taxing all retail sales at the point of shipment rather than delivery would be a simple way to level the playing field between online and brick-and-mortar retailers, thus eliminating the need for compliance with multiple taxing jurisdictions. Consumer response would provide a reliable indicator of the impact local sales-tax policies have on commerce as online vendors choose where to set up shop and consumers choose where to purchase.

FRED KUHAR
Wickliffe, Ohio

Purchasers know that they can avoid sales or use taxes altogether, knowing that the states don't have the resources to force them to pay their required end-user tax. Our business has lost countless sales because end users know they will never be caught. Meanwhile, our business must remit out-of-state sales taxes to 24 different taxing districts, as well as the sales taxes to our domicile state.

PERRY JOHNSON JR.
Kansas City, Mo.

We are a small lighting showroom and electrical distributor in Ohio and Michigan, and we fight the internet every day. It's especially damaging for large purchases as we frequently hear that potential customers will be buying online to save sales tax. Why should we be penalized for having to collect sales tax? Sales tax isn't money grabbing. It's what supports local communities. Who is going to pay for the local fire and police or the state troopers when there are no longer local brick-and-mortar stores? And what about schools when these businesses close and the community starts losing property taxes? Retailers like us are the ones who keep our communities alive. It's time to stop penalizing us for investing money in our physical locations and our local communities for the sake of an outdated principle.

Who are the real victims here?
LAURIE GROSS
Toledo, Ohio

New York Acted Fairly in the Fidelis Care Sale

Regarding Bill Hammond's "Cuomo Loots a Catholic Charity" (op-ed, April 10): Last month Gov. Andrew Cuomo reached a deal with Fidelis Care, a not-for-profit health plan controlled by the Roman Catholic Church, and its would-be buyer, Centene Corp., to invest \$2 billion from the sale into the state's health-care system.

The asset being sold, valued at \$3.75 billion, was built up over 20 years in which New York state taxpayer funds accounted for over 90% of Fidelis premium revenues—all while the insurer was exempt from taxation.

Without appropriate compensation for New Yorkers, the sale would effectively amount to a gift to insurers on behalf of New York's taxpayers.

We've been here before. In 2002 the legislature created a framework so that Empire Blue Cross Blue Shield, a

Mantle's 'Bad Boy' Image Was Part of His Allure

In his review of "A Season in the Sun" by Randy Roberts and Johnny Smith (Books, April 14), Edward Kosner reports that, according to the authors, Mickey Mantle was "a moody, angry, hard-drinking, philandering, flawed man." But "the fans loved him anyway—and still do."

I wonder if, perhaps, Mantle's legacy endures as much because of, not in spite of, his personal shortcomings. Mickey's off-field carousing and on-field performance were part of the same legend. In a typical example, in early August 1963 Mantle had just come off the disabled list and didn't expect to play. But with the Yankees trailing the Orioles late in the game, he was called on to pinch hit. Despite a wracking hangover, Mickey hit what turned out to be the game-winning home run.

JOHN E. STAFFORD
Rye, N.Y.

former not-for-profit health-care provider, could be sold to a for-profit company. Recognizing tax exemptions and other public benefits given by the state, it was determined that taxpayers should receive 95% of the value of the asset with funds dedicated to health care.

The state's partnership with Fidelis has been successful and a portion of the sale's proceeds will encourage continuation of its charitable mission. But the assets being sold are mainly state-funded Medicaid policies and substantial reserves funded through Medicaid—assets that belong to the taxpayers.

To protect New York's taxpayers, Gov. Cuomo brought the parties together to strike an amenable solution that invests \$2 billion in the preservation of high-quality health care.

The agreement will benefit the myriad New Yorkers seeking access to quality affordable health care including the more than six million children and adults served by public health insurance; it enables funding to support the Catholic Health Foundation, and does it all while protecting state taxpayers.

ROBERT MUJICA
New York state budget director
Albany, N.Y.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Our specials tonight are sesame crusted cod, chicken in balsamic reduction, and something green and squishy."

OPINION

Sales Tax Revenue Isn't Collapsing

By Chris Cox

Our states are losing massive sales-tax revenues that we need for education, health care, and infrastructure," South Dakota's Attorney General Marty Jackley told the U.S. Supreme Court Tuesday. His state's Supreme Court opined that sales tax revenues have "declined." The state Legislature, citing its own "finding" to this effect, enacted a law requiring out-of-state retailers to collect sales tax on purchases shipped to South Dakota.

But in addition to running counter to decades of precedent governing interstate commerce—which Mr. Jackley was in court asking the justices to overturn—the law is based on a false premise.

The state's own data show that sales and use tax revenue grew from \$787.7 million in 2013 to \$974.7 in 2017—considerably faster than the state's rate of economic growth. The

South Dakota claims 'massive' losses from online sales. The data tell a different story.

governor's budget for 2018 projects the state's sales and use tax revenue will be more than \$1 billion, 4% higher than last year, with no change in rate. That's 29% higher than five years earlier. Sales-tax revenues have been booming in other states, too.

How did a case get all the way to the U.S. Supreme Court with such basic facts still in dispute? South Dakota did not have to prove its claim because its legislature created a "fast track" litigation procedure to move the case up to the state's high court without the usual elaborate fact-finding, discovery, witnesses and trial.

If the new law stands, South Dakota's tax and regulatory power would extend to almost anyone in America with a retail website. Even a site selling music for 99 cents would become subject to South Dakota's courts, administrative tribunals, and taxing authorities if as few as 200 people in the state downloaded a single song.

If the Supreme Court does reverse itself and uphold the South Dakota law—a distinct possibility, since Justice Anthony Kennedy three years ago expressed doubts about the precedent—look for the other 45 states with a sales tax to enact similar statutes. Since more than 12,000 local tax jurisdictions have their own filing requirements, and often unique rules and forms, small businesses would face a crushing compliance burden.

It would be ironic if South Dakota were to succeed in this litigation by arguing it's losing money from interstate commerce. The truth is, South Dakota has never enforced its requirement that in-state individuals pay sales or use taxes on purchases they make out of state. So revenue from this source was always near zero.

But changing trends in retail toward local presence for faster delivery have resulted in the vast majority of large out-of-state online businesses now collecting those previously uncollectible taxes. Virtually every large retailer, including Amazon, already collects sales taxes in every U.S. jurisdiction that has a sales tax. This has contributed to South Dakota's observable tax collection windfall.

Before upending decades of commercial reliance on its rulings, a Supreme Court led by judicial conservatives should think twice. At the very least, the court should have the facts.

Mr. Cox is a former chairman of the House Republican Policy Committee and co-author of the Internet Tax Freedom Act.

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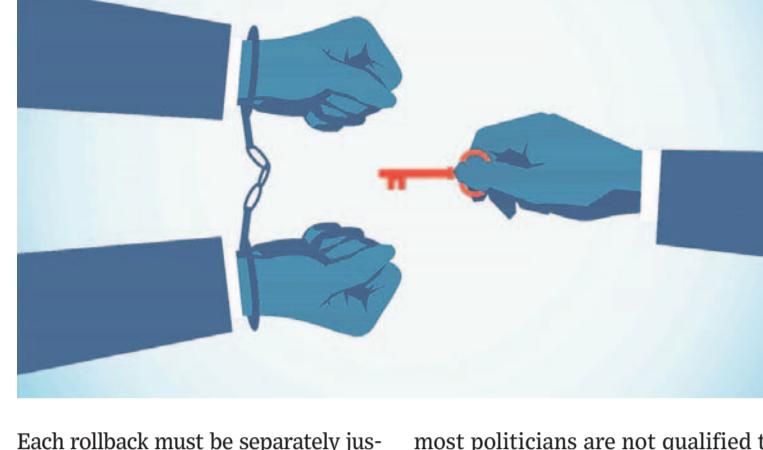
The 'Swamp' Needs a Justinian

By F.H. Buckley

When Donald Trump promised during the campaign to drain the "swamp," he was talking about the regulatory state—the morass of regulations and rulings by the administrative agencies that almost constitute a fourth branch of government. Measuring the economic cost of the swamp is hard, but the labor-force participation rate provides a clue. Only 62.9% of the prime-age U.S. labor force is at work, the second-lowest level among countries in the Organization for Economic Cooperation and Development. Canada is at 65.5%.

Previous efforts to reduce the overregulation of the American economy have failed. The federal Office of Information and Regulatory Affairs requires that economically significant rules—those with a price tag north of \$100 million a year—undergo a cost-benefit analysis. But these analyses have become highly politicized, and in Democratic administrations the benefit always seems to exceed the cost. The process now resembles a one-way ratchet in which regulations expand in Democratic administrations and prove impossible to reverse in Republican ones.

At the heart of the problem is the Administrative Procedure Act, which requires notice-and-comment review before any new regulation is adopted. The 1946 law was supposed to prevent a regulatory nightmare, but it's actually made deregulation harder by slowing the process down. Mr. Trump issued an executive order directing federal agencies to find two rules to eliminate for every new rule proposed, but that can be done only by going through the notice-and-comment provisions of the APA.



ISTOCK/GETTY IMAGES

Each rollback must be separately justified, which takes time.

Earlier this month Peter Wallison suggested in these pages that the courts might step in and cut back the regulatory burden. But the iron law of the regulatory state is that rules must be written by technical experts and cannot be substantively reviewed by nonexpert judges. What

Judges lack the expertise to review regulations. The sixth-century Roman emperor had a better idea.

courts offer is a technical, procedural review, not the kind of scrutiny that might say whether the rule is well-designed and efficient. There's an administrative state in every developed country, and in each of them courts necessarily defer to the regulators.

It's like having a servant who steals from you. You don't like it, but then you don't want to do the household chores yourself.

Other conservatives want Congress to exert greater oversight, but

most politicians are not qualified to micromanage the regulators. The proposed Regulations from the Executive in Need of Scrutiny Act, or Reins Act, would require congressional approval of any rule imposing compliance costs of more than \$100 million a year. But since the technical expertise of congressional staffers is minimal, expect virtually all big-ticket regulations to gain approval. And the Reins Act wouldn't roll back existing regulations.

Mr. Trump has said that he thinks 70% of the "swamp" can be eliminated. It isn't an impossibility. In 527, the Eastern Roman Emperor Justinian looked at the bloated state of the law and decided something had to be done. He appointed what today we'd call a law-reform commission to restate all the laws. Justinian's commission discarded rules that were inefficient, obsolete, repetitive and confusingly overlapping, producing a much shorter new digest. Laws not selected for the digest were declared invalid and were not thereafter to be cited in the courts.

The Byzantine Empire fell in 1453. Justinian's Hagia Sophia was turned into a mosque and, eventually, a museum. But the legal code he instituted

tuted, the Corpus Iuris Civilis, became the foundational document of the civil law of France and many other countries. "The vain titles of the victories of Justinian are crumbled into dust; but the name of the legislator is inscribed on a fair and everlasting monument," wrote Edward Gibbon.

Today we need another Justinian to sweep away a welter of rules so extensive and mind-numbingly detailed that no one can keep up with them. A modern regulatory-reform commission should be put to work. It should be composed of experts who are aware of the good and bad that regulations can do, and who are especially alert to the combined cost of rules that might seem sensible by themselves. The digest they propose should, on adoption by Congress, replace all existing rules and be exempted from APA review.

Could such a commission cut regulations by 70%, as Mr. Trump proposed? Yes, and more so, if it corrects three of the swamp's most persistent biases. First, the commission should abandon the regulator's conceit that every little error deserves to be corrected by a rule. Second, it must recognize that we can't anticipate and eliminate all future risks. Third, it should substitute general common-sense standards for detailed rules wherever possible.

A regulatory reform commission that does these three things should have no trouble taking an ax to the code of federal regulations and to all of its handbooks and manuals.

Mr. Buckley is a foundation professor at Scalia Law School at George Mason University and author of "The Republican Workers Party: How the Trump Victory Drove Everyone Crazy, and Why It Was Just What We Needed," forthcoming from Encounter.

Hindu Extremists Shrugged Off a Depraved Crime



EAST IS EAST
By Sadanand Dhumé

What is the appropriate public response to the brutal rape and murder of an 8-year-old girl? That the question even needs asking suggests the moral abyss into which Indian politics has fallen. Those most responsible: Hindu extremists who value ideology over basic human decency.

According to a police report, in January two men allegedly kidnapped Asifa Bano, a Muslim shepherd girl who was grazing horses in the northern state of Jammu and Kashmir. For the next seven days, six men, including a temple custodian and two policemen, hid the child in a temple, where she was drugged and brutalized. The men murdered the girl and tossed her battered body in a nearby forest.

All the accused are Hindus. Police say the motive was to terrorize the girl's community of nomadic Muslim shepherds into fleeing and tilt the demographic balance of the area.

At first, the crime failed to catch the attention of the national media. This changed after marchers under the banner of an organization called Hindu Ekta Manch (Hindu Unity Platform) protested arrests in the case by state police. Two state government ministers from India's ruling Bharatiya Janata Party made public speeches backing the protesters. Local leaders from the opposition Congress Party also supported the protesters.

Over the past week, the Asifa story has dominated the headlines in India. Bollywood stars took to Twitter with the hashtags #JusticeForOurChild and #JusticeForAsifa. In a video, the captain of India's national cricket team, Virat Kohli, spoke directly to his vast following: "If something like that happened, God forbid, to someone in your family, would you stand and watch or would you help?" A crowdfunding effort for Asifa's impoverished family exceeded its target in two days.

Public outrage forced national politicians to react. Last week, Congress

Party president Rahul Gandhi led an impromptu midnight protest in Delhi. Prime Minister Narendra Modi declared that "our daughters will definitely get justice," and the BJP belatedly forced the two ministers who sided with the antipolice protesters to resign.

For many Indians, the Asifa Bano case brings to mind the 2012 gang rape and murder of a 23-year-old physiotherapy student in a moving bus in Delhi. Both incidents attracted saturation domestic media coverage, brought placard-carrying protesters to the streets of Delhi and Mumbai, and set off a bout of national soul searching about sex crimes. They both also drew the attention of the international media.

The similarities end there. Six years ago Indians stood united against a savage crime. Today a small but vocal minority of Hindu extremists are protesting against those who express outrage, accusing them of defaming India and Hinduism. A Hindu nationalist columnist with nearly 225,000 Twitter followers called on Hindus who "have any self respect or dignity left" to boycott movies with actors who participated in the Twitter campaign. The magazine Swarajya published an article accusing them of "Hinduphobia."

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That spring, the Cold War was winding down, Donald Trump was king of the New York tabloids for nothing having to do with politics, and the first lady was the subject of a national controversy. Days after she was announced in March as Wellesley's commencement speaker, 150 students at the prestigious women's college in suburban Massachusetts signed petitions declaring themselves "outraged" at the choice of someone who'd ridden to prominence on her husband's coattails rather than her own merit.

That spurred a coast-to-coast discussion on feminism and the role of women in modern-day America, and everyone weighed in, from President Bush to David Letterman. It went on for months, in contrast with the story-cycle-burst-then-on-to-the-next that we see today.

"The Wellesley thing has become a bore," Mrs. Bush wrote to her brother days before the speech. "I can't go anywhere that I am not asked about it," she added in her diary.

The speech was carried live on the major TV networks—there were three of them then—a first for a first lady. Accompanied by her Soviet counterpart, Raisa Gorbachev—a U.S.-Soviet summit was going on in Washington—she arrived on the dais to rousing applause.

Make an "effort to learn about and respect difference, to be compassionate with one another, to cherish our own identity and to accept unconditionally the same in others."

She said she hoped the students would consider making three very important choices: believe in some-

A pro-government newspaper, the Sunday Guardian, published a lurid conspiracy theory claiming that the police cooked up evidence under political pressure from the state's Muslim chief minister. It added a disclaimer that the article "is a pure concoction based on fiction."

The rape and murder of an 8-year-old Muslim girl is bringing out the worst in some Indians.

The newspaper's editorial director defended the article with a novel argument: "Fake news when passed off as true is certainly worrisome but when explicitly presented as such, the same judgment would be too harsh." But on social media Hindu nationalists tom-tommed the fake news as fact.

The BJP may have cause to worry. A teenager in the Hindi heartland state of Uttar Pradesh, who last year accused a BJP legislator of raping her, is also in the news. The death of the girl's father in police custody bolsters the opposition charge that the party is callous toward women.

The Hindu nationalists often benchmark themselves against Islamists. Ironically, in this case their complaint bears a striking similarity to attacks by ultra-nationalist Pakistanis across the border about 20-year-old Nobel Peace Prize laureate Malala Yousafzai. They accuse her of defaming her country and hurting the image of Islam by speaking in foreign lands about the Taliban militants who shot her in the head nearly six years ago as punishment for championing education for girls.

In the Asifa case, the defamers of Hinduism are those who march in support of alleged murderers under the banner of the faith, and those who try to deflect attention from the crime by pointing to rapes and murders in other parts of India.

The Hindus who stand up for the murdered child—including police investigators, lawyers, journalists and, yes, Bollywood stars—may not wear their Hinduism on their sleeves. But they do the faith proud.

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WORLD NEWS

Trump to Face New Calls to Keep Iran Deal

Macron, Merkel hope to persuade president in White House visits before his May deadline

French President Emmanuel Macron and German Chancellor Angela Merkel will visit the White House next week, hoping to persuade President Donald Trump against pulling the U.S. out of the Iranian nuclear agreement at his self-imposed May 12 deadline.

*By Felicia Schwartz
in Washington
and Laurence Norman
in Brussels*

The French and German leaders support the 2015 nuclear accord and want the U.S. to remain a part of it. Mr. Trump has vowed to withdraw unless European allies agree to address three main administration concerns: expiring limits on Iran's nuclear program, Tehran's ballistic-missile program, and the scope of international nuclear inspections.

Mr. Trump's meetings with Mr. Macron on Tuesday and Ms. Merkel on Friday are among a series of pivotal events in the weeks before May 12.

U.S. and European negotiating teams, which have worked toward a possible agreement on how to address Trump administration concerns, held meetings in Washington this month, after similar sessions since January in London, Paris and Berlin.

Meanwhile, Iranian Foreign Minister Javad Zarif is making a six-day trip to New York and the United Nations in an effort to showcase Iran's compliance with the agreement and to stave off renewed U.S. sanctions.

Iran has threatened a sharp



French President Emmanuel Macron, German Chancellor Angela Merkel and President Donald Trump at last year's G-20 meeting.

response if Mr. Trump exits the deal but hasn't elaborated.

French and German officials said preserving the nuclear accord is a key objective.

"We hope this state visit will advance things in the right direction," an aide to Mr. Macron said, adding that France shares Mr. Trump's concerns about Iran's ballistic-missile program as well as its push to expand influence across the Middle East. "The question is how do we present recommendations that are strong enough" to reassure Mr. Trump.

Ms. Merkel, in a joint press

conference with Mr. Macron in Berlin on Thursday, said Germany, France and Britain, all guarantors of the deal, would present a common stance in discussing the issue with Washington, but agreed there are problems.

"The issue of the deal is from my perspective an important issue, but we cannot reduce everything to the deal," Ms. Merkel said. "The ballistic-missile program of Iran is a matter of concern."

European capitals are strongly supportive of the deal, and note repeated confirmation

tions from Washington and the U.N.'s nuclear agency that Iran has complied with its terms.

They will face an increasingly skeptical U.S. administration. The new White House national security adviser, John Bolton, has advocated leaving the accord. Mike Pompeo, who could face a Senate vote to be secretary of state as early as next week, has also been critical, while insisting he wants to "fix" the agreement. Former Secretary of State Rex Tillerson was a proponent of preserving the deal.

Officials involved in the discussions about addressing the Trump administration's concerns said that they have mostly completed talks at the staff level and that it is up to Mr. Trump to make a political decision about the path ahead.

The State Department's policy-planning director, Brian Hook, who led the U.S.-European talks for the U.S. under Mr. Tillerson, has remained in that role under a renewed administration mandate, a person familiar with the talks said.

"Good progress and almost there," one senior European

Merkel and Macron Begin Europe Talks

BERLIN—German Chancellor Angela Merkel and French President Emmanuel Macron on Thursday kick-started talks about strengthening the eurozone's architecture, as Berlin maintained its skepticism over ambitious French proposals to deepen the integration of the currency union's economies.

The meeting comes days before both travel in succession to meet with President Donald Trump next week. During Thursday's meeting, the two leaders discussed ways to avert a trade war with the U.S., as Paris and Berlin seek to hammer out a joint line on trade before their arrival in Washington, officials said.

Ms. Merkel and Mr. Macron also discussed other critical issues, including the Iran nuclear deal, the Syrian crisis and diplomatic tensions with Russia.

—Bojan Pancevski

diplomat familiar with the discussions said this week. "Now, nobody knows what POTUS will decide in the end."

France and Britain joined Washington in a military strike against Syria's chemical-weapons program last week, an effort European officials hope will illustrate the importance of standing with allies to Mr. Trump as he weighs leaving the accord.

—Michael R. Gordon and Ian Talley in Washington, Stacy Meichtry in Paris and Bojan Pancevski in Berlin contributed to this article.

Tehran's Moves in Syria Raise Risk of Conflict With Israel



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

changed and Israel is the target," said retired Maj. Gen. Yaakov Amidror, who served as Prime Minister Benjamin Netanyahu's national security adviser from 2011 to 2013. "They want to prevent Israel from reacting in any way to the next stage, in which Iran is building its nuclear capability. For us it is essential to stop Iran and for that we are ready to take the risk of a war."

Israel's nightmare scenario is that of South Korea, which watched helplessly as the North developed a nuclear bomb because any military action to stop that program could have resulted in the destruction of Seoul by North Korea's artillery barrages.

The Feb. 10 incursion of an Iranian drone (armed, according to Israel), and at least two Israeli raids on the Iranian drone center at Syria's T-4 air base since then, have marked the first direct skirmishes between these two regional powers. Iran has vowed to avenge the death of its personnel in the Israeli strikes.

Unless Iran backs down on its Syrian buildup—something that Tehran shows no intention of doing so far—this confrontation is only bound to escalate in coming weeks and months, potentially embroiling the U.S. and Russia.

"They've succeeded in the war for Assad to survive. Now their first priority has

Letting Tehran solidify its military presence in Syria would be "agreeing to the Iranians placing a noose around our necks," Israel's Defense Minister Avigdor Lieberman warned last week.

Russia, which—unlike the U.S.—is friendly with both nations, has been trying to defuse this looming clash.

"The situation is getting more dangerous with every day. But Russia is employing all efforts so that things don't take a turn for the worse," said Elena Suponina,

a Middle East expert at the Russian Institute for Strategic Studies in Moscow.

For Iran, seeking to wipe out the Israeli state has become a central tenet of the Islamic Republic's ideology since the 1979 revolution. Still, until recently, Iran stayed out of direct conflict with Israel.

The Feb. 10 Iranian dispatch of a non-stealth knock-off of the American RQ-170 Sentinel drone, which penetrated Israel via Jordan carrying an explosive payload, according to Israeli officials,

represented the first direct hostile action by the Iranian military.

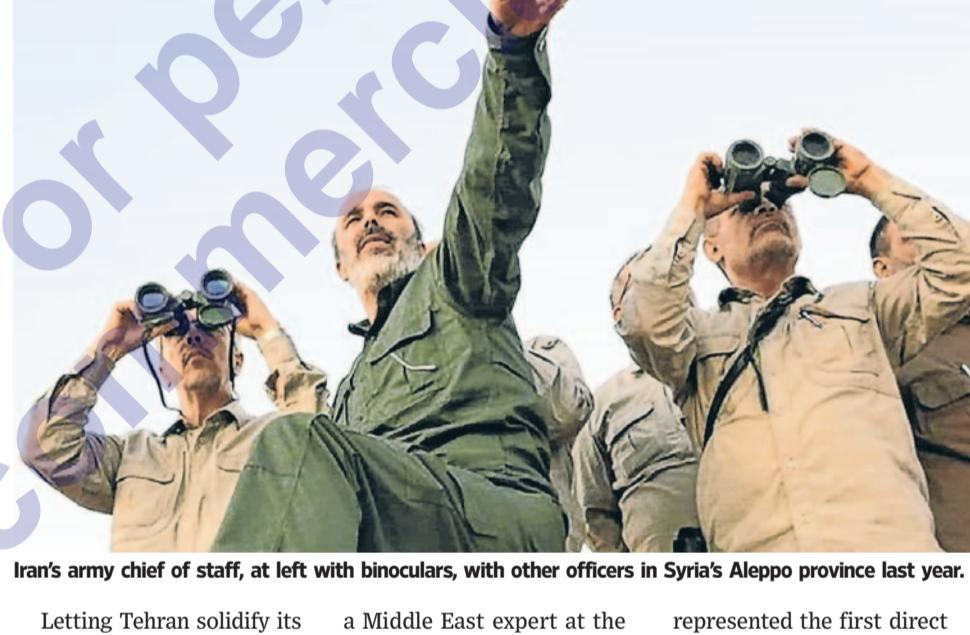
"Both sides are testing each other's limits in a game that is really dangerous. There are unwritten understandings between Syria and Israel, and even between Israel and Hezbollah, but in the current case the rules of the game are not clear," said Ali Vaez, Iran expert at the International Crisis Group think tank. "The situation is ripe for a single miscalculation and could then spiral out of control."

While Israelis are divided over how to handle the Palestinian issue, officials across the country's mainstream political spectrum agree that a war with Iran may soon become inevitable.

"Iran is the cancer in the Middle East. We will not give it a chance to sit next to our border," said Akram Hasson, a member of Israel's parliament from Mr. Netanyahu's government coalition and a representative of the country's Arab Druze minority.

Ksenia Svetlova, a lawmaker from the center-left opposition's Zionist Union party, also warned about a likely escalation. "The strengthening of Iranian positions would force Israel to act—and not like now, but in a different fashion," she said. "Everything would be engulfed in flames. All scenarios are possible."

In this environment, President Donald Trump's stated desire to withdraw U.S. forces from Syria is only fueling Israel's sense that it must act against Iran before it's too late, potentially making a conflict more likely. "The consequences [of Trump's statements] are clear," said Mr. Amidror. "Israel may find itself having to do the critical job of containing Iran in the Levant by itself."



Iran's army chief of staff, at left with binoculars, with other officers in Syria's Aleppo province last year.

SYRIAN CENTRAL MILITARY MEDIA/ASSOCIATED PRESS

U.S. Envoy Sees 'Cleansing' of Rohingya

By Jon Emont

Sam Brownback, the recently appointed U.S. ambassador for international religious freedom, said the violence directed against Myanmar's Muslim Rohingya minority was the worst he had ever seen and he expects a strong U.S. response.

"The intensity of the violence here, the thoroughness, is breathtaking," Mr. Brownback said Thursday in Bangladesh, where some 700,000 Rohingya have fled since the military in Buddhist-majority Myanmar unleashed a bloody campaign against them in August.

Mr. Brownback said he spoke by telephone about the horrific accounts of the Rohingya he met with Vice President Mike Pence, an evangelical Christian popular with the religious base of the Republican Party. "There's a high level of interest in the administra-

tion over this," he said.

When Mr. Brownback, a former governor of Kansas, was confirmed to the ambassadorship in January, Muslim-rights organizations said they worried he wouldn't stand up for their faith. As governor, Mr. Brown-

back, a Roman Catholic and champion of conservative causes, signed legislation in 2012 to ban Sharia and other non-U.S. laws in the state that critics said vilified Muslims.

Muslim organizations, once critical of him, are praising him

for visiting the Rohingya camps. "I think that sends a strong message that this is an important issue to him and the agency that he oversees," says Ibrahim Hooper, spokesman for the Council on American-Islamic Relations.

Mr. Brownback, in an interview, said he has always been committed to religious freedom for any faith. He said he has never been anti-Muslim. "My critics were wrong," he said.

He called the campaign against the Rohingya "religious cleansing" by the Myanmar government, where military holds sway despite a shift to civilian rule in recent years.

Mr. Brownback said by telephone after returning from camps near Cox's Bazar close to the Myanmar border that he met with imams at the camps who said Myanmar soldiers beat them and forced them to watch soldiers rape women.

WORLD WATCH

RUSSIA

Messaging-App Curbs Draw Protests

Hundreds of Russian websites and online businesses felt the collateral damage from the communications regulator's attempt to shut a messaging app popular among Kremlin officials and anti-government protesters alike.

Regulator Roskomnadzor blocked 18 million IP addresses, many hosted by Amazon or Google, as it tries to enforce a ban on the app, Telegram, for refusing to share its encryption keys with the Federal Security Service. A court last week ordered the shutdown led to a rare outcry from business owners.

Kremlin spokesman Dmitry Peskov asked for a few days for the problem to be resolved, but maintained the court decision must be carried out.

—Thomas Grove

CUBA

Castro Swears In New President

Raúl Castro kicked off a generational change in Cuba by handing the nation's presidency to his handpicked successor.

Cuba's new 57-year-old president, Miguel Díaz-Canel, who Mr. Castro said should hold power for a decade, signaled little will change. In his acceptance speech, Mr. Diaz-Canel said he would continue the policies of the Castro brothers, who have helmed the island nation since an army of bearded rebels led by the late Fidel Castro overthrew the dictatorship of Fulgencio Batista.

Although Mr. Castro, 86, is stepping down as president of Cuba's Council of State, he will remain head of the powerful Communist Party until the next scheduled party congress in 2021.

—José de Córdoba



Former Kansas Gov. Sam Brownback on a stopover in Turkey before meeting with Myanmar refugees in Bangladesh this week.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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AT&T Chief Hits Foes of Merger

Executive calls antitrust objections to Time Warner deal 'absurd' in testimony

BY BRENT KENDALL
AND DREW FITZGERALD

WASHINGTON—AT&T Inc. Chief Executive Randall Stephenson told a judge the Justice Department's antitrust claims against his company's planned purchase of Time Warner Inc. were "absurd" and rejected the government's arguments that the enlarged company would use its powers to raise prices.

In testimony Thursday in defense of his company's proposed \$85 billion acquisition, Mr. Stephenson called it a "vision deal" that is crucial for AT&T to com-

pete in a rapidly shifting digital-media landscape.

Taking the witness stand shortly after noon, the AT&T chief in a dark suit and blue tie explained his long history with the company and how he came to believe that AT&T, with its wireless and satellite assets, needed to own a media company like Time Warner, which owns the Turner networks, HBO and Warner Bros. studios.

Mr. Stephenson said AT&T was focused on growing so it could compete for advertising dollars with technology giants like Amazon.com Inc., Facebook Inc. and Google owner Alphabet Inc., rather than the traditional TV providers that vie for its customers today.

The Justice Department sued to block the deal in November, saying it would hurt consumers and competition by



Randall Stephenson said the acquisition of Time Warner is crucial.

ers engaged on their platforms, including through the use of premium video, and AT&T wants to do the same, Mr. Stephenson said. To achieve that, "we need to own content," he said.

The testimony Thursday followed an appearance Wednesday by Time Warner Chief Executive Jeff Bewkes, who from the witness stand said the government was being "ridiculous" with its allegation that the companies would use their added heft to squeeze rival pay-TV providers, resulting in higher prices for consumers. He did say, though, that other industry players saw media consolidation as a way to gain more leverage.

"We did not agree with that," Mr. Bewkes said. "We did not think it was the right thing to do."

The Justice Department has Please see AT&T page B2

Wells Nears \$1 Billion Settlement

BY YUKA HAYASHI
AND EMILY GLAZER

Wells Fargo & Co. is close to settling claims by federal regulators related to its risk management, involving a fine of as much as \$1 billion, people familiar with the matter said.

The settlement with the Consumer Financial Protection Bureau and Office of the Comptroller of the Currency is expected to be announced as soon as Friday. It will detail the bank's alleged failures to catch and prevent problems, including improper charges to consumers in its mortgage and auto-lending businesses, the people said.

The settlement—which would be the first major enforcement action by the OCC under the Trump administration and the first action by the CFPB since officials appointed by President Donald Trump took control of the agency in November—also could include increased regulatory scrutiny of the bank's compensation to employees responsible for its sales practices, according to a person familiar with the matter.

Wells Fargo disclosed last week that the CFPB and OCC had offered to resolve civil investigations for \$1 billion. The final terms of the settlement couldn't be determined.

Meanwhile, the CFPB's acting director, Mick Mulvaney, warned staffers not to leak information about the bureau's enforcement work, a move aimed at tamping down what he has called "ideologues and activists" inside the agency. The warning was in response to a Reuters article regarding the status of investigations into Wells Fargo over alleged violations in auto insurance and mortgage lending.

In a memo sent last week, Mr. Mulvaney said he asked the CFPB's inspector general to investigate leaks, adding he supports "appropriate disciplinary and other actions" against offenders.

Mr. Mulvaney has declined to comment on the agency's continuing investigations but said many of the leaks have been false. "I can tell you there has been a track record of them being wrong. We think intentionally so," he said last week.

The settlement would be another blow to Wells Fargo and follows an enforcement action by the Federal Reserve in February that barred the bank from growing past the \$1.95 trillion in assets it had at the end of 2017. The Fed cited "widespread consumer abuses" in its rebuke.

It also would far exceed a \$185 million fine the two financial regulators and a city official imposed on Wells Fargo in 2016 after finding the San Francisco-based bank had opened as many as 3.5 million accounts without customers' knowledge or consent.

Please see WELLS page B10

Brands Feel Price Power Slip Away



PHIL NOBLE/REUTERS

E-commerce and other factors are limiting the price increases of food at home and personal-care products more than other goods...

U.S. consumer-price index, change from a year earlier*

■ Food at home ■ Personal care ■ All items less food



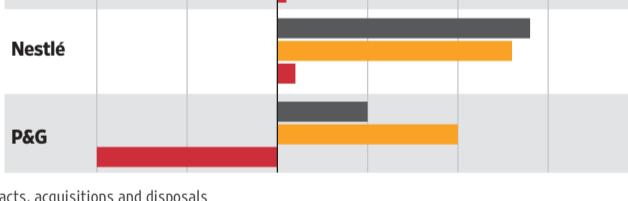
*U.S. city average, all urban consumers, seasonally adjusted †Sales figures exclude currency impacts, acquisitions and disposals

Sources: Labor Department (CPI); the companies

...And forcing big brands to rely on selling more products, rather than price increases, to increase revenue.

First three months of 2018, world-wide, change from a year earlier

■ Sales ■ Volume ■ Prices



THE WALL STREET JOURNAL.

The world's biggest consumer-products makers are struggling to raise prices, as increasingly fierce competition keeps a lid on sales growth.

By Saabira Chaudhuri,
Brian Blackstone
and Sharon Terlep

Procter & Gamble Co., the maker of Tide and Bounty, on Thursday said prices fell by 2% overall for the first three months of 2018. The main declines came from its Gillette shaving brand, which has slashed prices to fend off low-cost rivals Dollar Shave Club, owned by rival Unilever PLC,

and Harry's.

Unilever, which sells Dove soap and Ben & Jerry's ice cream, said it was able to raise prices just 0.1% in the first quarter, while **Nestlé** SA reported price growth of 0.2%. The growth rates were the weakest for those European companies since 2010 and 2000, respectively, according to analysts at Bernstein.

The consumer-products industry has long relied on selling new or improved versions of products at higher prices to boost growth. That practice is now challenged by weak inflation. **Amazon.com** Inc.'s rising prowess in selling more house-

hold staples and a decline in brand loyalty as consumers use the internet to shop around. A shift to discount retailers, from dollar stores to foreign entrants like Aldi, are further pushing down prices.

All three consumer-goods giants had to rely instead on selling more products to lift sales in the latest quarter.

P&G Chief Executive David Taylor said there has been a fundamental shift in dynamics around pricing and how consumers shop. P&G, years into a turnaround that as recently as last year executives said was working, needs to step up those efforts, he said.

"Changes must be made, and the cost structure demands are real," Mr. Taylor said. "What we anticipated is not sufficient. We need to do more." Mr. Taylor said he continues to believe shoppers will still pay more for products that offer significant benefits, such as Tide Pods laundry packets.

P&G executives said the planned \$4.2 billion acquisition of the consumer-health business from Germany's **Merck** KGaA adds products, namely vitamins and supplements, that succeeded in holding the line on price.

P&G reported a 4.3% rise in Please see PRICE page B2

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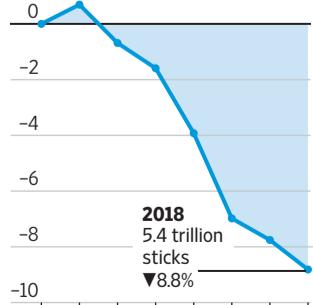
Please see PRICE page B2

Please see WELLS page B10

Philip Morris Results Sink Tobacco Shares

By SAABIRA CHAUDHURI

Cumulative change in retail volume of cigarettes sold, worldwide



Note: 2017 and 2018 are forecasts

Source: Euromonitor International

THE WALL STREET JOURNAL.

Shares of tobacco companies fell sharply Thursday after **Philip Morris International** Inc. said its cigarette shipments fell more than expected in the first quarter while sales for its cigarette alternative faltered in a key market.

The share price for the New York-listed, Switzerland-based tobacco giant dropped 16%, marking its biggest one-day slide since becoming a public company in 2008. Shares of **Altria Group** Inc., **British American Tobacco** PLC and **Imperial Brands** PLC also declined.

The industry has long contended with the steady decline

of smoking, particularly in the developed world. But in recent years, cigarette makers have managed to increase their prices to make up for falling volumes—boosting profits and their shares. That has enabled big investments to develop smoking alternatives, like e-cigarette devices and other gadgets that promise to deliver nicotine without the harmful effects that come with tobacco combustion.

New headwinds have emerged, punctuated by Philip Morris's disappointing quarterly results on Thursday. Overall, the Marlboro maker reported earnings of \$1.56 billion on a 14% rise in revenue to \$6.9 billion, slightly below what analysts polled by Thom-

son Reuters were expecting. The company, which sells cigarettes under brands such as Marlboro around the world, but not in the U.S., said shipments fell 5.3% during the first three months of the year. That was much steeper than expected, despite what analysts had seen as a fairly easy comparison with the year-earlier period.

Drops came in big markets that had been holding up better than most, such as Japan, Russia and Saudi Arabia, stoking fears that declines in smoking were gaining speed.

More worrying for many investors was Philip Morris's disappointing sales growth for its biggest bet on cigarette al-

Please see SMOKE page B2

son Reuters were expecting.

The company, which sells cigarettes under brands such as Marlboro around the world, but not in the U.S., said shipments fell 5.3% during the first three months of the year. That was much steeper than expected, despite what analysts had seen as a fairly easy comparison with the year-earlier period.

Drops came in big markets that had been holding up better than most, such as Japan, Russia and Saudi Arabia, stoking fears that declines in smoking were gaining speed.

More worrying for many investors was Philip Morris's disappointing sales growth for its biggest bet on cigarette al-

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SMOKE

Continued from the prior page
ternatives—a product called IQOS. The electric device heats a plug of ground tobacco—but doesn't burn it—to deliver nicotine and an experience that smokers have said is closer to real smoking than vaping or other alternatives. The company says because users don't inhale many of the toxins associated with combustion, the "heat not burn" device is safer.

While Philip Morris has

launched the product in a number of markets, the company is awaiting approval from the U.S. Food and Drug Administration, which said earlier this year that the science on the device's relative safety wasn't yet conclusive.

One of the most promising markets for the device has been Japan, where IQOS has

eaten quickly into the market share of regular cigarettes. But Philip Morris said Thursday that IQOS added just three percentage points in market

share for the country's overall cigarette market, about half the percentage-point increase in the previous quarter.

"Device sales were slower than our ambitious expectations," Philip Morris finance

chief Martin King said on a call with investors.

Japan has been a bellwether for the industry—both because of the country's still-large smoking population and its fast embrace of smoking alternatives. Smoking rates in the country plummeted after IQOS's introduction.

Philip Morris launched IQOS there in 2016, and its performance has been closely watched by investors and public-health researchers as a test case for how reduced-risk products could catch on with consumers.

Mr. King said the company had run through early adopters quicker than expected, he said, and must win over "the more-conservative consumers, especially the age 50-plus smoker segment, which represents approximately 40% of the total adult smoker population."

The perceived double hit to prospects for traditional cigarettes and their potential replacements unsettled investors.

BAT and Imperial Brands closed down 5.4% and 2.9%, respectively, in London. Altria—which Philip Morris hopes to team up with to sell IQOS in the U.S.—fell 6% in New York. All three companies didn't return calls for comment.

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This raises two tricky points for the Fed and several for investors.

First, the yield curve is flat in part because of the Fed's decision to engage in quantitative easing. The Fed owns \$2.4 trillion of Treasurys, which it argues has boosted the economy by holding down bond yields. It would be odd for the Fed to choose not to raise rates because of something else it did to help the economy.

The other reason for low bond yields is also an issue for the central bank: Investors think the Fed won't raise rates as high as it usually does when the economy's doing well. Why? Because the economy is expected to grow more slowly than in the past.

Fed policy makers agree,

predicting both slower economic growth and a lower long-run interest rate in their "dot plot" of forecasts. Yet, the median policy maker also predicts that interest rates will

rise a bit above the long-term sustainable rate within the



STREET

Continued from the prior page

Tuesday, before rising a little. If the 10-year yield remains stuck below 3%, three more rate increases by the Fed this year could easily push the two-year yield up from 2.433% Thursday to be higher than the 10-year yield.

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BUSINESS & FINANCE

WPP Resists Breakup Demands

By NICK KOSTOV

WPP PLC's interim management is criticizing analyst demands for a breakup of the world's largest advertising group following founder Martin Sorrell's departure.

The 73-year-old's exit as WPP chief executive last weekend, after an investigation into an allegation of personal misconduct, has financial analysts performing sum-of-parts valuations for WPP's ad empire.

"We don't believe this makes sense," Mark Read, WPP's freshly appointed co-chief operating officer, wrote in a memo to staff Thursday.

Earlier this month, WPP said an independent counsel has been appointed to look into "an allegation of personal misconduct" after *The Wall Street Journal* reported on the probe. The Journal reported that the board was also looking into whether Mr. Sorrell misused company assets. WPP said any possible misconduct didn't involve sums that were material to the company. Mr. Sorrell denied any financial impropriety.

WPP said it is treating the departure as a retirement, and the investigation's findings are confidential.

"WPP is a great business with outstanding people, world-class agencies and most of the world's leading companies as its clients and partners," Mr. Read wrote Thursday. "Nothing that's happened in the last week has changed that."

Mr. Sorrell's departure has stoked investor anxieties about how the business will fare without the person who built it. In his 33-year career at WPP, Mr. Sorrell transformed a manufacturer of shopping baskets into a holding company encompassing more than 400 agencies that provide marketing campaigns for clients such as Unilever PLC and Coca-Cola Co.

That business model was designed to insulate the company from ad-spending downturns in different countries.

But digital disruption is

leading advertisers that once splurged on ad-agency-led



campaigns to redirect their spending. WPP last month posted its worst sales performance since the financial crisis and projected no revenue growth for the year. Its stock price has fallen almost 35% over the past year, including a 6.5% drop on Monday.

Analysts at London brokerage Liberum described Mr. Sorrell as "the glue that bound much of WPP together." Kantar, the company's market-research unit, is "the most obvious candidate for disposal," Liberum wrote in a research note, adding that a sale could raise £3.5 billion (\$5 billion) to reduce debt or return cash to shareholders.

Alex DeGroote of Cenkos, a London brokerage, said separating the company's digital, make long-term loans.

Equally, it might be a sign that the Fed has raised short-term rates too far, because the 10-year yield is based on the market's best guess of where rates should be over the next decade. Maybe an inverted curve is the market's way of telling the Fed it has made a mistake.

Yet, it is worth asking whether the inverted curve really is related to recessions. If it is, it should work internationally, but, to put it mildly, it isn't very reliable. The U.K. and Australia have had deeply inverted yield curves with no recession several times, while deflationary Japan had four recessions since the mid-1990s without an inverted curve.

Perhaps the U.S. is different because its huge economy and reserve currency mean the rest of the world follows it.

According to the San Francisco Fed, the 10-year-one-year yield curve has inverted between six months and two years ahead of a recession, so it should provide plenty of warning. Given that it is still a long way from inverting, this suggests there is no imminent danger. It is currently where it stood in 2005, 1986 and 1977, each about half way through the economic cycle, and a New York Fed model based on the steepness of the curve puts the risk of recession in the next year at 11%.

Investors care more about whether an inverted yield curve is a useful recession predictor, and if it is, how much warning it provides.

Economists tend to use the gap between 10-year and either three-month or one-year bill yields, while investors typically look at the 10-year-two-year gap. All show the same pattern, turning negative ahead of every U.S.

recession since 1957, with few false warnings.

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There is no doubt that the yield curve is incredibly important. Luckily for investors, whether it works or not as a recession indicator is something they don't have to worry about for a while yet.

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BUSINESS NEWS

Shire Attracts Flurry Of Suitors

By JONATHAN D. ROCKOFF
AND NOEMIE BISSEURBE

Drugmaker Shire PLC has become the subject of topsy-turvy takeover interest, drawing suitors to one of the few remaining biotechs with rapidly rising sales and a stock price that hasn't soared in recent months.

Japan's Takeda Pharmaceutical Co. kicked off the activity Thursday by disclosing it made a £42.38 billion (\$60 billion) offer for Dublin-based Shire.

Shortly after Takeda revealed its interest, Shire said it had rejected the offer. Then Allergan PLC jumped into the fray, saying it was considering making its own bid for Shire—only to pull back hours later, after its stock plunged, to assert it wouldn't make an offer after all.

The commotion was a reminder of the vital role that deal-making plays for drug companies seeking a quicker boost to sales than risky research and development can provide.

Shire is a leading seller of drugs for rare diseases, a \$137 billion world-wide market that EvaluatePharma estimates is increasing 11% a year, twice the pace of the overall pharmaceuticals market.

Takeda's bid could trigger rivals to join the fray, though Wall Street's lukewarm reaction to the interest of Takeda and Allergan could give other potential suitors pause.

Allergan's shares fell more than 7% after the company announced its interest in Shire and recovered after its about-face, and ended the day down more than 4%. Takeda's stock swung throughout the day and ended barely changed, down 0.06%. Shire ended up almost 6% in heavy trading.



Actor Tom Holland at a promotional event in China on Thursday for 'Avengers: Infinity War.'

Premier in Premieres

Disney boasts eight of the 10 biggest box-office openings ever. It is poised to have nine if 'Avengers: Infinity War' joins the list next week.

Top 10 opening weekends in U.S. and Canada

■ Disney ■ Universal ■ Warner Bros.

Star Wars: The Force Awakens (2015)	\$248.0 million
Star Wars: The Last Jedi (2017)	220.0
Jurassic World (2015)	208.8
Marvel's The Avengers (2012)	207.4
Black Panther (2018)	202.0
Avengers: Age of Ultron (2015)	191.3
Captain America: Civil War (2016)	179.1
Beauty and the Beast (2017)	174.8
Iron Man 3 (2013)	174.1
Harry Potter and the Deathly Hallows Part 2 (2011)	169.2

Source: Box Office Mojo

THE WALL STREET JOURNAL.

LATEST 'AVENGERS' LOOKS TO SCORE

Advance ticket sales point to another huge success for Disney's Marvel Studios

By BEN FRITZ

Forget about Darth Vader. Luke Skywalker's newest threat is the Avengers.

One week before the movie hits theaters, "Avengers: Infinity War" is poised for a box-office debut that could unseat 2015's "Star Wars: The Force Awakens" as the biggest opening of all time in the U.S. and Canada, currently \$248 million.

The third "Avengers" movie has already sold more than \$50 million worth of advance tickets, ahead of February hit "Black Panther" and behind only "The Force Awakens" and December's "Star Wars: The Last Jedi" in all-time presales, said people familiar with the matter. However, surveys of moviegoers show their interest in seeing "Infinity War" is actually higher than for the "Star Wars" films and other comparable blockbusters, according to data reviewed by The Wall Street Journal.

Among people surveyed in research widely used in Hollywood, 45% named "Infinity War" as their first choice to see among all upcoming films. At

the same point in time before its opening, "The Force Awakens" was at 33%. Some opening-night screenings for "Avengers: Infinity War" next Thursday are already sold out and theaters are adding showings overnight at times like 2:30 a.m.

Whether "Infinity War" unseats "The Force Awakens" or falls a bit short, it is good news for Walt Disney Co., which made both through its Marvel Studios and Lucasfilm divisions, respectively. "Black Panther" is also a Marvel production.

Many movies based on well-established franchises show high interest and ticket sales at first, then plateau as their re-

lease approaches, and they can struggle to expand beyond core fan bases. But "Infinity War" has grown steadily.

"In this business you're always asking when you're going to hit a wall, but so far on this movie, every single figure has shown the momentum being historic," said Greg Foster, head of entertainment at IMAX Corp.

"Infinity War" was the first movie shot entirely with IMAX cameras, to take advantage of the company's giant screens, and IMAX will play it on all its screens world-wide until the May 18 debut of 21st Century Fox Inc.'s "Deadpool 2," based on a character licensed from Marvel.

"Infinity War" is unlikely to post one of the highest global openings of all time, because it won't debut in China—the world's second-largest movie market and a country where the government chooses release dates—until May 11. In Russia, the world's ninth-largest movie market, it opens May 3. It opens everywhere else the same week as the U.S.

A huge opening for "Infinity War" would extend the winning streak of Marvel, which has had 17 hits among the 18 films it has released in the past decade. "Black Panther" has grossed \$675 million domestically, accounting for nearly one-quarter of all movie tickets sold in the first three months of this year.

Qualcomm Starts Layoffs in Push for Profit

By TED GREENWALD

Qualcomm Inc. said it is initiating job cuts in pursuit of its promise to boost profit by shedding \$1 billion in expenses.

The company will cut 4.4% of its workforce starting in June, according to documents filed with the state of California. The layoffs include 1,231

employees in San Diego, where the chip maker is based, and 269 in San Jose and Santa Clara, according to the documents.

Qualcomm employed 33,800, including part-time workers, as of September 2017, according to a regulatory filing.

The company said Wednesday that it had first considered

other ways to cut costs and is offering severance packages to the affected employees.

The \$1 billion cost-reduction program is part of a profit-boosting plan unveiled in January, intended to persuade investors the company would be more valuable on its own than combined with Broadcom Corp., which at the time was

pursuing a hostile takeover bid.

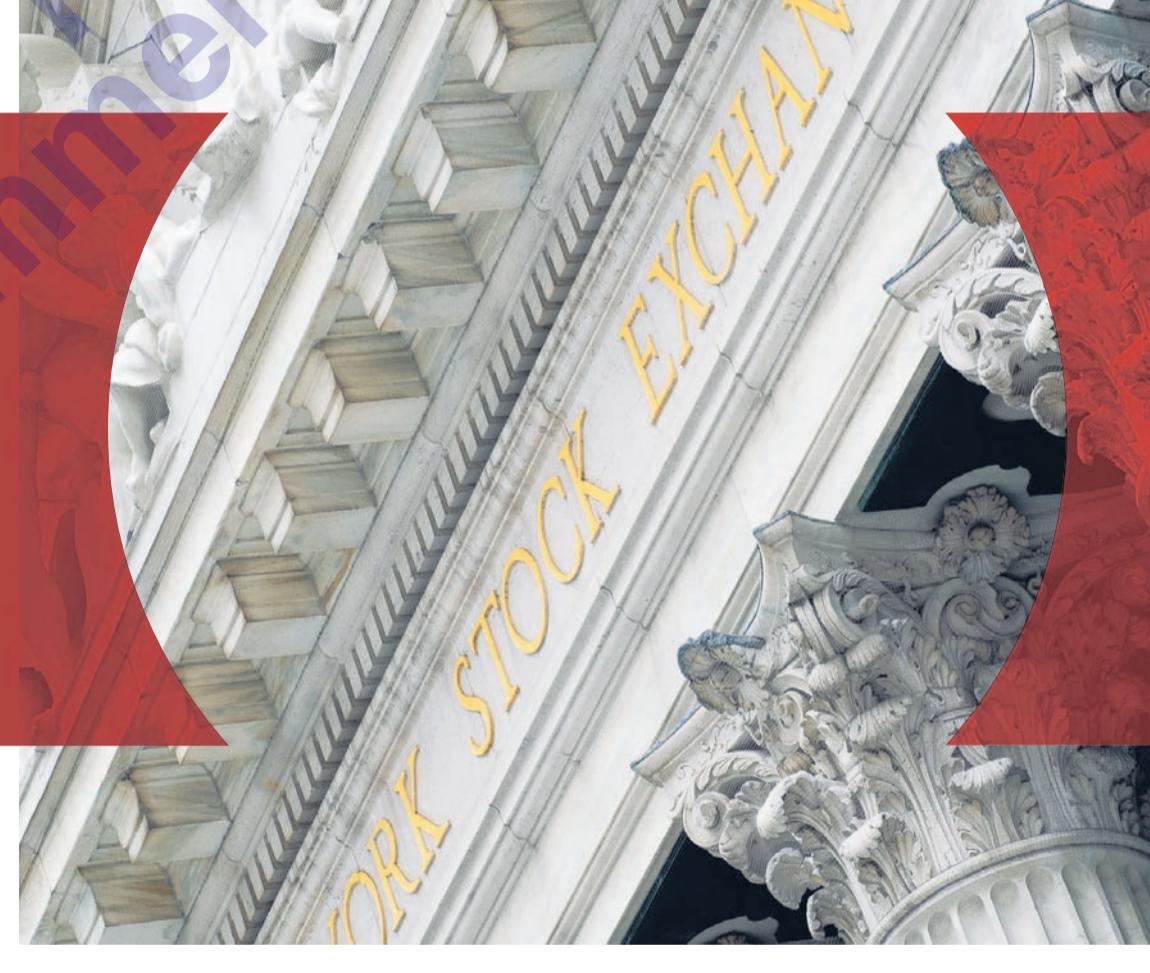
President Donald Trump scuttled Broadcom's overture with a March executive order blocking a deal on national-security grounds.

Qualcomm finance chief George Davis told investors in January that the savings would come from eliminating non-

strategic programs, cutting sales and general expenses, restructuring the patent-licensing business and getting past early investments in the next-generation cellular technology known as 5G.

Qualcomm's goal is adjusted earnings of \$6.75 to \$7.50 a share in fiscal 2019, up from \$4.28 in fiscal 2017.

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MUFG

TECHNOLOGY

WSJ.com/Tech

Retailers Hire Firms to Flag Online Fraud

Data-mining companies track shoppers' moves, and then approve or cancel purchases

BY KHADEEJA SAFDAR

When people shop online at retailers like Macy's Inc. and Finish Line Inc., their visits are tracked and shared with an outside firm that scores their behavior and decides whether to approve or deny purchases.

Shoppers who exhibit behavior that such scoring firms often associate with fraud, such as buying without checking the return policy or paying for the fastest shipping option, have a higher chance of getting declined. Sometimes they never find out why their transactions are canceled or who made the call.

Behind these decisions is a group of firms hired by retailers to weed out fraudulent on-

line customers. They determine which indicators correlate with fraud and then evaluate shoppers based on hundreds of data points. A Tel Aviv-based company called Riskified works with Macy's and Finish Line. Its rivals include fellow startups like Sigifyd and Forter, as well as players like CyberSource, which was acquired by Visa Inc. in 2010, and Accertify, which American Express Inc. bought the same year.

Online shopping has created new challenges for retailers trying to combat fraud, such as people using a stolen card or falsely reporting a transaction as fraudulent. Credit-card companies typically cover the cost of unauthorized purchases in stores. But with online transactions, retailers are usually on the hook when a customer reports a fraudulent charge.

As card issuers can't verify online purchases through chip-card technology and other

measures, they take the money back from the retailer to reimburse the shopper, which means the store loses both the product and the cost of shipping.

Retailers are increasingly turning to third-party firms for help, but many don't publicize which firms they use, why customer purchases are declined or the criteria for the decision.

Michael Green, 50 years old, found out about one of the firms by accident. He ordered headphones online for his son's 18th birthday. Days later, when he hadn't heard anything about the order, he contacted the headphone brand, Audeze, which told him the purchase had been canceled because a third-party firm had determined he was a fraud risk.

Mr. Green noticed that the status of his order said "Riskified Rejected." When he emailed Riskified to ask why he had come up as a fraud

Some Indicators That Can Get Your Purchase Blocked

- ◆ Not bothering to compare prices
- ◆ Choosing the fastest shipping option
- ◆ Not checking return policy
- ◆ Sorting by price and picking the most expensive items
- ◆ Using proxy server—to hide your location—to access the site
- ◆ Using an email address that doesn't match the name on your Facebook profile

risk, a customer-service agent told him the company had no further information.

Audeze CEO Sankar Thiyasamudram said it uses Riski-

fied because, as a very small company, it can't afford to police fraud on its own. "Unfortunately, we do not have any visibility into Riskified's decision-making process," he said.

After The Wall Street Journal contacted Riskified, CEO Eido Gal said Mr. Green's order was incorrectly declined. "Riskified tends to be far more accurate and efficient than traditional fraud-prevention methods, but no solution is perfect, and we're still improving," he said.

Riskified evaluates shoppers based on online browsing behavior, along with other details like transaction data and geolocation information, and then issues approvals or denials at the time of purchase. A retailer can override a denial, but the retailer assumes responsibility if the purchase turns out to be fraudulent.

The threshold for issuing a decline varies by retailer and tends to be set lower when the products are more attractive

to fraudsters. For example, Audeze's headphones are more prone to fraud because they are compact and cost up to \$3,995, making them easy to transport and lucrative for resellers.

Riskified said it works with more than 1,000 merchants. Some retailers use its services only to assess international online orders. The company said it provides its clients with tools to understand the reason for declines, but leaves it up to the retailer to decide what it wants to tell shoppers.

A spokeswoman for Finish Line, a Riskified client, said that when the shoe retailer is contacted by customers whose purchases have been declined, it directs them to contact their banks because their information has often been compromised by some other means.

A spokeswoman for Macy's said the company uses such services "for the limited purpose of fraud detection."

Xerox Backs CEO on Fujifilm Deal Talks

BY DAVID BENOIT

Xerox Corp. defended its chief executive against accusations from one of its biggest investors Thursday, saying Jeff Jacobson had proper board authority to negotiate a deal with Fujifilm Holdings Inc., as the sides continued to brawl over the transaction.

Billionaire Xerox shareholder Darwin Deason has alleged in a lawsuit that Mr. Jacobson was seeking to save his own job in rushing to complete a deal with Fujifilm in January. The civil suit, filed in New York City in March and amended on Sunday, cites documents and board communications that it says show Mr. Jacobson was nearly fired when he signed the deal that would keep him in charge. Documents cited in the suit show Mr. Jacobson had been told in

November to stop negotiating because the board was considering replacing him, The Wall Street Journal reported on Sunday.

Xerox doesn't dispute that its chairman, Robert Keegan, instructed Mr. Jacobson to halt negotiations with Fujifilm.

But the company says that Mr. Keegan and lead independent director Ann Reese subsequently blessed his efforts to keep working on the deal after the November conversation. The company also says that when the company's performance improved in December, the board unanimously approved the deal and the decision to stick with Mr. Jacobson.

In January this year, Xerox announced a complicated merger that would cede control to Fujifilm. The deal

would trade Xerox's 25% ownership of their 60-year joint venture to Fujifilm in exchange for 49.9% of a new company that combines all of Xerox with the joint venture, and Xerox shareholders would

The board argues it got the best price available from the most sensible partner.

be paid \$2.5 billion in a special dividend.

Mr. Deason and Carl Icahn, Xerox's biggest investor, are seeking to block the deal and overthrow the board. They are working with an executive, John Visentin, whom Xerox nearly hired to succeed Mr. Ja-

cobson, the Journal reported on Sunday.

"The transaction was thoroughly negotiated, fully vetted, and unanimously approved by the Xerox board of Directors...as the best available alternative to create value for Xerox shareholders," Xerox said in a court filing. "This fabricated narrative is preposterous."

Mr. Deason swung back with a continuing complaint that the company is redacting information "as big as Texas."

With both sides continuing to trade jabs, shareholders will have to determine before votes on the board and the deal whether they side with the Xerox board, which argues it got the best price available from the most sensible partner, or with two large investors, who allege a capitulation to Fujifilm.

WHO ARE THIS YEAR'S 100
MOST INFLUENTIAL PEOPLE?

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BUSINESS NEWS

Alibaba Signs Deal To Invest In Thailand

BY JAMES HOOKWAY

BANGKOK—Thailand's ruling military junta has turned to China's **Alibaba Group** to develop new markets for the country's smaller businesses and help revive a struggling economy.

The e-commerce giant's executive chairman, Jack Ma, signed agreements in Bangkok on Thursday that make it one of the first big names to join a program to redevelop much of the country's industrial eastern seaboard.

Since seizing power in a coup nearly four years ago, the Thai government has struggled to narrow gaping economic and political divides.

With coup-installed Prime Minister Prayuth Chan-ocha saying he is willing to stay on after elections promised for next year, addressing the wealth gap is becoming urgent.

Hence the bet on the Eastern Economic Corridor. Dangling tax breaks and other incentives for foreign businesses, officials predict it will ultimately draw some \$45 billion in investment for projects including new roads and rail lines and the renovation of a Vietnam War-era air base.

Among the Alibaba agreements signed Thursday is one to build a regional logistics center for its Southeast Asia-based e-commerce business Lazada.

Others include a trade and digital-economy development partnership and investments in joint ventures meant to develop digital skills and promote tourism and agricultural exports.

While Mr. Ma said he couldn't put a specific value on the deals, Thai officials said they add up to \$350 million.

Videogames Join School Lineup

National federation urges adding esports along with offerings in traditional athletics

BY SARAH E. NEEDLEMAN

Make room in high-school trophy cases for videogame squads.

A top adviser for U.S. high-school athletics and activities has recommended schools adopt esports programs to go along with football, baseball, debate and other traditional after-school pursuits.

It is the National Federation of State High School Associations' first recommendation for a new sport or activity since 2000, when it suggested schools adopt boys lacrosse.

The federation writes rules of play for 17 high-school sports and provides support for 13 additional sports, as well as four performing-arts activities: speech, debate, music and theater.

Bob Farrace, spokesman for the National Association of Secondary School Principals, likened the advisory body to the National Collegiate Athletic Association of high-school activities. "If esports is on their radar, then it is something we need to give careful consideration to," he said.

The guidance Thursday comes as interest in video-game contests is exploding, driven by established esports hits such as the fantasy game "League of Legends." Activision Blizzard Inc. and Take-Two Interactive Software Inc. recently started professional leagues.

Some U.S. high schools offer esports programs, but it isn't clear how many. More than 475 colleges and universities support esports at a club level, and approximately 50 schools offer scholarships in esports, according to the NCAA.

By 2020, global revenue



Zach Woods, a 17-year-old high-school senior in Wisconsin, received an esports scholarship from Robert Morris University Illinois.

from ticket and merchandise sales, ads and other esports avenues is expected to nearly double to \$1.65 billion, according to the industry tracker Newzoo BV.

Critics of violent videogames, including parents and politicians, have voiced concerns for years whether they are appropriate for young people. President Donald Trump questioned what impact violent videogames have on players after the deadly school shooting Feb. 14 in Parkland, Fla.

Other critics questioned giving children even more opportunities to play videogames. "If anything, we should be doing things to get them more active," said Jeffrey M. McCall, a professor of media studies at DePauw University in Greencastle, Ind.

Like any activity, schools will have to figure out how to

pay for hardware, software, faculty support and other equipment. Wadley High School in Wadley, Ala., has a lab with 30 desktop and 30 laptop computers. Principal Lori Carlisle said she plans to introduce esports in the fall and expects participants to raise money to help pay for additional items they might need.

Mark Koski, who heads a unit of the National Federation of State High School Associations that broadcasts school sporting events online, said esports programs cost less than traditional sports. He said esports can teach students skills such as strategic thinking and team play.

The federation plans to create a structure for statewide tournaments. It is working with PlayVS Inc., a closely held company, to organize matches, manage scores and

ensure fair play at a cost \$16 a month for each student, though schools are free to find their own match-organizing service.

Regular-season matches are expected to start in the fall. They won't involve teams

The federation plans to create a structure for statewide esports tournaments.

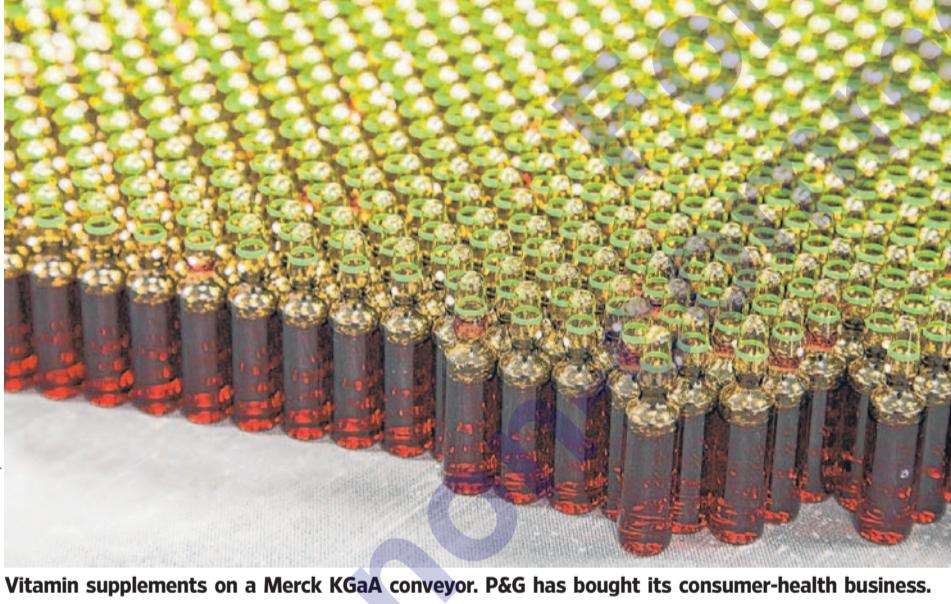
Offensive."

Zach Woods, a 17-year-old senior at Walden School in Racine, Wis., recently was awarded a \$6,000 annual esports scholarship to Robert Morris University Illinois in Chicago.

The high school spent \$15,000 in grant money three years ago to start its esports program, whose roughly 15 members include both boys and girls. Mr. Woods competes at "Overwatch," a first-person shooter.

"If you told me I could've earned a scholarship playing videogames when I was in high school, I would've quit football," said James O'Hagan, director of digital and virtual learning at the Racine Unified School District. The district recently applied for an additional \$172,000 in grant money to add esports to five other high schools, he said.

BUSINESS WATCH



Vitamin supplements on a Merck KGaA conveyor. P&G has bought its consumer-health business.

PROCTER & GAMBLE

Pressures at Gillette Weigh on Sales

Procter & Gamble Co. reported weak sales growth in its latest quarter as it faces challenges in its Gillette shaving business and struggles to raise prices on well-known brands.

The company's third-quarter report came the same day it announced the purchase of **Merck KGaA's** consumer-health business in a \$4.2 billion deal.

Organic sales, a metric that strips out currency moves, acquisitions and divestitures, rose 1% in P&G's latest quarter, below its target of 2% to 3% for the year. P&G said price cuts on Gillette and volatility in some international markets contributed to weakness.

For the quarter, profit was \$2.51 billion, or 95 cents a share, compared with \$2.52 billion, or 93 cents a share, a year before. Total sales rose 4.3% to \$16.28 billion, compared with the \$16.21 billion expected by analysts.

—Sharon Terlep and Austen Hufford

PPG INDUSTRIES

Expense Complaint Spurs Investigation

Paint maker **PPG Industries** Inc. said Thursday it has launched an investigation after receiving a report alleging violations of its accounting policies.

COMCAST

DreamWorks Signs del Toro to Contract

DreamWorks Animation, the family entertainment studio now owned by **Comcast** Corp.'s NBC-Universal, signaled its intention to keep producing original movies for its new owner.

The company said it had signed Oscar-winning director Guillermo del Toro to a multiyear deal to write, produce and direct animated family films.

Though known for adult-oriented movies like this year's best-picture winner "The Shape of Water," Mr. del Toro has already worked with DreamWorks' TV unit and its movies "Kung Fu Panda 3" and "Rise of the Guardians."

—Erich Schwartzel

SCF PARTNERS

Private-Equity Fund Raises \$800 Million

SCF Partners collected \$800 million for a new fund, one of a small but growing number of private-equity firms seeking to capitalize on the recovery in the oil field-services sector.

The Houston firm closed the fund, SCF-IX LP, this month. The fund is a step up from its previous vehicle, SCF-VII LP, which secured \$600 million in 2012, said Anthony Deluca, SCF's chief financial officer and a managing director.

—Luis Garcia

In Memoriam

MARTIN J. WHITMAN

1924-2018



We are saddened by the loss of our founder, friend, and mentor

He was an extraordinary investor, impassioned philanthropist, impactful teacher, and a true capital markets pioneer

The Third Avenue family has been blessed to work with and learn from Marty, and we are honored to carry on his legacy

Our thoughts and prayers are with his family.

THIRD AVENUE MANAGEMENT

BUSINESS NEWS

Tabloid Struggles Despite Publicity

National Enquirer's ties to Trump don't do much for performance of parent company

By LUKAS I. ALPERT

The National Enquirer's parent company, **American Media Inc.**, has said the tabloid's plentiful and positive coverage of President Donald Trump has been good for business.

If so, it hasn't been enough to boost the company's overall performance.

Nonpublic AMI financial reports reviewed by The Wall Street Journal reveal a company with ballooning debt, falling revenue and shrinking newsstand sales at its print magazines, including the flagship Enquirer as well as OK! and Star.

Revenue for the fiscal year that ended in March 2017 was \$203.8 million, down 9% from the prior year and 29% from 2014, when the company completed a substantial restructuring. Its outstanding debt load stood at \$920 million at the end of December. Acquisitions of Us Weekly and Men's Journal in 2017 helped increase revenue in the first three quarters of fiscal 2018 to \$195.5 million, from \$154 million in the year-earlier period, but they also added more than \$100 million in debt.

Aggressive cost-cutting has kept AMI hovering around profitability on an operating basis, but the company has routinely booked quarterly and annual losses in the tens of millions of dollars due to amortization costs related to its debt, the financial reports show.

AMI Chief Executive David Pecker has sought to turn the company around, in part by pursuing acquisitions. Earlier this year, the company bid \$325 million to acquire several former Time Inc. publications

from Meredith Corp., but was rejected, according to people familiar with the matter. The move was partly aimed at bolstering AMI's digital strategy, the people said.

AMI isn't alone in struggling as younger readers shift away from print. The decline in newsstand sales the company has experienced is in line with its competitors.

Mr. Pecker, a longtime friend of the president, threw the full weight of his supermarket tabloid behind Mr. Trump, especially during the 2016 election and its aftermath. Nearly a third of National Enquirer's 122 covers since the beginning of 2016 have featured Mr. Trump or an attack on one of his opponents, with headlines like "Trump Must Build the Wall!"

The company says its market research shows that readers want those stories and says those covers have boosted sales. But Enquirer editions with Mr. Trump on the cover have sold roughly on par with those featuring celebrities during 2016 and 2017, though covers attacking his Democratic rival Hillary Clinton were especially hot sellers, according to circulation data that AMI provides to the Alliance for Audited Media.

The Enquirer's editor in chief, Dylan Howard, said from June 2016 to Election Day, the tabloid's overall circulation was up 3% for issues that featured Mr. Trump, citing the company's internal data.

"Our coverage of President Trump is and always has been a business decision—one in keeping with how the Enquirer has conducted business since the 1970s," he said.

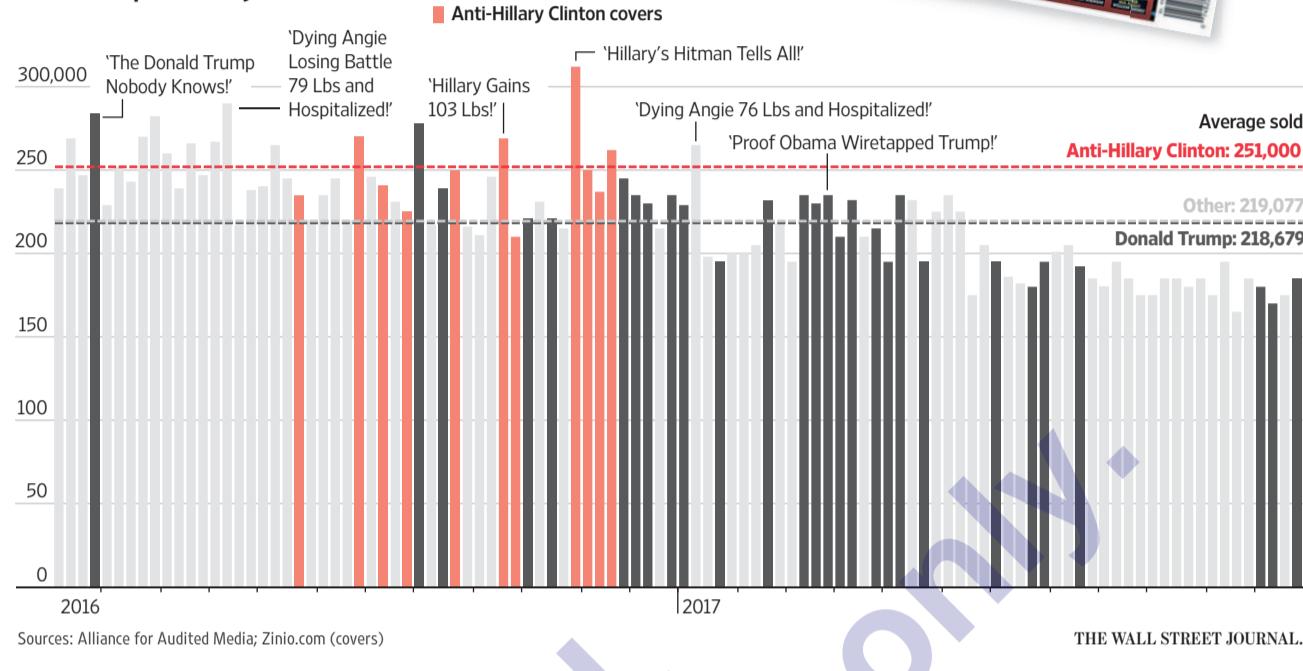
AMI is facing potential complications stemming from payments it made to acquire stories that could be damaging to Mr. Trump and that it never ran. The Journal first reported in 2016, for example, that AMI had paid former Playboy model Karen McDougal \$150,000 for

Political Cover

National Enquirer editions with covers featuring President Trump have performed in line with regular celebrity covers, while anti-Hillary Clinton covers during the election season outperformed.



National Enquirer weekly newsstand sales



Sources: Alliance for Audited Media; Zinio.com (covers)

her story alleging an affair with Mr. Trump in 2006, but never published it.

Intentionally burying such a story is called "catch and kill" in the tabloid world. The Enquirer has said it declined to publish certain stories because it couldn't verify that they were true. The White House has denied the affair.

On Wednesday, AMI reached a settlement with Ms. McDougal releasing her from her non-

disclosure agreement and allowing her to tell her story publicly.

Federal prosecutors are investigating Mr. Trump's lawyer, Michael Cohen, who people familiar with the matter say discussed the payments with the Enquirer. AMI has also become the target of a complaint filed with the Federal Election Commission by a government watchdog, Common Cause, into whether the payments violated

campaign-finance laws.

With respect to the federal probe, the company has said it would continue to comply with requests that don't violate its sources or materials according to the First Amendment. It has called the FEC complaint "meritless" and an "unprecedented attack on a media company by an organization that purports to value free speech."

AMI's business woes stretch back several years. The com-

pany declared bankruptcy in 2010 and underwent a restructuring in 2014 that handed control to its two biggest creditors, **Chatham Asset Management LLC** and hedge-fund manager Leon Cooperman. Chatham owns 80% of the company, with Messrs. Cooperman and Pecker holding 10% each. Chatham executives and Mr. Cooperman referred inquiries to AMI.

—Jeffrey A. Trachtenberg contributed to this article.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24664.89 ▼83.18, or 0.34%
High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2693.13 ▼15.51, or 0.57%
High, low, open and close for each trading day of the past three months.



Jan. Feb. Mar. Apr.

Nasdaq Composite Index

7238.06 ▼57.18, or 0.78%
High, low, open and close for each trading day of the past three months.



Jan. Feb. Mar. Apr.

Major U.S. Stock-Market Indexes

	Latest		52-Week		YTD		3-yr. ann.	
	High	Low	Close	Net chg	% chg	High	Low	% chg
Dow Jones								
Industrial Average	24762.48	24557.03	24664.89	-83.18	-0.34	26616.71	20547.76	19.9 -0.2 11.4
Transportation Avg	10756.80	10606.89	10671.81	-98.34	-0.91	11373.38	8783.74	16.9 0.6 7.3
Utility Average	698.93	692.06	697.10	-0.72	-0.10	774.47	647.90	-0.6 -3.6 6.1
Total Stock Market	28052.07	27832.68	27943.08	-160.02	-0.57	29630.47	24380.42	14.3 1.0 8.6
Barron's 400	729.90	722.96	725.44	-5.36	-0.73	757.37	624.99	15.2 2.0 8.1
Nasdaq Stock Market								
Nasdaq Composite	7277.45	7215.17	7238.06	-57.18	-0.78	7588.32	5910.52	22.3 4.8 13.6
Nasdaq 100	6815.04	6749.07	6774.89	-58.33	-0.85	7131.12	5442.05	24.5 5.9 15.9
S&P								
500 Index	2702.84	2681.90	2693.13	-15.51	-0.57	2872.87	2348.69	14.3 0.7 9.0
MidCap 400	1922.29	1905.27	1913.62	-9.18	-0.48	1995.23	1691.67	11.2 0.7 8.1
SmallCap 600	974.52	964.58	967.81	-7.29	-0.75	979.57	817.25	14.9 3.4 10.6
Other Indexes								
Russell 2000	1582.95	1569.16	1573.82	-9.74	-0.62	1610.71	1355.89	13.7 2.5 7.9
NYSE Composite	12716.95	12622.02	12671.48	-61.37	-0.48	13637.02	11389.13	10.9 -1.1 4.6
Value Line	563.93	557.94	559.89	-4.04	-0.72	589.69	503.24	7.9 -0.4 2.9
NYSE Arca Biotech	4664.30	4580.07	4587.11	-74.36	-1.60	4939.86	3480.26	30.3 8.6 4.2
NYSE Arca Pharma	532.37	525.10	527.10	-5.27	-0.99	593.12	499.09	5.2 -3.3 -3.2
KWB Bank	107.32	105.25	107.16	2.25	2.14	116.52	88.87	18.6 0.4 13.8
PHLX® Gold/Silver	86.10	84.81	85.67	0.47	0.55	93.26	76.42	-1.3 0.5 6.5
PHLX® Oil Service	156.23	152.87	155.19	0.36	0.23	165.78	117.79	-2.5 3.8 -9.9
PHLX® Semiconductor	1319.24	1281.40	1285.88	-57.90	-0.43	1445.90	992.94	28.9 2.6 22.7
Cboe Volatility	16.92	15.16	15.96	0.36	2.31	37.32	9.14	12.8 44.6 4.7

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
General Electric	GE	4,452.9	14.06	0.07	0.50	14.07	13.87	
Altaba	AABA	3,338.8	72.02	...	unch.	72.02	71.89	
DowDuPont	DWDP	2,997.0	66.53	...	unch.	66.63	66.53	
Yamana Gold	AUY	2,745.5	2.97	...	unch.	2.97	2.97	
JPMorgan Chase	JPM	2,563.0	111.62	-0.10	-0.09	112.00	111.03	
iShares MSCI Eng Markets	EEM	2,370.3	47.98	0.12	0.25	47.98	47.84	
Bank of America	BAC	2,351.2	30.23	0.05	0.17	30.25	30.01	
Caesars Entertainment	CZR	2,291.2	11.64	-0.01	-0.10	11.65	11.60	

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Limelight Networks	LLNW	130.6	4.65	0.55	13.41	4.70	4.09
Vonage Holdings	VG	61.2	12.30	1.05	9.33	12.30	11.24
Pinnacle Foods	PF	139.0	59.30	4.10	7.43	62.00	55.20
Turtle Beach	HEAR	148.5	4.50	0.29	6.89	4.74	4.13
Conagra Brands	CAG	114.0	37.80	1.14	3.11	37.80	36.66
JP Morgan Chase	JPM	2,563.0	111.62	-0.10	-0.09	112.00	111.03
iShares MSCI Eng Markets	EEM	2,370.3	47.98	0.12	0.25	47.98	47.84
Bank of America	BAC	2,351.2	30.23	0.05	0.17	30.25	30.01
Caesars Entertainment	CZR	2,291.2	11.64	-0.01	-0.10	11.65	11.60

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Atlassian Cl A	TEAM	184.3	55.75	-6.52	-10.47	62.29	54.97
Avon Products	AVP	240.4	2.76	-0.06	-2.13	2.82	2.76
E*TRADE Fincl	ETFC	433.2	57.79	-1.04	-1.77	59.75	56.99
Intelsat	I	60.7	9.05	-0.14	-1.52	9.19	8.50
Pandora Media	P	2,085.4	5.30	-0.04	-0.75	5.35	5.30

Trading Diary

Volume, Advancers, Decliners

|--|--|

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables The following explanations apply to NYSE, NYSE Arca, Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

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 19, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.27 0.81

ADT ADT 9.38 -0.18

AES AES 11.75 -0.01

Aflac AFL 45.23 0.21

AGNC Inv AGNC 18.71 -0.05

ANGI Homesvc ANGI 14.12 -0.07

Ansys ANSS 165.48 -0.20

ASML ASML 195.10 -11.22

AT&T T 34.82 -0.39

AbbottLabs ABT 59.88 0.36

AbbVie ABV 93.01 -1.31

Albomed ALBM 306.45 -1.19

Accenture ACN 154.59 -0.93

ActivisionBlz ATVI 67.68 -1.01

Adient ADNT 62.90 -0.20

AdobeSystems ADDT 227.62 -3.48

AdvanceAuto AAP 105.18 -2.21

AdvMicrDevices AMD 10.11 -0.25

Aegon AEG 7.33 0.01

AerCap AER 52.78 -0.06

Aetna AET 176.43 -1.10

AffiliatedMtrs AMG 172.58 0.20

AgilentTechs A 67.97 -1.58

AgnicoEagle AGN 44.39 -1.08

AirProducts APPD 168.56 -1.30

AkamaiTechs AKAM 74.26 -0.39

AlaskaAir ALK 65.52 -0.45

Albermarle ALB 98.59 -0.20

Allianz AAL 60.23 0.83

AlexandraRst ARE 122.06 -2.25

AlexionPharm ALXN 11.74 -1.22

Alibaba BABABA 181.39 -1.29

AlignTech ALGN 252.78 -24.27

Alkermes ALKS 46.15 -0.39

Almberly ALM 29.19 -0.52

AlnylamPharm ALNY 96.19 -1.51

Alphabit COOG 1087.09 15.62

Alphabit A GOOG 108.45 14.06

Altair ABLT 70.23 -0.02

AlticeUSA ATUS 19.55 -0.35

AlticeUSA MTU 57.78 -3.72

AlumofChina ACH 16.27 0.77

Amazon.com AMZN 1559.61 29.07

Ambev ABEV 6.89 0.01

Amdocs DOX 67.00 -0.31

Amro UHAI 344.65 -5.29

Ameren AEE 56.89 0.27

AmericaMovil AMX 19.52 -0.35

AmericaMovil AMV 19.64 -0.23

AmerAirlines AAL 46.88 -0.88

AEP AEP 68.52 -0.21

Apple AAPL 55.18 0.01

AppnDevices ADI 89.85 -4.72

Andeaor ADVR 116.48 -0.22

AndeaorLog ANDX 48.34 -0.74

APB BUD 105.06 -1.94

ApplianceCo AWP 117.78 -0.07

AppnDevices ADP 66.08 -0.27

AppnDevices ADP 117.78 -0.07

BANKING & FINANCE

Blackstone Exceeds Earnings Estimates

Results surge on fee-related profit but fail to match year-ago quarter

BY MIRIAM GOTTFRIED

Blackstone Group LP reported first-quarter profit that beat expectations thanks to strong growth in fee-related earnings, though its results faded compared with a blockbuster quarter a year ago.

The private-equity firm's economic profit, which reflects changes in the value of unrealized investments, fell to \$792 million, or 65 cents a share, from \$967.9 million, or 81 cents a share, a year earlier.

This year's figure exceeded the 47-cent consensus estimate of analysts polled by FactSet.

Blackstone's fee-related earnings climbed 14% to \$32.9 million.

The private-equity firm's net income fell to \$367.9 million, or 53 cents a share, from \$451.9 million, or 68 cents a share, a year earlier.

A year ago, Blackstone more than doubled its first-quarter profit as the firm took advantage of buoyant markets to sell a record amount of private equity, real estate and other assets.

The firm said it would pay a 35-cent dividend for the first quarter, compared with 87 cents for the year-earlier quarter.

Blackstone also said it would use roughly \$580 million in proceeds it got from ending its subadvisory relationship with business-development company FS Investments to pay a special dividend of 30 cents a share, which will be distributed over the next three quarters.

The value of Blackstone's private-equity portfolio climbed 6.4% in the quarter. That compares with a 6.8% increase in the prior quarter.

The first quarter offered a bumpy ride for public markets, with the S&P 500 posting a decline of 1.2%, its first quarterly drop since 2015. The decline was largely driven by the retreat of technology shares and concerns about rising in-

terest rates and the threat of a trade war with China.

On a call Thursday with members of the media, Blackstone said the back-and-forth between the U.S. and China on trade is a natural product of the growth and maturation of China's economy. "Our expectation is, over time, there will be some reasonable outcome that could be positive for both sides," said Blackstone President Jonathan Gray.

Blackstone also said its board had authorized share repurchases of up to \$1 billion, nearly triple the amount remaining under its previous authorization, though those repurchases will largely go toward offsetting dilution from stock awards.



The firm said it would pay a 35-cent dividend for the first quarter.

VICTOR J. BLUE/BLOOMBERG NEWS

Cryptocurrency Backers Ready for Battle

BY GABRIEL T. RUBIN
AND DAVE MICHAELS

WASHINGTON—Big Silicon Valley backers of cryptocurrencies have sought a broad exemption from federal oversight they say would slow the growth of digital coins, as the industry steps up lobbying to limit regulation of virtual currencies.

Andreessen Horowitz and **Union Square Ventures** met with officials at the Securities and Exchange Commission last month, arguing that oversight could slow innovation based on the blockchain technology that underpins cryptocurrencies such as bitcoin, people familiar with the matter said.

The SEC has launched a broadside against many cryptocurrency deals, saying virtual tokens issued by startups are investments that should be regulated as securities, subjecting the firms to extensive

federal oversight. Companies that use the fundraising process typically offer investors a new digital coin in exchange for cash they need to build their business.

The industry faces a host of regulators—from the SEC to the Commodity Futures Trading Commission to banking regulators who police the payment systems and enforce anti-money-laundering laws.

As the government has turned up the heat, the industry has turned to a playbook followed by other asset classes or technologies. It has hired top political and legal talent to lobby and sing the praises of voluntary standards that could stave off official regulation, while forming trade groups and playing up blockchain as a transformative technology.

"You can't just put your head in the sand and wish away government oversight," said Jason Weinstein, a part-

ner at law firm Steptoe & Johnson LLP.

Mr. Weinstein, a former senior Justice Department official, serves on the advisory boards of Coin Center and the Chamber of Digital Commerce, Washington-based groups that advocate for the cryptocurrency industry and blockchain technology.

The groups also have filled their boards with former top regulators, including former CFTC Chairman Jim Newsome, former SEC member Paul Atkins and former CFTC Commissioner Mark Wetjen.

The late March meetings at the SEC were attended by Andreessen, Union Square, and lawyers from Cooley LLP, Perkins Coie LLP and McDermott Will & Emery LLP, as well as a lobbyist from the National Venture Capital Association.

Andreessen partner Scott Kupor and general counsel Ryan Ward attended the meet-

ing, as did Union Square's Brad Burnham and John Buttrick. The group met with top officials of the SEC's Division of Corporation Finance, which regulates initial coin offerings, and the offices of some SEC commissioners.

'You can't just put your head in the sand and wish away government oversight.'

The group wanted formal assurance from regulators that their products would be exempt from SEC oversight, arguing the tokens aren't investments but products that can be exclusively used to access services or networks provided by startup companies, people familiar with the meeting said.

That would allow startups to sell tokens broadly to investors without having to provide regulated disclosures such as financial statements and elaborate descriptions of their business. The group said it wouldn't object to the SEC intervening if a token issuer commits fraud, the people said.

SEC officials have privately expressed skepticism about granting such a broad exemption, the people said. The SEC is more likely to offer a limited exemption from oversight if a company's token sale is capped at a per-investor limit and can't be resold at a profit to third parties, the people said.

The cryptocurrency industry's more established players last December scored a victory when two of the biggest derivatives exchanges, CME Group Inc. and Cboe Global Markets Inc., launched bitcoin futures.

Bank ROEs Get Boost From New Tax Law

BY MICHAEL RAPOPORT

Big banks posted strong and rising returns on equity in the first quarter, some as high as 15%—potentially a long-awaited sign that they are finally able to focus on growth again, after the postfinancial-crisis years.

So have the banks finally turned the corner? Not so fast.

While the banks' first-quarter ROEs were strong, a significant chunk of the strength stemmed not from growth in the banks' operations, but from the sharply lower tax rates they are now enjoying because of the federal tax overhaul enacted in December, according to an analysis by The Wall Street Journal.

The top six banks in the U.S. by assets—JPMorgan Chase & Co., Wells Fargo & Co., Bank of America Corp., Citigroup Inc., Goldman Sachs Group Inc. and Morgan Stanley—reported an average return on equity of 13% in the first quarter, up from an average 10.1% in the first quarter of 2017. But that 13% would have been 11.8% without the earnings boost of more than \$2.8 billion the six banks collectively received because of the decline in their tax rates from a year ago, driven by the new tax law.

Wells Fargo's ROE would have fallen year over year, not risen, if not for the tax-related boost. And BofA and Citigroup would have seen sharply lower growth in their returns.

To be sure, an increase to the adjusted 11.8% from 10.1% is still solid, with many of the banks now well above the 10% level that many investors consider to be a key inflection point.

The Journal's analysis calculated what each bank's results for the latest first quarter would have been if the effective tax rate from last year's first quarter was still in effect. The banks' effective tax rates fell drastically in the first quarter compared with a year ago because of the new law's reduction to 21% from the previous 35%, slashing hundreds of millions of dollars off each bank's bottom line and lowering their ROEs.

Wells Fargo, for instance, had an 18.8% effective tax rate in the latest quarter, compared with 27.5% a year ago, and its earnings would have been about \$636 million lower at the old rate. The bank posted a 12.4% return on equity in the latest quarter, but without that \$636 million, its ROE would have been 10.9%—down from the 12% ROE that it posted in the first quarter of 2017, instead of rising.

Bank of America's effective tax rate fell to 17.6% in the latest quarter from 27.1% a year ago, and that made a \$798 million difference in its earnings. Stripping out that \$798 million would have lowered its latest first-quarter ROE to 9.5% from the reported 10.85%, compared with 8.1% reported a year ago.

Citigroup's ROE would have been 8.7% without the tax boost, compared to 9.7% with it. JPMorgan's would have been 14% instead of 14.8%, Goldman's would have been 14.3% instead of 15.4%, and Morgan Stanley's would have been 13.3% instead of 14.9%.

None of the banks provided a comment in response to the Journal's analysis.



The cryptocurrency industry has turned to a familiar playbook by hiring top political and legal talent. A hardware-hosting service in Oregon for cryptocurrency miners.

WELLS

Continued from page B1

Wells Fargo has been under investigation by federal and state regulators across different businesses since the sales-practices scandal erupted in 2016. At the root of some of the problems is the bank's risk-management framework, which it has been changing in the past several months as regulators intensified their pressure.

Mr. Trump in December tweeted that Wells Fargo remained in the government's crosshairs. "I will cut Regs but make penalties severe when caught cheating!" Mr. Trump said in the tweet.

It isn't clear how the bank will account for the settlement in its finances, though it did say last week it may need to restate earnings because of the regulatory negotiations. The bank said it was "unable to predict the final resolution" of the OCC and CFPB matter and "cannot reasonably estimate our related loss contingency."

Chief Executive Timothy Sloan on a call with analysts on April 13 wouldn't say whether Wells Fargo had included any provisioning for the potential settlement in its first-quarter

results. He said the bank likely would have updates on the negotiations in its quarterly securities filing that typically is disclosed a few weeks after it reports earnings. The bank also has its annual shareholders meeting on April 24.

Banking regulators in mid-2017 downgraded one part of a secret assessment of Wells Fargo's health and strength related to its risk management, The Wall Street Journal reported in January.

The assessment—known as a Camels score—ranks a firm on measures including capital, management and liquidity. The scores can affect the level of insurance payments a bank must make as well as the level of regulatory oversight of a firm.

Wells Fargo and the OCC have negotiated for months over how the firm assesses risks and over a potential settlement, The Journal has reported. The OCC also sent the bank's board a letter in November about these issues.

The company in recent months hired a consultant to try to revamp its procedures and revisited structural changes made in response to the sales-practices scandal.

—Ryan Tracy contributed to this article.

Robo Adviser Cuts Fee

BY ANNE TERGESEN

Robo advisory firm Wealthfront Inc. said it would cut the fee on a new investment product that led some clients and consumer advocates to question its commitment to a low-cost model.

The retreat occurred as Wealthfront and other startups that pioneered automated investment advice are trying to diversify their offerings in the face of heightened competition from more established financial companies. Those rivals are rolling out similar services of their own.

Since 2015, firms including Vanguard Group and Charles Schwab Corp. have launched fully or partly automated investment-advisory services that have surpassed Wealthfront and rival Betterment LLC of New York in assets. More recently, firms including Morgan Stanley and Wells Fargo & Co. have introduced such services.

Industry analysts said that helps explain why Wealthfront decided to expand beyond the low-price, exchange-traded funds created by other firms

for automatically enrolling certain customers in the fund.

"I just looked at my account & it's true. There was money moved into your 'Risk Parity' fund without my consent," Wealthfront customer Cheryl Ferraro, 57 years old, of San Juan Capistrano, Calif., recently posted on Twitter.

Wealthfront on Wednesday announced it is halving the expense ratio on the risk-parity fund to 0.25%. The firm's other funds have an average expense ratio of 0.12%.

"The mistake we made is that our pricing was not at ETF levels," said Wealthfront Chief Executive Andy Rachleff. He said "the vast majority of our clients love" the new offering, which has about \$500 million in assets. "Our clients are used to pricing at that level."

Wealthfront, which manages \$10.5 billion, didn't change the automatic-enrollment feature. Wealthfront said it began automatically enrolling certain customers in its new products by default—and requiring them to opt out—after it discovered many customers failed to sign up for a free feature aimed at harvesting tax losses.

Some clients—joined by consumer advocates and rivals—quickly took to online forums to criticize the fund's costs and complexity. They also took Wealthfront to task

for automatically enrolling certain customers in the fund.

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MARKETS

Saudis, Russia to Discuss Oil Pact

Coming talks expected to focus on future of production cuts that are set to end this year

BY SUMMER SAID
AND BOENOT FAUCON

Saudi Arabia and Russia forged a risky oil-market deal about 18 months ago, agreeing to throttle back output in an effort to lift prices.

It worked: A glut of stored oil that helped keep a lid on prices is almost gone, and international crude is trading comfortably above \$70 a barrel. Now, the two oil powerhouses still have to agree on what comes next.

Oil officials from the two countries will meet in Jeddah, Saudi Arabia, this weekend, ostensibly to review compliance among the 24 oil producers who agreed in December 2016 to join Riyadh and Moscow in the cuts. They also are expected to discuss their intentions for the future of the pact, which is set to expire later this year.

Saudi Arabia and Russia will hold talks "on sending a signal on what they will do beyond next year," according to an official from a member of the Organization of Petroleum Exporting Countries, which has worked closely with Riyadh to implement the cuts.

A strong show of support for a continuation of the pact could further underpin prices, when geopolitics and the threat of supply disruptions have been pressuring them higher. Producers "need to send the message that the agreement will continue," said Jonathan Goldberg, chief investment officer at New York-based BBL Commodities LP.

The group vowed to cut enough oil to lower global output 2%. Countries have collectively cut about 1.9 million barrels a day, or 1.98% of the world's 2016 output.

Those cuts, as well as rising demand, have helped nearly erase a glut of oil in industrialized nations' inventories.

"Once the target [of ending the oil glut] is achieved, the question is what to do with it," said Robin Mills, chief executive of Dubai-based Qamar Energy. "Russia and Saudi Arabia

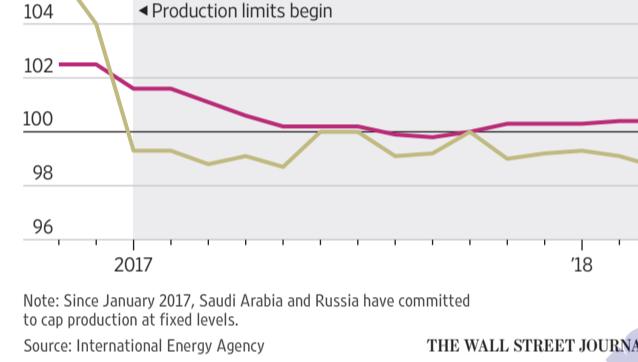


Saudi officials want international oil prices above \$75 a barrel. Russia has signaled it wants prices lower than that. A Russian oil field.

Diverging Paths

While Saudi Arabia has tightened crude production, Russia's output is creeping up.

Oil output, percentage of production cap



Note: Since January 2017, Saudi Arabia and Russia have committed to cap production at fixed levels.

Source: International Energy Agency

THE WALL STREET JOURNAL.

are not on the same page."

Saudi officials want international prices above at least \$75 a barrel, according to officials from OPEC members who are familiar with Riyadh's thinking. Saudi Arabia needs at least \$70 a barrel, according to the International Monetary Fund, to cover the costs of its ambitious economic reforms

and its war in Yemen.

Russia, meanwhile, has telegraphed that Moscow thinks prices are high enough. The country needs much less to balance its budget—about \$53 a barrel, according to Moscow-based broker Renaissance Capital. Early this year, Russian Energy Minister Alexander Novak told state TV that prices

U.S. Crude Slips; Brent Edges Up

Oil prices were mixed Thursday, with the U.S. benchmark retreating from a more-than-three-year high.

U.S. crude prices settled down 18 cents, or 0.3%, at \$68.29 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose 30 cents, or 0.4%, to \$73.78, its highest since Nov. 26, 2014.

Oil markets shot up on Wednesday after the U.S. Energy Information Administration reported crude and product stocks had fallen in the

week ended April 13, indicating healthy demand is helping a global glut continue to recede. Record fuel demand bolstered confidence and helped push U.S. crude prices to their highest since December 2014, said Gene McGillian, research manager at Tradition Energy.

"We keep seeing falling inventories and rising demand—it seems like that's a recipe for additional speculative length, which drives the market higher," Mr. McGillian said.

Geopolitical tensions continued to support prices, with investors monitoring the U.S. stance on the nuclear agreement with Iran.

—Alison Sider
and Sara McFarlane

agreement.

Moscow is under pressure from its oil industry to allow for higher output in fields these firms have spent heavily recently drilling. A Russian energy ministry spokeswoman said it wouldn't comment before the Jeddah meeting.

—James Marson
contributed to this article.

Downhill

How many Hong Kong dollars one U.S. dollar buys

HK\$7.815



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

Hong Kong Spends Big To Protect Currency

BY SAUMYA VAISHAMPAYAN

HONG KONG—Hong Kong's de facto central bank has spent about US\$6.5 billion in the past week to defend its currency's nearly 35-year-old link to the U.S. dollar.

The Hong Kong Monetary Authority said Thursday that it has bought a total of 51.3 billion Hong Kong dollars and sold US\$6.5 billion from its foreign-currency reserves in 13 transactions since its first intervention last week.

"This is totally in accordance with the design of the linked exchange-rate system," said Howard Lee, deputy chief executive of the authority, adding that the amount and pace of the transactions have been consistent with the authority's expectations.

The agency allows the Hong Kong dollar to trade in a range of 7.75 to 7.85 to the U.S. dollar and says it will buy or sell U.S. dollars to maintain the currency's value.

Late Thursday in New York, the U.S. dollar bought HK\$7.8482, compared with HK\$7.8499 late Wednesday.

Hong Kong's dollar has been mostly depreciating against its U.S. counterpart since the beginning of last year, driven by a wide gap between U.S. and Hong Kong interest rates.

Consumer Shares Choke Off Rally

BY MICHAEL WURSTHORN
AND RIVA GOLD

The S&P 500 snapped a three-day winning streak, as tumbling shares of consumer-staples companies pulled the broad index lower.

Weak earnings reports of some of the world's biggest consumer-products firms sent their shares

THURSDAY'S MARKETS into a tailspin and dashed what could have been the S&P 500's first four-day run of gains since mid-February.

Philip Morris International suffered its biggest single-day percentage decline since becoming a public company in 2008, while Procter & Gamble reported disappointing sales amid signs the broader industry is struggling to raise prices.

Although investors have been more muted in their response to companies that have reported stronger-than-expected results, those that miss expectations or offer weak forecasts have faced a harsh rebuke.

"People believed these companies were solid. You take a Procter & Gamble or a Unilever, and you think about them as cornerstones of your portfolio," said Arian Vojdani, an investment strategist with MV Financial, which manages \$650 million in assets. "Consumer staples don't look as strong as people expected."

The S&P 500 fell 15.51 points, or 0.6%, to 2693.13, while the Dow Jones Industrial Average slipped 83.18 points, or 0.3%, to 24664.89. The Nasdaq Composite declined 57.18 points, or 0.8%, to 7238.06.

Investors worry that consumer-products makers are in a rut, as weak inflation, Amazon.com's push into selling more household goods, and shoppers' fading loyalty to



Unilever, maker of Ben & Jerry's ice cream, fell 2.2% after posting its weakest sales growth in years.

name brands make it hard for those companies to raise prices and expand anywhere near the rates of the market's most desirable stocks, such as tech companies.

"There's more disruption ahead for folks who aren't able to adjust to some of the different buying habits of people," said Mark Heppenstall, chief investment officer at Penn Mutual Asset Management.

Philip Morris, the seller of Marlboro cigarettes, was the biggest drag on the broad index after it reported revenue that missed analysts' expectations and cautioned investors that slowing sales volume in the Middle East and other markets, along with pricing competition, could be a drag on earnings this year.

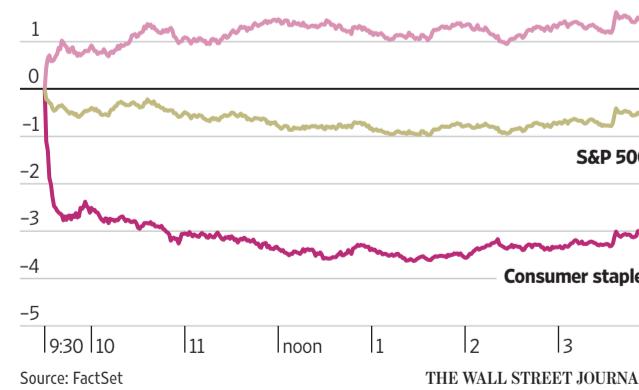
Shares fell \$15.80, or 16%, to \$85.64, to hit their lowest level since 2015.

Procter & Gamble, the maker of Tide detergent and Bounty paper towels, reported weak sales growth in some markets, especially in its Gillette shaving business. Shares slipped 2.53, or 3.3%, to 74.95.

European consumer-goods

Staples Slide

Consumer-goods companies in the S&P 500 suffered their second-worst day of the year, while the financial sector was a bright spot.



Source: FactSet

companies also were under pressure after Unilever, which sells Dove soap and Ben & Jerry's ice cream, and Nestlé both struggled to raise prices in the first quarter and logged some of their weakest sales growth in years. Unilever's shares fell 2.2% while Nestlé's earlier losses to end the day up 0.2%.

The Treasury inflation-protected securities, dated April 30, 2018, mature on April 15, 2023.

Treasury Prices Drop

BY DANIEL KRUGER

U.S. government-bond prices fell as inflationary signals from rising prices for oil and steel helped

CREDIT MARKETS push a market measure of inflation expectations to a multi-year high.

The yield on the benchmark 10-year Treasury note rose to 2.914% from 2.867% Wednesday, notching its biggest two-day increase since Feb. 2. Yields rise as bond prices fall.

Signs that economic growth and trade policy are adding to inflationary pressure have helped push yields higher in recent sessions. Businesses across the U.S. reported rising steel prices in the past several weeks due to recently implemented tariffs, according to a Federal Reserve report released Wednesday. Analysts

and investors also cited rising oil prices, which hit their highest level in more than three years on Thursday, as a sign that inflation is gaining traction in the U.S.

Inflation is a threat to bond prices because it erodes the purchasing power of future interest payments.

A market-based measure of inflation expectations, known as the 10-year break-even rate of inflation, shows investors expect average annual increases in the consumer-price index of 2.19% over the next 10 years. That is the measure's highest point since August 2014. The rate reflects the difference between the yields on 10-year government notes and 10-year Treasury inflation-protected securities.

The government's auction of \$16 billion of five-year TIPS on Thursday drew an above-average amount of bids.

Sales Set for \$229 Billion in Treasury Debt

The U.S. Treasury Department will auction \$229 billion in securities next week, comprising \$181 billion in new debt and \$48 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ **Wednesday:** \$48 billion in 13-week bills, reopening of an issue first sold on Jan. 25, 2018, maturing July 26, 2018. Cusip number: 912796Q4K.

Also, \$42 billion in 26-week bills, dated April 26, 2018, maturing Oct. 25, 2018. Cusip number: 912796QE2.

Noncompetitive tenders for the FRNs are due by 11 a.m. EDT Wednesday; competitive tenders, by 11:30 a.m. For the notes, the deadlines are noon and 1 p.m., respectively.

◆ **Thursday:** \$17 billion in two-year floating-rate notes, dated April 30, 2018, maturing April 30, 2020. Cusip number: 9128284JL.

Also, \$35 billion in five-year notes, dated April 30, 2018, maturing April 30, 2023. Cusip number: 9128284L1.

Noncompetitive tenders for the FRNs are due by 11 a.m. EDT Wednesday; competitive tenders, by 11:30 a.m. For the five-year notes, the deadlines are noon and 1 p.m., respectively.

◆ **Friday:** \$29 billion in seven-year notes, dated April 30, 2018, maturing April 30, 2025. Cusip number: 9128284M9. Non-competitive tenders must be received by noon EDT Thursday; competitive tenders, by 1 p.m.

The Treasury inflation-protected securities, dated April 30, 2018, mature on April 15, 2023.

FIVE-YEAR TIPS

\$42,874,568,400

\$18,042,289,700

\$99,229,700

100,196611

(0.631%)

0.625%

24.4%

9128284HO

The Treasury inflation-protected securities, dated April 30, 2018, mature on April 15, 2023.

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

\$42,874,568,400

MARKETS

Currencies Swap Tranquility for Volatility

BY MIKE BIRD

Global currencies have reached their most balanced levels in years, a factor some investors see acting as a drag on volatility in other asset classes and preventing greater losses for investors.

Volatility returned with a bang to global stocks this year, interrupting a bull market that began almost a decade ago and raising investor concerns about the durability of a yearlong rally.

Some analysts and investors say the upheaval in stocks could have been more substantial, spreading to debt markets, too, if it weren't for the stability and lack of distortions in exchange rates.

Several major currencies have closed in on their fair-value levels, estimates of where they should trade based on the economic fundamentals of different countries.

"Getting closer to fair value means the risk of major swings in the future is reduced, and the market seems to be fairly relaxed around these levels," said Ugo Lancioni, head of global currency and portfolio manager at asset-management firm Neuberger Berman.

"In global markets, volatility can spill over from one market to another, so stable currencies do limit concerns in a way," said Mr. Lancioni. "These could be the levels that make everyone happy, at least for now."

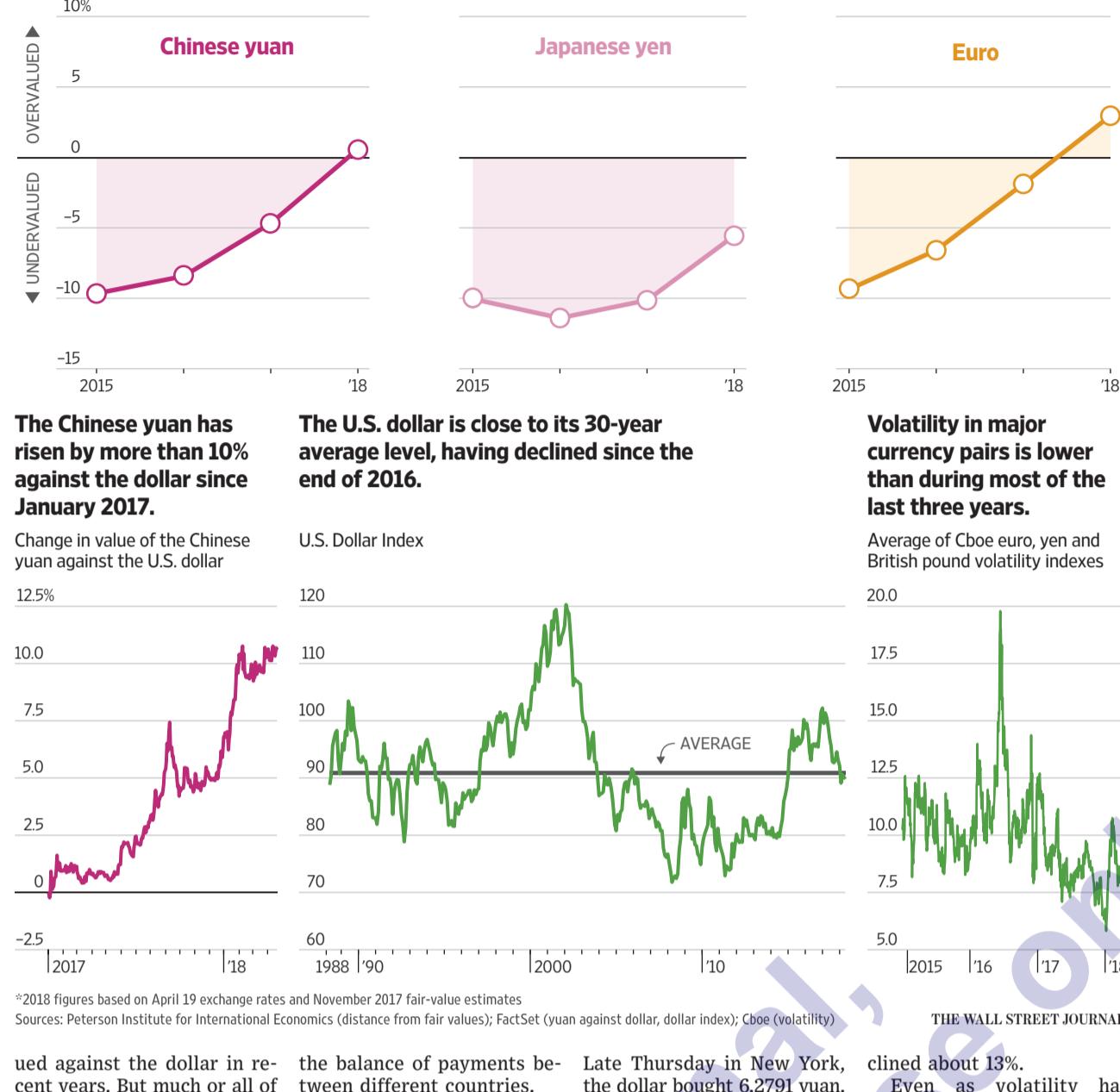
Currencies in some emerging markets, such as Russia and Turkey, have experienced sharp increases in volatility. But for now, those cases are the exception rather than the rule, especially compared with the currencies of advanced economies.

The weaker dollar may also reduce the chance of rapid shifts in exchange rates.

The yen, euro and British pound were steeply underval-

Some major currencies are near fair value against the U.S. dollar.

Percentage above or below each currency's fair-value level against the U.S. dollar*



*2018 figures based on April 19 exchange rates and November 2017 fair-value estimates

Sources: Peterson Institute for International Economics (distance from fair values); FactSet (yuan against dollar, dollar index); Cboe (volatility)

ued against the dollar in recent years. But much or all of that gap has been closed, according to the most recent fair-value estimates—known as fundamental equilibrium exchange rates—compiled by the Peterson Institute for International Economics. The approximations are based on

the balance of payments between different countries.

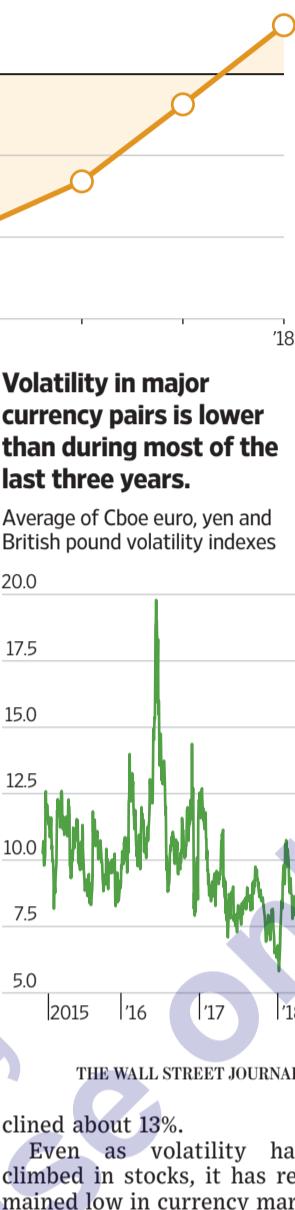
President Donald Trump accused the Chinese government of "playing the Currency Devaluation game" on Twitter this week. But even the yuan is now almost exactly where the institute's November estimate suggested it should be.

Late Thursday in New York, the dollar bought 6,2791 yuan.

Likewise, the International Monetary Fund suggested the dollar was 10% to 20% overvalued against a basket of international currencies in its last assessment, which ran to the end of 2016. Since then, the U.S. Dollar Index has de-

Euro

Volatility in major currency pairs is lower than during most of the last three years.



THE WALL STREET JOURNAL.

clined about 13%.

Even as volatility has climbed in stocks, it has remained low in currency markets, particularly the most traded pairs. Cboe's volatility indexes tracking the euro and yen exchange rates with the dollar are currently lower than they have been for the

majority of the past decade.

"When the currency is trading outside a reasonable valuation range, it can pull back like a magnet to that area quite quickly," said Steven Saywell, senior multiasset specialist at BNP Paribas SA.

Not all market watchers see the lack of movement in the dollar and the absence of foreign-exchange volatility as benign.

"It's not because there are no worries; it's because you've got these countervailing worries that are both so powerful," said Ben Hunt, chief investment strategist at Salient Partners LP.

"You've got a Federal Reserve that's been very clear they're on a path and are going to stick to the path of raising rates," Mr. Hunt said. "At the same time there's no way you can be long the dollar with Donald Trump in the White House. There's just no way."

Still, even analysts who believe fair value is still some way off suggest currency markets have moved closer to reasonable levels. Mr. Saywell argues that over the longer term the euro should be close to \$1.34 and the dollar closer to \$80.

Late Thursday, the euro was at \$1.2345, while the dollar bought ¥107.37.

"We haven't traded near fair value in quite a long time. So we believe what's happening now, as the disparity between the U.S. and the rest of the world is narrowing, we're moving back towards equilibrium," Mr. Saywell said.

Lower volatility in currency markets tends to support global flows of capital. When volatility in foreign-exchange markets rises, investors tend to cut their purchases of international stocks, according to recent research by Valentyna Ozimovska at the University of Kiel in Germany.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

P&G Needs More Than Vitamins

European dietary supplements won't cure what ails Procter & Gamble.

P&G said Thursday it agreed to acquire the consumer-health business of Germany's Merck KGaA for \$4.2 billion. Its portfolio features a nasal decongestant and various specialty dietary supplements.

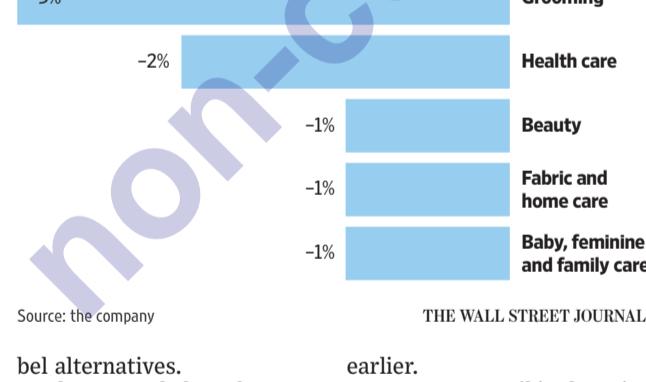
The deal news came as the Cincinnati consumer-products giant released disappointing results for the quarter ended in March.

On a conference call, analysts mostly ignored the Merck deal and peppered the company with questions on its sputtering core business. That is appropriate; perhaps best thing that could be said about the Merck acquisition is that P&G didn't do a bigger, more distracting deal like one for the consumer-health-care unit that Pfizer has been trying to sell.

P&G still needs to come up with a compelling response to fundamental challenges in its home U.S. market. These include retailers pushing for lower prices and private-la-

Shaving Prices

Price change from a year earlier in Procter & Gamble segments, in the three months to March



Source: the company

away from the U.S. market. But the unit's \$1 billion of annual sales will hardly move the needle for a company with more than \$66 billion of sales in the past 12 months.

There also are signs that the price pressures in household goods are extending to over-the-counter medicines. Merck was looking for a while for a buyer before settling for P&G's offer.

The deal comes just after activist investor Nelson Peltz joined the company's board last month. P&G's protracted battle with Mr. Peltz made the company look resistant to change, an image it is now trying hard to shed.

Chief Executive David Taylor told analysts Thursday he believes strong product innovation is the solution to rising competitive pressures. "I've got my eyes wide open that it is going to take additional funds to do that," he added, showing the need for cost cutting elsewhere.

Mr. Taylor is right on both points. But he has made little progress in achieving that goal.

—Aaron Back

OVERHEARD

Talk about falling out of bed.

Shares of Sleep Number Corp. plunged Thursday after the company posted disappointing quarterly results. Sales fell 1% compared with 12% growth in the year-earlier period. Gross margins fell, too, and earnings per share declined by 7%.

The company makes those widely advertised beds that can adjust firmness according to the preferences of users. It blamed the poor results on its transition to a newer, more-advanced series of beds that can diagnose sleeping patterns.

While that sort of data may or may not attract buyers, the company's own numbers are disquieting. With earnings of just \$61.2 million over the past 12 months, it still has a market value of \$1.2 billion, down from \$1.8 billion at this time last year, according to FactSet.

Shareholders are likely to be tossing and turning no matter how comfortable their mattresses are.

For Takeda, Third Time Isn't Charm

The latest proposed large pharmaceuticals deal isn't likely to happen.

It emerged Thursday that Takeda Pharmaceutical has approached Shire PLC with three bids, the last of which was about \$60 billion in stock and cash. Shire said it rejected all three offers.

More consolidation among big pharma companies makes sense given industry pressures, but there likely isn't enough room on Takeda's balance sheet for those talks to bear fruit. Less than 40% of the latest offer was in cash, with the rest in new Takeda shares. That isn't compelling when one considers that Takeda stock has had a negative return over the past five years. Takeda shares also are down sharply since their interest in Shire came to light last month.

More cash would help sweeten the deal, but that may not be realistic. Shire has \$19 billion in net debt on its balance sheet, while Takeda has \$6 billion more.

Financing the cash component of the offer could take net debt above four times the combined company's earnings before interest, taxes, depreciation and amortization.

Tellingly, the total value of Takeda's third offer to buy Shire was only 7% higher than the first. That suggests there isn't much more wiggle room to meaningfully sweeten its bid.

Shire trades nearly 40% below its record set in 2015, in part because other big acquisitions have put too much debt on the company's balance sheet.

Reducing leverage will take time but could do far more to boost shareholder value than a stretched takeover offer. —Charley Grant

Qualcomm Is Caught in the U.S.-China Trade Feud Again

Why always us? Qualcomm may be tempted to ask. The chip maker is once again caught in the middle of the trade tensions between China and the U.S.

Qualcomm's latest predicament involves its planned \$44 billion purchase of rival NXP Semiconductors, a deal aimed at helping it diversify away from dependence on the slowing mobile-phone market and into growth spots like automotive and the "Internet of Things." China's antitrust regulator said Thursday a preliminary review of the transaction has found "issues that are hard to resolve." China is the only country that has yet to ap-

More Chips, Please

Qualcomm's revenue from China



Note: Fiscal year ends in September; includes Hong Kong.

Source: S&P Global Market Intelligence

prove the deal.

The two companies said Thursday that they have refiled the application, buying them more time to get China's approval.

There have been some le-

gitimate antitrust concerns about the Qualcomm-NXP tie-up. The European Commission has suggested the combination would allow Qualcomm to bundle sales of its baseband chips, used for handset communications, with NXP's NFC chips used in mobile payments, in a way that would hurt consumers. In response, Qualcomm has pledged to ensure its chips will function with those of its competitors for eight years. Such concessions were enough to win the nod of European and other regulators.

China could yet be satisfied by similar remedies: The country has seldom blocked mergers of non-Chinese com-

panies outright. Still, this rare high-profile comment on a pending deal indicates Beijing is prepared to take the transaction hostage as it negotiates with the U.S. on trade and market access.

For it is likely no coincidence that China's tough words on Qualcomm-NXP have come soon after the U.S. government this week banned American firms from selling goods to China's telecommunications equipment maker ZTE, a Qualcomm customer. That ban has put ZTE, one of China's biggest tech companies, in a precarious situation and exposed China's broader reliance on foreign chips. Chinese smartphone

makers are big buyers of chips from both Qualcomm and NXP. Indeed, Qualcomm generates 65% of its revenue in China.

Blocking or imposing heavy remedies on the Qualcomm-NXP deal won't cure China's dependency on foreign chip suppliers or help ZTE much. It would, though, signal that the country is quite happy to make life as difficult as possible for U.S. companies in retaliation for perceived slights. That isn't good for the prospects of this tech megadeal, and should bring a chill to the broader outlook for global deal-making.

—Jacky Wong

—

Charley Grant

For Ed Harris,
acting started in
Oklahoma

MS



MANSION

'There is such a thing as a sacred idleness, the cultivation of which is now fearfully neglected.'

—George MacDonald

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THE WALL STREET JOURNAL.

Friday, April 20, 2018 | M1

Nirvana: There's an Amenity for That

Luxury developers tout wellness real estate, offering private and communal spaces for meditation and yoga; homes are cleansed of toxins, designed to boost mental clarity.



JEFF HERR FOR THE WALL STREET JOURNAL

HANGOUT Jeny Mathis, a yoga teacher, at her home in the Serenbe planned community in Georgia. The roughly \$1 million home was the first to break ground in Serenbe's new wellness neighborhood.

BY AMY GAMERMAN

A MEDITATION COURTYARD with a reflecting pool. An open-air yoga studio hung with silken hammocks. A medicinal garden planted with calming herbs.

It may sound like a tour of an ashram, but these are some of the features that mark a trend in luxury real estate: the mindful mansion.

"Mindfulness is paying attention—it's being present in the moment. When you build and design a house, you can design it in a way to cultivate mindfulness," said Jeny Mathis, who cre-

ated the gauzy yoga studio for her home in Chattahoochee Hills, Ga., about 30 miles outside of Atlanta. Ms. Mathis, 46 years old, who teaches aerial yoga, often starts her day in a hammock, meditating.

The path to inner peace may lie in the right

Please turn to page M6

A \$200 MILLION LUXURY PORTFOLIO

As Chinese conglomerate HNA Group works to raise capital, its executives and a company run by the CEO's brother sit on trophy homes throughout metro New York, including four units at One57.

BY KATHERINE CLARKE

THE FINANCIAL TRAVALS of the giant Chinese conglomerate HNA Group Co., which is currently trying to unload its overseas holdings, are casting a spotlight on a vast portfolio of luxury homes owned by executives of HNA and a U.S. company run by the brother of its chairman.

HNA has racked up significant debt from a long international acquisition spree. While the company has been moving to sell a large chunk of commercial assets, executives at HNA and the U.S. company are sitting on nearly \$200 million in luxury homes throughout the New York metro area, according to a review of property records by The Wall Street Journal. That's a large portfolio for a group of owners connected to one foreign company, though it isn't clear that any of the homes would figure in HNA's asset sales.

A limited-liability company that traces back to HNA chief executive Adam Tan, also known as Xiangdong Tan, paid \$14 million for a Greenwich, Conn., mansion



Manhattan townhouse

RECENT SALE A limited-liability company linked to Chen Guoqing sold this property for \$90 million in February, records show.

DOROTHY HONG FOR THE WALL STREET JOURNAL



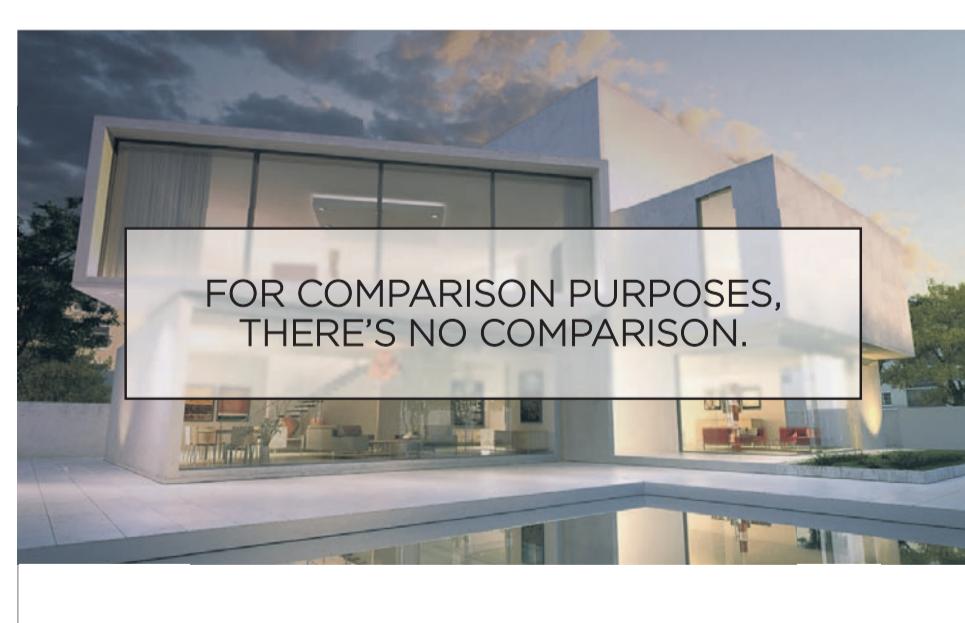
\$5.495 MILLION
George Plimpton's former home listed M2



WATTS UP?
Cheap electricity piques Wenatchee M4



HEXAGONAL HOUSE
A German couple's geometric abode M12



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Please turn to page M7

MANSION

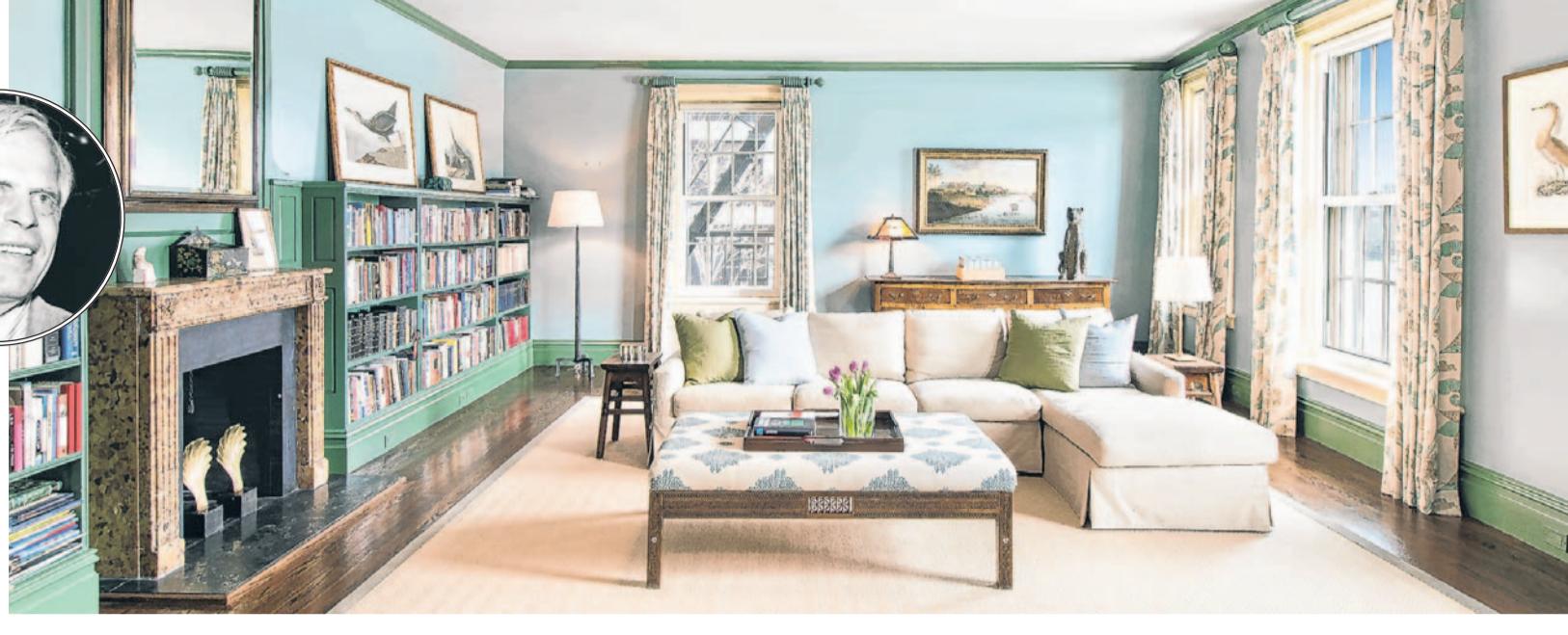
PRIVATE PROPERTIES

George Plimpton's New York Duplex Up for Sale

A New York apartment that belonged to the late George Plimpton, the charismatic founding editor of the Paris Review, is coming on the market for \$5,495 million.

Overlooking the East River, the co-op on East 72nd Street is known for the star-studded parties Mr. Plimpton and his wife, Sarah Dudley Plimpton, hosted there. Mr. Plimpton entertained almost constantly, hosting about one party a week, Mrs. Plimpton confirmed. The apartment served as "a nonstop salon for the New York creative class in the latter half of the 20th century," she said. Attendees included the likes of writer Norman Mailer, boxer Muhammad Ali, conductor Leonard Bernstein and artist Andy Warhol.

Mr. Plimpton, who died in 2003 at 76, cobbled together four apartments to form the approximately 4,700-square-



foot Upper East Side duplex, according to the listing agent Ann Cutbill Lenane of Douglas Elliman. Mrs. Plimpton, 65, is selling the unit because she is downsizing and plans to move to Santa Fe, N.M., Ms. Lenane said. The home is located in a

row of almost identical five-story buildings that overlook the East River. Painted black, they are recognizable by their bright red doors. They were originally built around the turn of the 19th century, public records show. Mr. Plimpton first

rented at the building in the 1950s and then expanded his apartment to four units when the building went co-op in the early 1970s, Ms. Lenane said.

The first floor has nearly 60 feet of frontage on the river and a large living and

game room for entertaining. There are four bedrooms in total as well as a maid's room, a home office or study and a den.

Mr. Plimpton, who began editing the Paris Review literary magazine in 1953, was known as a "participatory

journalist." He chronicled his adventures in several books, writing about his involvement in various sporting and cultural events, including boxing matches, baseball games and playing with the New York Philharmonic.

—Katherine Clarke

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DAVID ROCKEFELLER'S MANHATTAN HOME SELLS

Doug Band, President Bill Clinton's longtime advisor, has paid \$20 million for the Manhattan townhouse of the late banking chief David Rockefeller, according to two people familiar with the transaction.

The house on East 65th Street originally came on the market for \$32.5 million last June. It served as the home to Mr. Rockefeller and his wife Peggy for almost seven decades, according to the listing. Mr. Rockefeller, the onetime chief executive of Chase Manhattan Bank and the grandson of indus-

trialist John D. Rockefeller, died last year at the age of 101.

The house, which has a Colonial Revival-style facade, was built in 1924 and includes 9,777 square feet of space on four levels in addition to a basement, according to the listing. The sitting room and the dining room overlook the garden. There are eight bedrooms, a library and six staff rooms.

Mr. Band, 45, bought the home through a limited liability company. He is a founder of Teneo Holdings, a global consultancy.

He began his career at the White House in 1995, serving as President Clinton's chief advisor from 2002 until 2011 and helping spearhead the Clinton Global Initiative, according to Teneo's website. Mary Rutherford, Paula Del Nunzio and Leslie Cole-

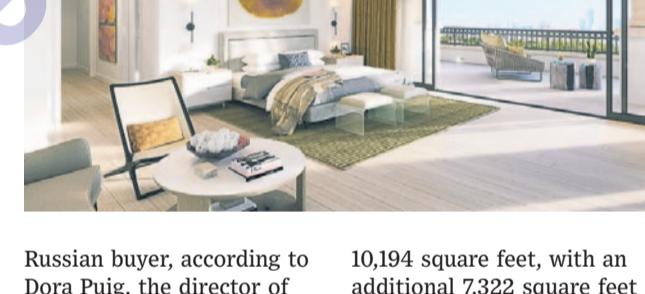
PENTHOUSE ON A PRIVATE ISLAND IN FLORIDA ASKS \$40 MILLION

The developers of Palazzo Della Luna, a luxury condominium project being built on Fisher Island, are planning to list its most expensive penthouse for \$40 million, a price that could set a record for the island.

About 7 minutes from Miami Beach by ferry, the island is one of the wealthiest ZIP Codes in the country and has been home to celebrities like Oprah Winfrey. The previous record was set by Palazzo Del Sol, Palazzo Della Luna's sister project, where a penthouse sold for \$31.261 million last year to a

Russian buyer, according to Dora Puig, the director of sales and marketing for Palazzo Della Luna.

The seven-bedroom, eight-bathroom penthouse at Palazzo Della Luna will span



10,194 square feet, with an additional 7,322 square feet of rooftop space and wrap-around terraces, according to Ms. Puig. The apartment will have 15-foot-tall ceilings, an outdoor summer



man of Brown Harris Stevens had the listing. They declined to comment. Eileen Rockefeller, Mr. Rockefeller's daughter, could not be immediately reached for comment.

—Katherine Clarke and Candace Taylor

Manhattan building where Martin Scorsese attended school is listed M10

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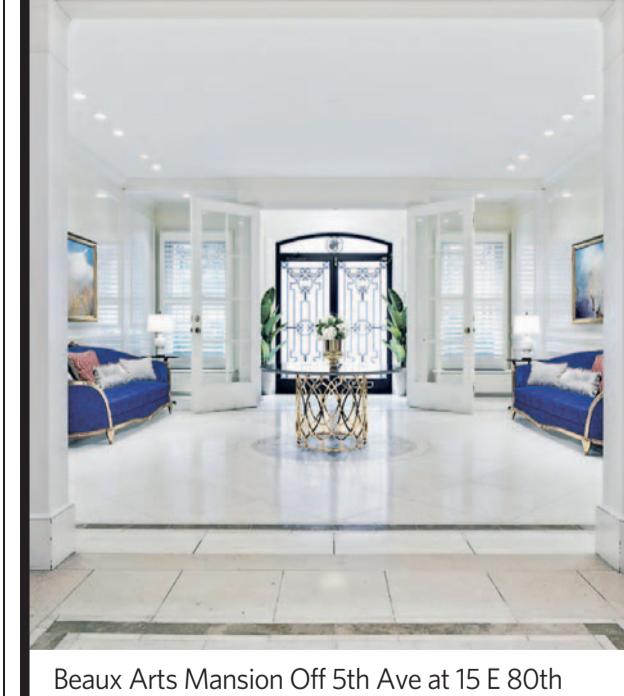


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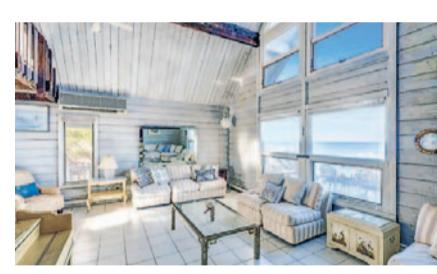
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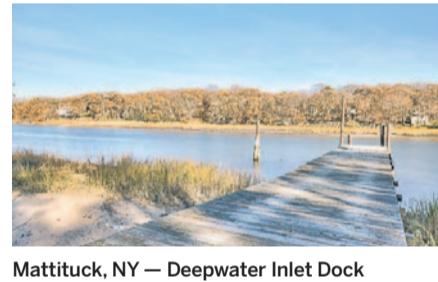
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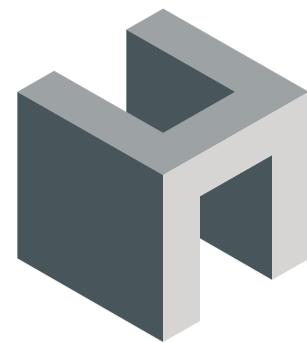
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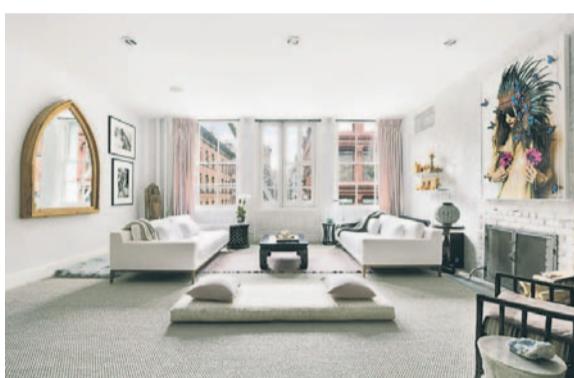
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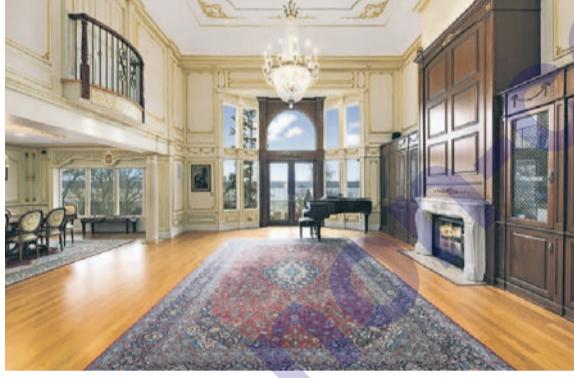
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LIVING HISTORY

For Sale: Rooms That Woolf Once Owned

After a complete renovation, Hogarth House—former home of the literary couple—is listed in London

BY RUTH BLOOMFIELD

IN 1915 THE NOVELIST Virginia Woolf and her husband, Leonard, did what many young couples do and moved from the center of London to a large house in the suburbs. They chose Hogarth House, a 1750 villa that had been subdivided into two residences.

The Woolfs, who married in 1912, were to spend almost a decade of their unconventional but enduring union in their half of Hogarth House, located in desirable, leafy Richmond, a neighborhood 9 miles southwest of the center of London.

Now, after an extensive renovation Hogarth House has been listed with estate agents Featherstone Leigh, with each half priced at about \$4.62 million.

Despite their idyllic surroundings, married life was challenging. Virginia Woolf had suffered from mental-health problems ever since her mother's death when she was a teen. In 1917, as a diversion for his fragile wife, Mr. Woolf, a left-wing political theorist and writer, suggested they try their hand at publishing. The couple bought a small hand-operated press, set it up on their dining room table and founded the Hogarth Press.

Its first edition was two short stories, one contributed by Virginia and one by Leonard. The press survived and flourished, later publishing the couple's writing and works by other authors, including T.S. Eliot's "The Waste Land." It still survives, as an imprint of the Random House Group.

Its role as a commercial property was a foretaste of Hogarth House's next chapter. In 1924 the Woolfs returned to Bloomsbury, central London, to rejoin their close-knit group of intellectual friends. In the 1930s Hogarth House was turned into offices occupied, for a short time, by the British Union of Fascists.



VANESSA BERBERIAN FOR THE WALL STREET JOURNAL (5); GETTY IMAGES (PORTRAIT)

LITERARY LANDMARK Hogarth House has two residences, named Leonard and Virginia. Above, the living room in Leonard. Below left, the homes' separate entrances. Below right, the kitchens are in the basement level. Top, left to right, a dining room; Virginia Woolf in 1902, and the exterior of the building, where the Woolfs lived from 1915-1924.



In 2013 it was bought by developer Berwick Hill Properties. "It was in really bad condition," said Hannah Durden, the firm's development manager. "It had been to-

tally unloved and mistreated."

In 2013 house prices in London were rising and residential prop-

erty was more valuable than com-

mercial. Ms. Durden and her col-

leagues began negotiating with Richmond Council for permission to turn Hogarth House back into two houses of 3,603 square feet and 3,728 square feet, respectively.

Once the permits were granted, work began in January 2016. The layout could not be altered, and original features had to be painstakingly preserved. "There were goodness knows how many layers of paint on the architraves [door frames], which had to be taken down and dipped in acid to clean them," said Ms. Durden. "We had to keep the original glass in the windows, but we had to carefully take out all the lead and the internal workings and replace them."

Work was completed last year, and the two properties have almost identical layouts, with contemporary kitchens, sitting rooms and access to low-maintenance backyards at basement level. The living rooms on the ground floor have some original features including fireplaces, doors and wood paneling. On the first and second floors of each house, are the master suites, each with a dressing room and bathroom, plus three additional bedroom suites.

The Woolfs owned Hogarth House until 1924, although from 1919 onward they spent increasing amounts of time in the coastal county of Sussex. At around this time, Virginia Woolf met the writer and gardener Vita Sackville-West, wife of Harold Nicolson. The two women began a love affair that coincided with Woolf's most prolific period as a writer—she published "Mrs Dalloway" in 1925, "To the Lighthouse" in 1927 and "Orlando" a year later. The famous essay "A Room of One's Own" followed in 1929. Their friendship lasted until Woolf's death, by drowning, in 1941.

Later this year, their relationship will be examined in a new movie, "Vita and Virginia," starring Elizabeth Debicki, Gemma Arterton and Isabella Rossellini.

"She did have quite a tragic life, but my understanding was that she was happiest here," said Ms. Durden, who regularly meets Woolf fans on the doorstep of their heroine's former home.

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THE MARKET

Bitcoin Mining Reshapes Real-Estate

An influx of cryptocurrency miners, retirees and young couples has riled the property market in Wenatchee, Wash., known for its apple orchards—and cheap electricity; home prices up 11% over last year

BY NANCY KEATES

EAGER TO ESCAPE the traffic and congestion of the Seattle area, Nia Collins has her eye on a model home in a new gated community in Wenatchee, Wash., about 150 miles to the east. She expects the home will go on the market for around \$700,000. But she doesn't know exactly—because nobody has returned her calls.

"There's so much going on they can't keep up," says Ms. Collins, a 58-year-old interior designer.

Houses are not so easy to find in Wenatchee these days. The real-estate market in this town of 33,000 residents has been roiled by an infusion of bitcoin miners looking for cheap electricity to run and cool computers that generate new units of cryptocurrencies. Located on the Columbia River, Wenatchee is powered by hydroelectric dams and has some of the lowest rates in the country.

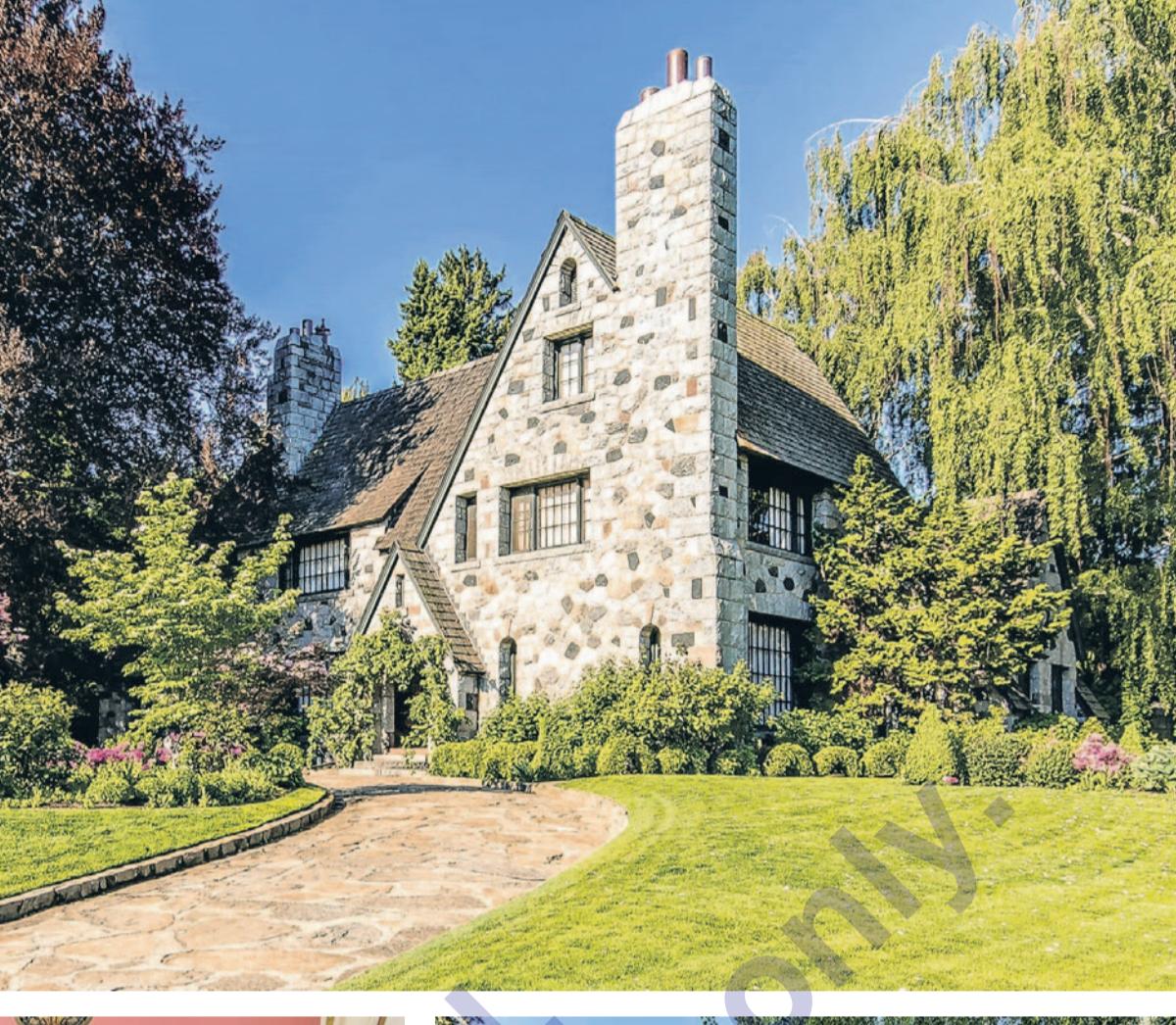
Real-estate agents have been getting calls for months from prospective home buyers and renters looking for properties with a detached garage or shed—places where a bitcoin miner could store servers, says Jamie Wallace, president of the North Central Washington Association of Realtors. Separately, Wenatchee properties are being advertised to bitcoin miners in online classifieds and on social media, according to Chelan County Public Utility District, which serves the county that includes Wenatchee.

In February the Wenatchee City Council imposed a one-year ban on cryptocurrency mining in residential and mixed-use zones, citing safety concerns and potential strains on the electrical grid. Last month, the utility district declared a moratorium on applications for cryptocurrency and other data-related activities. The commissioners also directed staff to take all available steps to halt unauthorized crypto operations.

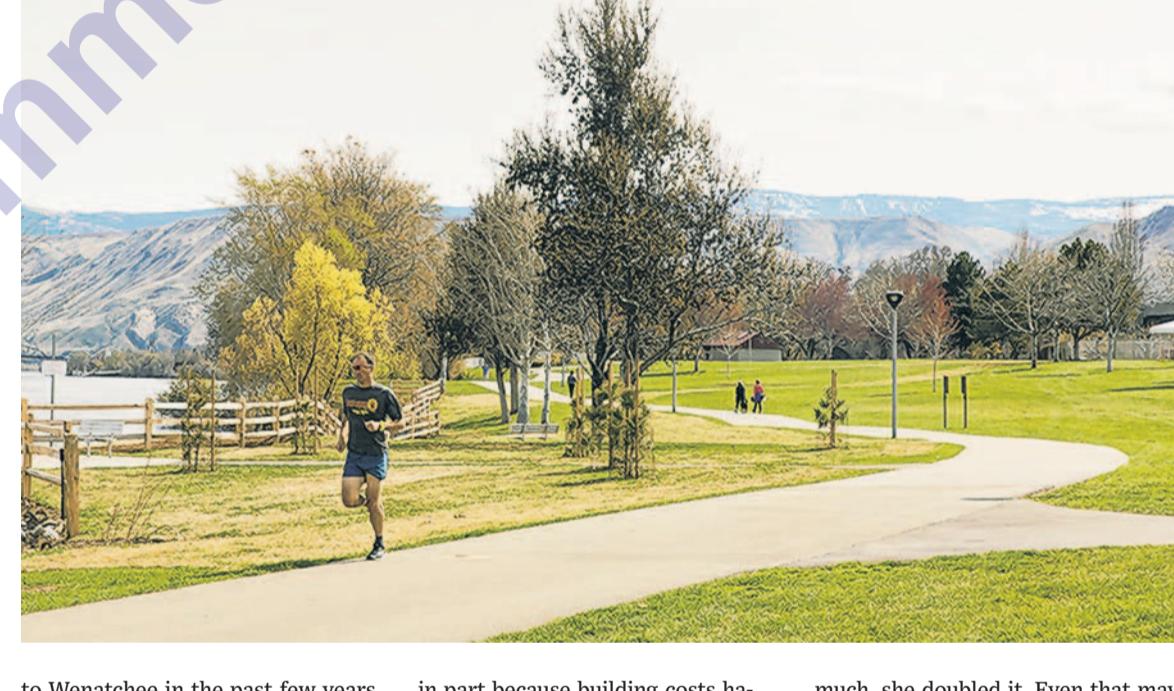
The influx of cryptocurrency mining comes on top of an uptick in buyers looking for a home in Wenatchee and the surrounding area. Exiles from Seattle and California, both retirees and younger couples, have been relocating to the area, which has more affordable homes and extensive outdoor recreation, such as hiking, water sports and skiing in the nearby Cascade Mountain Range. Last year, Forbes magazine named Wenatchee one of the 25 best-places to retire, another factor fueling demand, real-estate agents say.

Home prices in Wenatchee grew 11% in February compared with a year earlier, while supply remained tight, with the number of active listings down 19%, according to Wenatchee-based Pacific Appraisal Associates, which also says there are currently seven homes on the market priced at over \$1 million.

Home building is also on the rise—there were 26 single-family dwelling permits issued through February, more than double the 12 permits issued in the same period of 2017. But developers say they're stymied by limited buildable land and a shortage of construction labor. Real-estate agents say a two-bedroom rental house that went for \$600 a month a couple of years ago is now getting rates



LOCAL OUTLOOK Currently, seven homes are on the market priced at over \$1 million, including Craigmuir Castle, a 1929 stone landmark, top and above, listed for just under \$1.8 million. Below, Pam and Jim Wonn paid \$450,000 for a lot and house last year. Right, outdoor recreation at Walla Walla Point Park.



around \$1,500 a month.

"We looked and looked," says Jim Wonn, a retired tech executive who moved to Wenatchee after buying a lot and building a house last year for \$450,000, moving in November. Mr. Wonn says he's heard about the fires caused by bitcoin-mining computers overloading electric-service wiring, but all the people he knows who have moved

to Wenatchee in the past few years are retirees or second-home owners who plan to eventually retire there.

Chris Holt, 50, just finished building a new 2,700-square-foot house for \$290,000, which he considers a good deal: He now rents the 1,000-square-foot house where he was living before for \$1,400 a month. Mr. Holt, an automobile dealer, says he made the decision to build and rent

in part because building costs haven't gone up as fast as rents.

Changes in Wenatchee are happening at "an alarming rate" he says—especially an increase in traffic.

Still, Ms. Collins, the interior designer, says traffic conditions are still better in Wenatchee than in Seattle. When she started her house hunt, she set a \$300,000 price point. But when she couldn't find

much, she doubled it. Even that may not be enough. A couple weekends ago she looked at a 10,000-square-foot house in Wenatchee, advertised as a castle, with a saltwater swimming pool and an acre of landscaped property listed for \$1.7985 million, but decided it was too big and old. So the hunt continues.

"I'm just looking for peace," she says.



SPRING SCENE A three-bedroom, four-bathroom custom-built home is currently on the market for \$1.735 million. The house measures 4,456 square feet and sits on almost 50 acres.



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MANSION

NIRVANA: THERE'S AN AMENITY FOR THAT



GEORGIA ON HER MIND Jeny Mathis, right, practices yoga in the open-air studio of her home in the wellness-focused neighborhood of the Serenbe planned community in Georgia. The home was designed with large windows and high ceilings for maximum light and airiness. The centerpiece of the community is a 1-acre medicinal garden, where a naturalist is to begin workshops for residents next year.

Continued from page M1

amenities, or so the rising popularity of wellness real estate would suggest. Upscale home buyers are demanding eco-sensitive homes built with natural products—and opting for interior design that incorporates nature to reduce stress and promote mental clarity. To lure the enlightened buyer, luxury developers are offering morning yoga, mindfulness coaches and meditation chambers with ergonomic cushions.

"It's not just about physical health, people are also thinking of how our space affects us emotionally," said Katherine Johnston, senior research fellow at the nonprofit Global Wellness Institute, who headed a study that tracked the expansion of the wellness industry into the real-estate market.

In Palm Beach, Fla., sales have begun at the Amrit Ocean Resort and Residences, set to open in 2019. Buyers of the 182 "wellness residences," priced from \$700,000 to over \$4 million, can opt for heated reflexology floors, circadian lighting systems and vitamin C-infused showers. Dilip Barot, CEO and founder of Creative Choice Group, Amrit's developer, said every homeowner will be matched with a personal wellness consultant to advise on mindfulness, sleep and relaxation—as well as fitness and nutrition. A large communal meditation room will offer chants via headsets, and cushions designed for extended periods of sitting.

Walden, a 600-acre "nature-focused retreat" on California's Monterey Peninsula, is being pitched as a place where Silicon Valley elite can escape their screens and cultivate mindfulness.

"It's like Thoreau going into the woods to find peace and quiet—you think a lot differently when you are sitting under a 200-year-old oak tree," said Nick Jekogian, Walden's developer. The undeveloped lots, which average 20 acres and have ocean views, are \$5 million each; buyers are urged to spend a night or two in a sleeping pod to experience the landscape before building homes.

The Mathis home in Georgia, completed last year for about \$1 million, was the first to break ground in Mado—a new wellness-focused neighborhood that is part of the Serenbe planned community. Its centerpiece is a medicinal garden—a 1-acre "food forest" with edible native plants. Next year, a naturalist will lead workshops for residents on how to use its St. John's wort and other plants for homeopathic remedies and tonics.

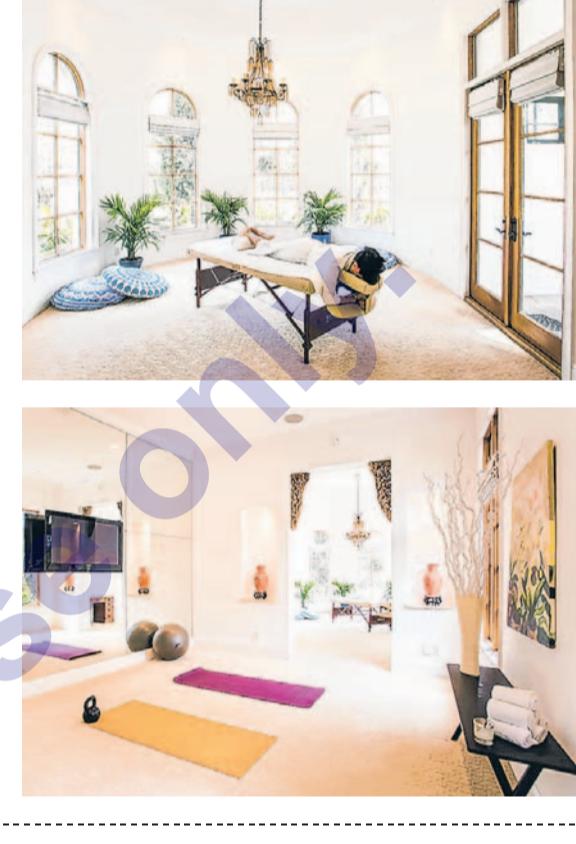
To create her home, Ms. Mathis and her husband, Gil, 47, a real-estate agent, turned to Wellness Within Your Walls—an organization that offers guidelines on building practices that reduce contaminants, and certifies products low in toxins, including paints, textiles and formaldehyde-free doors. The house has large windows and high ceilings for maximum airiness.

"Being able to see green from every window—it's fascinating to me how that really does impact your mood and well-being," Ms. Mathis said. Other design elements are more subtle, such as the use of one soothing color for the walls and trim rather than contrasting shades, to create a sense of continuity and openness.

Evan Mack and her fiancé, Travis Rice, took their mountain home in Jackson Hole, Wyo., down to the studs for a complete mindfulness makeover that cost \$1.2 million in 2015. They worked with Veronica



FOR SALE Pam Merle, above, in the meditation garden of her home at Lake Nona in Orlando, Fla. The home, on the market for \$4.5 million, has a massage room, above right, and yoga studio, right.



JEFF HERR FOR THE WALL STREET JOURNAL (2)



BETSY HANSEN FOR THE WALL STREET JOURNAL (3)



GREG VON DOERSTEN FOR THE WALL STREET JOURNAL (3)

TEA TIME Travis Rice, left, in the Jackson Hole, Wyo., home he shares with fiancée Evan Mack, in top left photo on right, with architect Veronica Scheibeis Smith. They did a \$1.2 million remodel.

Schreibeis Smith, whose Vera Iconica Architecture firm specializes in "wellness architecture," to replace varnished knotty pine paneling with walls of earthen plaster and baked steel. The white oak floors have been pockmarked with dents and ripples to provide some of the stress relief of reflexology, hitting pressure points on the foot.

"Every person says, 'This floor feels amazing on my feet,'" said Ms. Mack, 36, a private chef and co-founder of Joan of Sparc, a membership-based personal-development website. "When sunlight hits the floor, it looks like wind on water."

Ms. Mack and Mr. Rice, 35, a professional snowboarder and filmmaker, can meditate, practice yoga or nap in their Japanese-style tea room—a former vestibule transformed into a cozy space with a barrel-vaulted ceiling and a heated floor. The tea table is on a winch so it can be lowered out of the way.

"That was designed as a space for introspection—it's all about holding you and nurturing you," said Ms. Schreibeis Smith.

At Lake Nona, a 17-square-mile planned development in Orlando, Fla., about 1,000 residents are active participants in a long-term study on health and well-being conducted by the Lake Nona Institute, a nonprofit established by the community's Tavistock Develop-



BETSY HANSEN FOR THE WALL STREET JOURNAL (2)

REPURPOSED SUNROOM Natalia and Mike Foote with children Jacob, on left, and Charlie. Their Lake Nona home has a sunroom now used as a meditation space. Ms. Foote became a yoga teacher a year after moving into the community.

ment Co. in 2010. Free yoga classes are offered in a Lake Nona park, and integrative-medicine advocate Deepak Chopra led an open-air guided meditation last year that drew hundreds of residents. A customized version of Dr. Chopra's health and wellness app, Jiyo, designed for Lake Nona residents, will be launched in June.

Natalia Foote, 37, moved to Lake Nona with her family in 2015 and one year later became a yoga teacher. She and her husband, Mike, 36, a lab-services salesman, built a bright blue home for \$451,000. The couple, who have

begun meditating since moving into the community, are members of the Lake Nona Life Project, which tracks health and wellness through biannual surveys.

At Lake Nona's Golf and Country Club, Pam Merle and her husband, Didier, 48, a partner in a satellite broadcasting company,

designed a walled meditation garden with a reflecting pool just inside the entrance of their 9,000-square-foot home. Their 2.4-acre property also features a swimming pool, a lap pool and a hot tub. The Merles, who have a 17-year-old son, have put their home on the

market for \$4.5 million but plan to stay in the community.

The 1,900-square-foot meditation garden is peaceful, with travertine floors, palm trees and a screened ceiling to keep out bugs.

The dark-bottomed pool is filled with circulating saltwater.

"We wanted to have a more quiet, secret spot where we could be more solitary—we liked the idea of meditation," said Ms. Merle, 52, who sits on a cushion near the pool for an early morning moment of mindfulness.

"It can be used as a party space as well," she adds.

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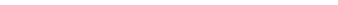
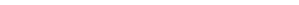
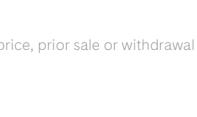
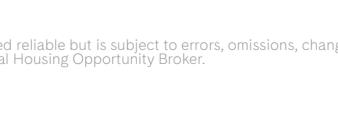
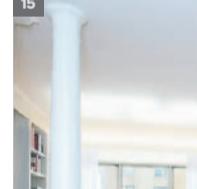
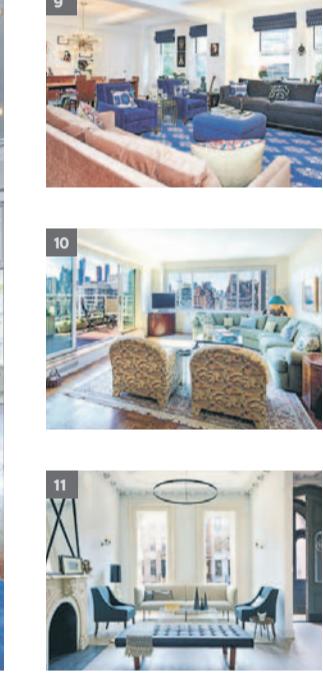
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MANSION

A \$200 MILLION LUXURY PORTFOLIO

Continued from page M1

on 4½ acres in 2013, the records show. The property has indoor and outdoor pools, a grass tennis court and gardens.

Mr. Tan owns several Manhattan homes in his own name, including a unit at 2 River Terrace in Battery Park City and another on East 49th Street, property records show. He paid a total \$3.5 million for both units, records show. A spokesman for HNA declined to comment on behalf of the company and Mr. Tan for this article.

Chen Guoqing, the brother of HNA chairman Chen Feng, and a company Chen Guoqing heads called Pacific American Corp., have purchased more than 20 homes in New York and New Jersey over the past two decades through various limited-liability companies, the Journal's review shows.

Those deals include four pricey residences at the megatower One57, the Billionaire's Row megalith where owners include titans of industry such as Michael Dell and Bill Ackman. The units were purchased for a combined \$151.34 million in 2014 and 2015, the records show.

Other purchases include units in the Time Warner buildings at Columbus Circle and the Park Imperial Tower in midtown Manhattan. The limited-liability companies recorded as the purchasers link back to Chen Guoqing and Pacific American through signatories on title documents. Chen Guoqing's wife, Ming Lui, also owns a unit at 50 Riverside Boulevard on the Upper West Side, which she bought for \$2.692 million in 2015, the records show.

It is unclear whether the purchases were investments by the company or by Chen Guoqing personally. Neither he nor Pacific American responded to requests for comment, and Ming Lui couldn't be reached for comment.

Chen Guoqing serves as a trustee on the board of the Asia Society, a non-profit organization that promotes cultural and business partnerships. In a biography of Mr. Chen on the group's website, Pacific American is described



One57



Park Imperial



80 Columbus Circle

MANHATTAN PROPERTIES Chen Guoqing and his company, Pacific American Corp., own four pricey residences at One57. Other purchases include units in the Park Imperial Tower in midtown and Time Warner buildings at Columbus Circle. Mr. Chen has been active in the New York residential market since the 1990s.

as a subsidiary of HNA. However, representatives for HNA have previously said that Pacific American is an independent company that acquires airplane parts for an HNA subsidiary, Hainan Airlines.

The signature of George F. Meng, an independent nonexecutive director at HNA Infrastructure Co., another HNA subsidiary, appears on deeds related to many of the Pacific American deals, including the \$12,086 million purchase in 2008 of an apartment at 15 Central Park West, one of New York's most-expensive buildings. It has since been sold for \$22 million, records show.

Mr. Tan has also listed Pacific American's Battery Park City headquarters as his address on title documents related to the purchase of an apartment at 70 Battery Place in 2010.

HNA is an airlines-to-hotels con-

glomerate known for its aggressive pace of acquisitions, including a 25% stake in Hilton Worldwide Holdings Inc. for \$6.5 billion and an approximately 8.8% stake in Deutsche Bank AG. (The Chinese conglomerate is now cashing out early from its \$6.5 billion Hilton investment and stands to collect roughly \$2 billion in profits, the Wall Street Journal reported.)

Chen Guoqing has been active in the New York residential market since the 1990s, when he relocated from China to establish Pacific American, according to the property records reviewed by the Journal. Pacific American bought at least five homes in New Jersey in the early 1990s, the records show. In 2003, Pacific American and Mr. Chen purchased two units at the Park Imperial building at 230 West 56th St., which has also been home to celebrities such as Sean Combs,

for a combined \$3.36 million. In 2010, Pacific American spent \$18.45 million on two condominiums at 80 Columbus Circle. Many of those units have since been sold for a profit, records show.

One HNA asset, an Upper East Side townhouse, was sold for \$90 million in February, property records show. Chen Guoqing was a signatory on the deed. That home was previously owned by art heir David Wildenstein.

Suren Rana, a senior HNA executive in New York, previously told the Journal that HNA was selectively selling properties in the U.S. that have performed well. The company has also gotten some relief from officials in Beijing, who have encouraged Chinese state-owned banks to continue lending to the company.

Now isn't the best time to be listing luxury real estate in Manhattan, New York-based agents say.

If Chen Guoqing, Pacific American or Mr. Tan were to list their residential units, particularly at One57, they might have to be willing to sell at a loss. Units at the building have been trading at a significant discount to their original sales prices in recent months, according to property records, due in part to a glut of luxury inventory on the market in Manhattan.

"If they're priced right they'll go, but it's always better if you're the only person swimming in the pool," said Donna Olshan, a luxury Manhattan broker. "It's certainly not a scenario for pushing the prices up."

The number of contracts signed on Manhattan properties priced at \$4 million or more fell 15% in the first quarter of 2018 compared with the same period last year, according to data compiled by Ms. Olshan.

—Kate O'Keeffe contributed to this article.

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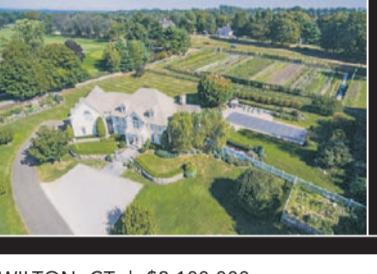
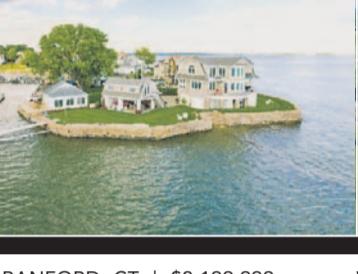
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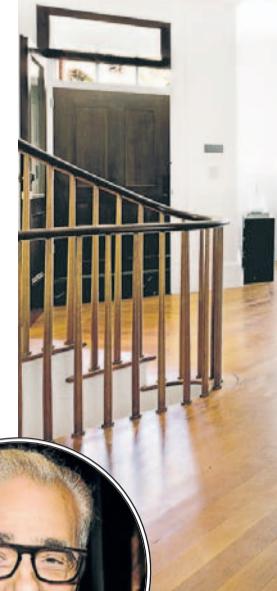
New York Home Built From School Asks \$23.5 Million

A townhouse that was formerly part of the St. Patrick's Old Cathedral School complex in Manhattan is coming on the market for \$23.5 million.

In the Nolita neighborhood, the buildings date back to 1826, when they were constructed in place of an orphanage and small parochial school on the site, according to the website of Basilica of St. Patrick's Old Cathedral, which is still across the street.

Students of the school included movie director Martin Scorsese, who grew up in nearby Little Italy. A scene from his 1973 movie "Mean Streets" was filmed at the church graveyard on Mulberry Street, his spokeswoman confirmed. Mr. Scorsese served as an altar boy at the church, she confirmed.

Developers Time Equities and Hamlin Ventures bought the complex for \$30.7 million in 2014 and combined and converted three of the buildings into condominiums.



This building was turned into a single-family mansion.

The mansion is a five-story townhouse. It has the lines of a late Federal house with a Greek Revival-style triangular pediment with oculus windows, according to



the listing. It spans more than 8,000 square feet with an additional roughly 1,600 feet of cellar space and a backyard. It has seven bedrooms, seven full bathrooms and three half-bathrooms.

The parlor floor comprises the formal living and dining rooms and



Christopher Riccio and Jed Garfield of Leslie J. Garfield & Co have the townhouse listing.

—Katherine Clarke

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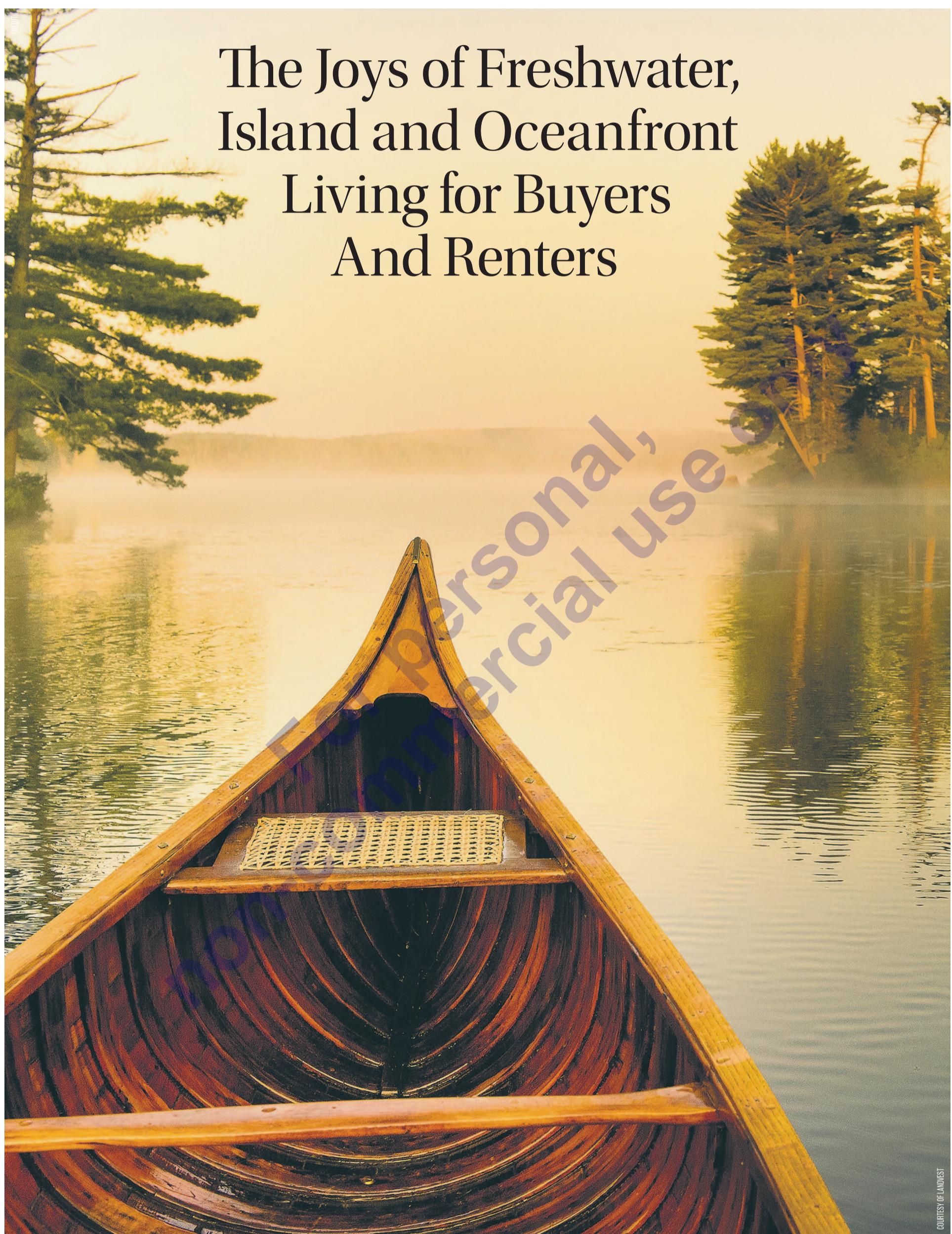
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Cape Cod, Islands: Alluring as Ever

SELLERS ARE LIKELY TO BE INUNDATED WITH OFFERS, WHILE BUYERS NEED TO MOVE FAST

By Joseph Dobrian

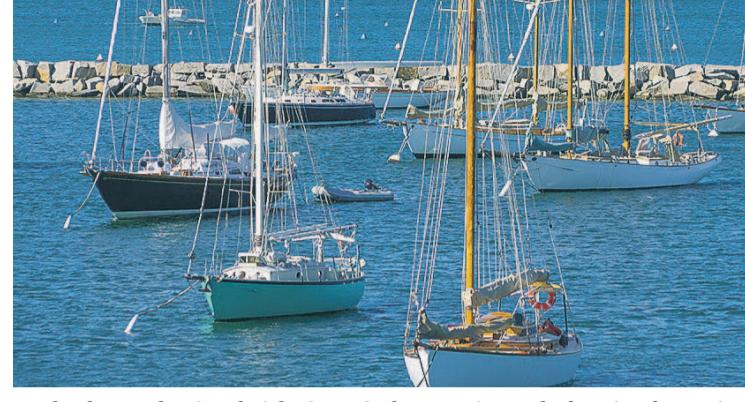
Cape Cod, and the islands to the south of it, remain among America's top second-home markets, and many buyers—especially Baby Boomers—are looking to relocate there year-round. Availability is as tight as ever, especially under \$500,000, and many buyers are looking for older properties that they can tear down or gut and renovate.

BUYERS AND RENTERS

Wendy Beaulieu, senior vice president of William Raveis Real Estate in Osterville, Mass., says she sees many people who are nearing retirement age looking for a property they will move into eventually, but might use as a rental for a few years. Younger buyers, meanwhile, are more inclined than ever to focus on properties closer to town centers, for easy access to dining and entertainment.

Proximity to water—ocean, lake, or pond—remains a top priority for most buyers, with oceanfront properties commanding the highest prices. However, Ms. Beaulieu remarks, a “downtown presence” is often a desirable alternative.

“Communities like Falmouth, Mashpee, Osterville, and Chatham have been very strong,” she says. “The more affordable properties move very quickly if priced correctly.”



Its harbor makes Sandwich, Cape Cod, attractive to the boating fraternity.

often with multiple offers. We often see younger buyers purchasing a home on the water and either tearing it down or fully renovating it.

“Boomers are buying homes for future retirement, while younger buyers look for a second home that they treat as an investment. There’s not a lot of land to build on, and what development we have is not so much that we’ve lost our traditional character,” she adds.

“THE MARKET CURRENTLY CONSISTS OF A HEALTHY NUMBER OF BUYERS BUT NOT MANY LISTINGS.”

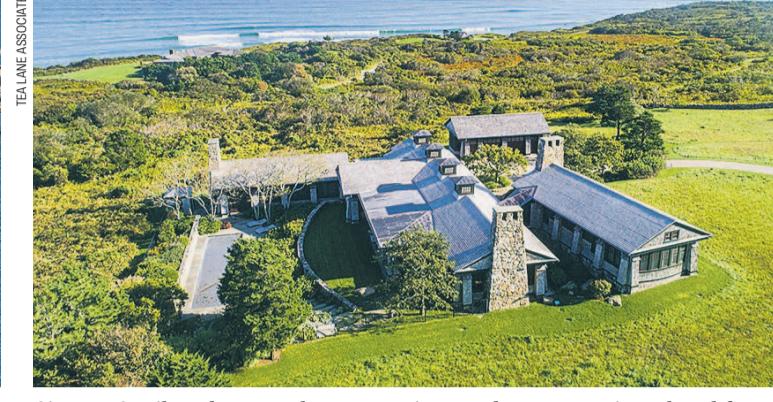
We have a great property in Chatham that will go fast, at \$2,195,000: 3,300 square feet, with second-floor water views and proximity to downtown.”

BOATING COMMUNITY

Broker Jamie Crowley of LandVest notes that Woods Hole offers “a great combination of the gateway to the Cape and the islands, combined with a funky intellectual vibe.” It’s home to a vibrant boating community. The top properties there are located on Penzance Point, a rocky neck overlooking the rushing tides of Woods Hole with views across to the privately owned Elizabeth Islands.

Ali Steeves, Sandwich-based realtor for Jack Conway, says the market currently consists of a healthy number of buyers but not many listings. The long and late winter, she says, has served to delay the beginning of Cape Cod’s spring market.

“If your home is on the market and reasonably priced and updated, you may find yourself in a multiple-offer situation,” she says. “With rising interest rates, you need to pay attention to which buyer is best qualified, and not necessarily the highest offer.”



Six-acre Squibnocket Farm has ocean views and access to private beachfront.

“Regardless of market conditions, I see buyers willing to pay for homes that are updated, rather than paying less and doing the work themselves. They want to be able to walk right in.

“I specialize in military relocation, and my company offers closing discounts to military buyers and sellers. I will have Coast Guard clients come to town for a short window of time, and not have much to show them. It’s frustrating. Although this is a seller’s market, buyers are knowledgeable and can spot an overpriced home. Pricing your home correctly is key in any market.”

QUAINT DOWNTOWN

Ms. Steeves says Sandwich is a year-round town, unlike some Cape Cod communities, with many homes within walking distance of the quaint downtown. She’s currently offering a condo property, fully furnished, in Hyannis.

“It has three floors, with a private beach, views, and beachy décor,” she adds.

On Martha’s Vineyard, principal broker Abby Rabinovitz of Tea Lane Associates reports that prices on the island rose in 2017, with inventory dropping.

“Buyers can still find good value,” she says, “But I’m urging them to visit early, because the market is moving. In our new inventory, we have a stunning home on the Squibnocket peninsula: on six acres, with pool, with wonderful views and access to miles of private ocean beach and pond front.”

“The island is spectacularly beautiful, unspoiled, and varied, with rural vistas, amazing beaches and six towns—each with its own character,” she says. “You can relax and unwind, enjoy an active intellectual community through lectures and discussions, or lose yourself on the beach or the golf course, or sailing the beautiful waterways.”

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Special Advertising Feature

Education, Culture Drive Massachusetts Communities

A DIVERSE RANGE OF ACTIVITIES AND OPTIONS MAKES THIS A HIGHLY DESIRABLE LOCATION

By Joseph Dobrian

Massachusetts is a small state, with Stockbridge in the Berkshires and Boston on the Atlantic Coast separated by a drive of just over two hours, and many delightful cities, towns and villages in between. World-class colleges and universities, and a generally high quality of life, drive the luxury real estate markets in many communities—especially those just west of Boston proper, such as Newton, Wellesley, Brookline and Waltham. Inventory is extremely tight in greater Boston, with prices rising, but the pickings might be a little richer in these towns than in the heart of the city.

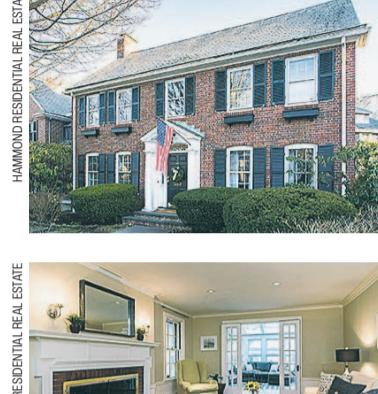
DESIRABLE CITY

"As a lifelong resident of Newton, it's easy for me to identify what makes Newton so desirable," says Jim Nemetz, manager of the Hammond Residential offices in Newton and Brookline. "Newton is a diverse city made up of 13 villages, many of which have houses that are walking distance to public transportation."

Its proximity to Boston, combined with excellent schools and an active community, makes it very attractive to families. The fact that it's often voted one of the safest cities in



Boston skyline from the waterfront, left; a traditional Colonial home in Newton's Chestnut Hill neighborhood; right.



the country doesn't hurt, either. In addition, our housing stock is as diverse as our communities," he says.

"IF A PROPERTY IS WELL PRICED IT TENDS TO FLY OFF THE MARKET."

Educational institutions in the area are some of America's best, and offer an unmatched menu of cultural options which attract buyers of all ages, professions and lifestyles.

Susan Ausiello, vice president/managing broker of Coldwell Banker's Wellesley office, calls Wellesley "the quintessential college town," and one of the few smaller towns in the area with a vibrant shopping district.

"You'll find plenty of clothing boutiques and restaurants," she says. "We have great transportation into Boston, so we're very attractive to people in the financial-services industry. We have highly ranked public and private schools, plus a nice variety of housing stock.

"The neighborhood off of Weston Road gets a lot of attention; so does College Heights, where you can find stock from the \$700,000s to about \$1.2 million, with easy access to trains," she adds.

"The top of the market around here is about \$5 million. Land is very scarce, so the only new building is tear-downs. The majority of our houses are on plots of 5,000, 10,000, or 20,000 square feet, depending on the neighborhood. They're mostly in the Colonial or Cape Cod style, with some ranch-style homes

and a few contemporaries—although none of those are on the market just now."

SELLER'S CONDITIONS

Wellesley is a town of some 27,000 people, where prices average \$1.55 million for a house and \$850,000 for a condo. Current conditions tend to favor the seller, Ms. Ausiello says, although the market is more balanced over \$2 million. Newton is more of a city, with a population of 89,000, and its prices are considerably lower.

"Newton comprises several little villages, each with its own special character," she explains. "Both towns have neighborhood schools, so the majority of kids can walk to their school, and they tend to form friendships within the neighborhood—which means parents don't have to drive their kids to play-dates.

We have vibrant youth sports programs. But we could use more inventory. If a property is well priced, it tends to fly off the market."

RISING PRICES

David Friend, senior vice president of William Raveis real estate in Boston, reports that the median sales price in Boston's Back Bay has risen 26% in the past three months. If you blink, he adds, you'll miss a new listing.

"Properties go up on Friday and they're gone Saturday morning," he says. "There's still some inventory coming out on the Seaport, but demand is still high. Sellers are no longer throwing their properties onto the market: they're buttoning them up, making them presentable, and I'll see as many as 60 offers on a property. Owners want to sell, but the challenge they face is finding a home to downsize to. Most buyers are looking for walkability, especially proximity to restaurants.

"The situation is a little calmer in suburban communities. We see spillover into Dorchester, Quincy, Hingham is a hub for the South Shore. It's glamorous, cosmopolitan, but its prices have risen year-over-year, so buyers might look in Norwell, Scituate and Hanover.

"It's tough for the buyer today. You have to be on your game to find your property. This should be a robust spring."



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Special Advertising Feature

'Little Rhody': A Surprisingly Big Market

WATER MAY BE THE COMMON DENOMINATOR, BUT THERE'S A WEALTH OF EXPERIENCES TO BE HAD

By Joseph Dobrian

Rhode Island, the smallest of the 50 states, is one of the largest in terms of water-based activity. Providence and Newport are two of New England's most important cultural centers, and homebuyers can find oceanfront, urban or rural experiences there. The Rhode Island coast is easily accessible from the New York and Philadelphia areas, and it's close enough to Boston that you're only a few minutes from a Major League Baseball game. Rhode Island also offers remote, quiet farm properties, inland, with plenty of acreage for horses.

MILES OF COASTLINE

"One of Rhode Island's biggest draws is that we're only about 1,200 square miles, with 400 miles of coastline," says Judy Chace, principal of Mott &

Chace Sotheby's International Realty in Providence. "There's not a water experience you can't find in Rhode Island. The city of Newport is the sailing capital of the world."

"Newport has restaurants and nightlife year-round, but it's at its best in the summer. It has a beautiful harbor and it's also famous for tennis and jazz."

Another draw to Newport are the enormous beachfront estates—mansions dating mostly from the late-19th century—that today house museums and elaborate gardens, and host various cultural events.

"THERE'S NOT A WATER EXPERIENCE YOU CAN'T FIND IN RHODE ISLAND."

David Huberman, broker at Gustave White Sotheby's International Realty, says that

*At its best in summer, Newport has year-round appeal.**Providence is a stylish, vibrant city loved by foodies.*

while Newport lacks inventory in certain price ranges, he sees opportunities for buyers in the \$3 million to \$6 million range. Newport has one of the world's best sailing and yachting communities, he says, and the September boat show is always a big draw.

"We have folk, jazz and classical music festivals, antique car shows; we even have movie shoots occasionally; we are a year-round community," he reports.

"Homes that are priced correctly sell quickly. We are currently listing The Birdhouse. It's a spectacular shingle-style house with panoramic ocean views, set on a hill with views to Block Island. Another property, owned by the Providence Catholic Diocese, is the Cluny School, on 8.3 acres that were originally part of the James estate," he adds.

"Another great listing, for \$849,000, is a two-bedroom

cottage in Jamestown with harbor views, if you just want an island getaway."

PICTURE-PERFECT

Another community that comes alive in the summer is Watch Hill. Ms. Chace calls it "picture-postcard perfect."

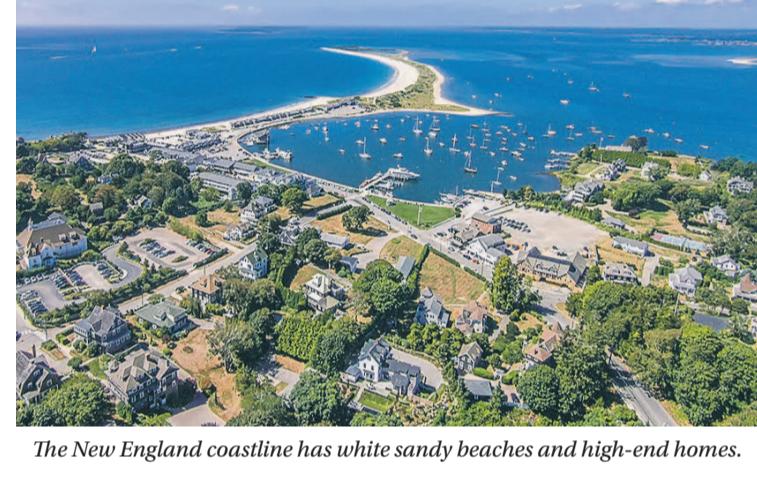
"It's what you envision when you think of the New England coastline," she explains. "Watch Hill has one of the greatest hotels in the world, and white sandy beaches; it has very high-end homes with extraordinary oceanfront estates that sell in the \$10 million-plus range."

"The beautiful barrier beaches and adjoining salt ponds combine to produce another characteristic of Rhode Island that attracts homebuyers. You can have a home with a dock on one of the salt ponds and take your boat across—which is the only access to a three-mile stretch of pristine

white-sand ocean beach. It can be the middle of July on the most beautiful sunny day and there will only be a handful of people on the beach. Rhode Island offers a variety of waterfront activities in a very condensed space."

People looking for a more urban experience will find that the state's capital, Providence, is "not your mother's Providence anymore," Ms. Chace says. Its waterways, largely paved over decades ago, have been uncovered, and Providence has been transformed into what looks like another Venice.

Ms. Chace continues: "Providence has become a very young and vibrant city, where you can have a fabulous urban life on a smaller, more affordable scale than Boston. And, as foodies from all over the country will tell you, it's impossible to have a bad meal in Providence."

*The New England coastline has white sandy beaches and high-end homes.*

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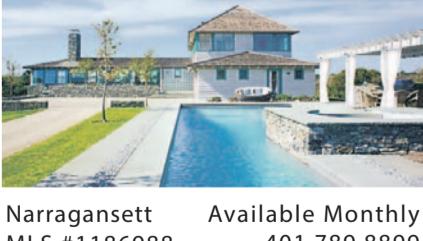
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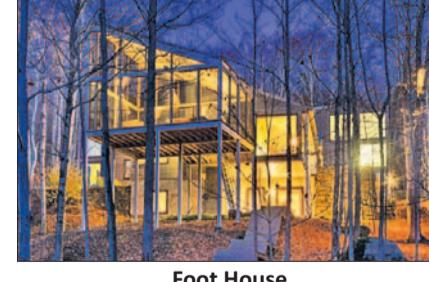
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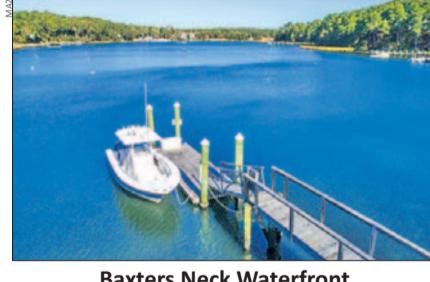
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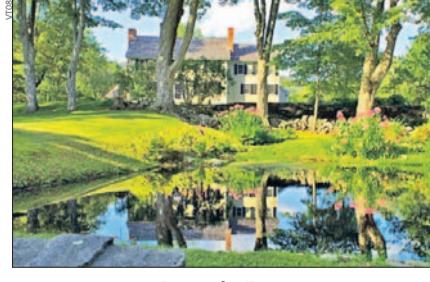
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Special Advertising Feature

Maine, N.H., Offer Freshwater Options

THESE PROPERTIES ATTRACT A DIFFERENT TYPE OF BUYER, FOR A LOWER PRICE

By Joseph Dobrian

The ponds and lakes of Maine and New Hampshire attract many homebuyers looking for a quiet, bucolic experience. Maine, of course, offers a legendary sea coast, but its freshwater properties tend to carry a considerably lower price. New Hampshire, next door, has almost no coastline, but an extraordinary number of freshwater options.

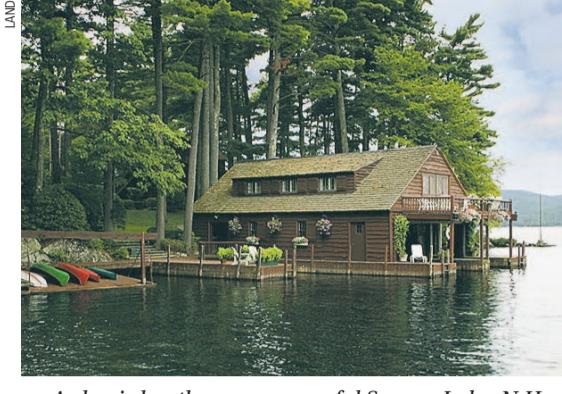
QUIET RETREAT

"Squam Lake is the eternal favorite for the quiet retreat in New Hampshire," says Kristin Claire, managing broker for LandVest in New Hampshire. "It contrasts with its neighbor, Winnipesaukee, which is the favorite of active families because it offers such a wealth of water sports. Nubanusit Lake is a little-known gem in southwestern New Hampshire. It's ringed by conserved land with restrictions on motors, so it's always quiet."

Heather Peterson, president and co-owner of The Petersons real estate business in Peterborough, N.H., explains that along with Spoonwood Pond, Nubanusit Lake, in the towns of Hancock and Nelson, totals about 880 acres of deep cold water filled with lake trout and landlocked salmon.

"You'll find loons on the lake and nesting bald eagles," she says. "The waterfront properties are mostly cottages, and they're great year-round if you don't

LANDVEST



A classic boathouse on peaceful Squam Lake, N.H.

LEGACY



Great Pond, one of the Belgrade Lakes, in Maine.

"PEOPLE COME HERE FOR INTERACTION, TO BE PART OF THE COMMUNITY."

mind plowing your private road to get to them [in winter].

"We have one listed for \$966,000, just under 2,000 square feet, built in 1980. On Hancock's main street, an expanded antique Cape with water frontage is listed for \$595,000. Hancock has a general store, a white steepled meeting house, an historic inn, a cafe and a wonderful library. Many arts events and activities are offered."

MOUNTAIN VIEW

Another popular location is Thorndike Pond, in Jaffrey, near Mount Monadnock, allegedly the second-most-climbed mountain after Mount Fuji in Japan. The Petersons has a listing there featuring the mountain view. Jaffrey is also a cultural haven, with lectures and concerts at its old meeting house.

"We don't have big lakefront houses," Ms. Peterson says. "People come here for the

interaction—to be part of the community."

Chris Lynch, broker/owner at Legacy Sotheby's International Realty in Portland, Maine, reports that the state has 6,000 lakes and ponds in all shapes, sizes and depths.

"They attract two kinds of buyers: those who want easy access, and those who want to be so far into the middle of nowhere that nobody can get there—including them most of the time," Mr. Lynch jokes.

"These properties are often called camps, whatever their size. The most popular destination is Sebago Lake, which is over 300 feet deep, with high-quality water. It's a two-hour drive from Boston, or 30 minutes from Portland.

"Then there's Megunticook Lake, just outside of Camden. The Camden/Rockport area is one of the most desirable in Maine. The Belgrade Lakes, of which the two most attractive

are Long Pond and Great Pond, are connected by the Salmon River.

Lake properties generally have a more approachable price point than ocean properties: about 50% lower. New Hampshire lakes in general have higher price points because they offer better access from Massachusetts. There you'll find Lake Sunapee, which is well located in relation to

greater Boston. It has international appeal, with beautiful cottages and some gorgeous big, old properties, many of them restored and updated," he adds.

POPULAR LAKES

"Sebago Lake is the largest in the Portland area," says David Banks, broker/owner of RE/MAX By the Bay in Portland. "It's great for boating, but it can be crowded in the summer. Little Sebago Lake is desirable because of its proximity to Portland—it's also typically warmer than the larger lakes, so it's great for swimming."

"Moose Pond is located near Shawnee Peak, and many people who have homes there use them year-round, since they can ski close by in the winter. It's in good proximity to the town of North Conway, N.H. and the White Mountains," he adds.

Joseph Dobrian is a freelance writer specializing in real estate.

**Piney Point Waterfront - Marion, Massachusetts**

Sprawling waterfront compound with private deep water dock and sandy beach located in the highly desirable Piney Point neighborhood. Set on 21 acres overlooking Wing's Cove and Buzzard's Bay, this lovely 5800 sq. ft. home offers an attached guest house, views from every room, and in close proximity to the association dock, beach club, and tennis courts.

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**NEW HAMPSHIRE - WATERFRONT**

FROST POND: With 900 ft frontage on a 6 acre point on a quiet pond viewing protected land, this Colonial has a family friendly ten rm interior (3-4 BRs, 2 1/2 baths). Vaulted ceiling LR, kitchen and first floor MBR. Screened porch, sunroom and spa. \$649,000



THORNDIKE POND: This 6.2 acre property has a commanding view of Mt. Monadnock across a 252 acre lake. 1969 four bedroom Garrison residence has LR/DR with fieldstone fireplace and large screened room. Water's edge rustic cottage, dock, swimming beach. \$699,000



NUBANUSIT LAKE: Footsteps to the water's edge with a long multi-section dock, this 3 BR, 1 1/2 bath residence has open concept living, walkout lower level, large screened porch and huge deck. Attached 2 car garage plus extra garage for boat storage/workshop. \$966,000.

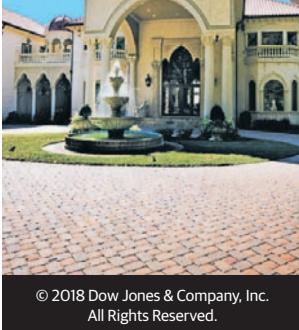
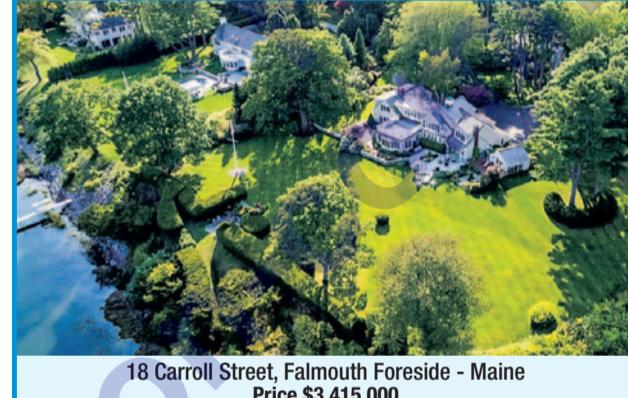


NORWAY POND: This Main Street 1820 rambler (4,778 sq. ft., 15 rms, 5 BRs, 3 baths, 2 lavs), exquisitely maintained, overlooks an included conserved waterfront lot. Open first floor plan. Original floors & paneling, 6 fireplaces. Game room 36' x 19', 1st floor Master BR. \$595,000.

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All Rights Reserved.**MAINE****18 Carroll Street, Falmouth Foreside - Maine**

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Dramatic oceanfront home in Falmouth's prestigious Bramhall Field, featuring unobstructed panoramic views of Casco Bay and surrounding islands. Built in 1938, the home was designed by acclaimed architect Royal Barry Wills. The property is set on 2.72 acres of manicured lawns and exquisite gardens leading towards the sea. Renovated for today's discerning buyer, the home offers the finest quality finishes and amenities. A recently completed carriage house provides additional vehicle or boat storage with the opportunity to finish the second story for guest quarters.

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PETERSONS INC.www.PetersonsRealEstate.com Peterborough NH 603-924-3321**NEW HAMPSHIRE - WATERFRONT**

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MANSION

SHIP AHOY The front of Benjamin and Bianca Reichenecker's home fosters privacy by jutting forward like a ship's prow.



CLARA TUMA FOR THE WALL STREET JOURNAL (6)

BALANCE SHEET

A Painstaking Lesson in Geometry

A German couple fled Munich's prices to build an austere showcase in their home village; neighbors adjust

BY J.S. MARCUS

GERMAN COUPLE Benjamin and Bianca Reichenecker wanted a white cube of a house. What they got was a hexagonal showcase.

After a few years in Munich, which has long had the highest property prices of any major German city, the Reicheneckers, both 35 years old, decided to return to their native village of Pliezhausen, near Stuttgart, in the southwest of the country, and get more for their money. They found a 1/6th-acre lot for \$308,000 close to family members, and planned to spend about twice that on the house.

They quickly ran into road-blocks. Architects scoffed at their low budget. Then, the local planning commission rejected their flat roof. Finally, after handing over the creative reins to Steimle Architects, a Stuttgart studio, they ended up with a bijou villa with an unusual hexagonal shape and—at \$1.42 million—a much higher price than they had envisioned.

As required, the flat roof went by the wayside. The house's stark, contemporary design includes a newfangled riff on an old-fashioned slanted roof.

Mr. Reichenecker, an executive at a German tractor maker, is proud of the results: "I can come home in the evening and say 'Wow, this is mine!'"

The couple broke ground mid-2015 and moved into the finished home in late 2016 with their two small children.

The 2,800-square-foot house, spread over two stories, has four bedrooms and two bathrooms. Life is concentrated on the top floor. The children's bedrooms, accessed off the kitchen, each have sleeping lofts. A sliding door off the kitchen turns the master suite into something of a compact master wing.

The couple spent \$32,200 on the bathrooms, and \$56,400 on the custom kitchen, whose six-sided island echoes the house's hexagonal silhouette.

The home's overall design is meant to accommodate the couple's different temperaments, says Mr. Reichenecker.

"I'm extroverted, and my wife is more introverted," he says, alluding to the wide open feeling of the kitchen, which he enjoys, but which strongly contrasts with the cavelike ground-floor entrance that suits his wife's tastes.

The challenge, says the couple's architect, Thomas Steimle, was "the ordinariness of the lot and the neighborhood." Surrounded by conventional single-family homes, and sitting across the street from a low-rise apartment building, the lot was both small and undistinguished.

For privacy, Mr. Steimle, 44, thrust the front of the house forward, like the prow of a ship, closing off the view of the apartment block but opening up side views of the Swabian Alps. Sliding glass doors extend the open-plan living



ISLAND LIFE The Reicheneckers with their children in the kitchen above. Below, the open-plan living and dining area and master bath.



and dining areas onto an outdoor wooden deck.

The Reicheneckers spent \$56,500 on landscaping, including the deck, and \$34,300 on the sliding glass doors.

The minimalist interior gives prominence to the house's bare-bones components: off-white concrete walls, pale-beige wood floors, and a grayish-brown living room sofa. The couple spent \$27,000 on the living room's black hearth area, which includes a contemporary wood-burning fireplace and a large-screen television that can disappear behind a panel. Without a fire going and with the TV turned off, the area converts into a shimmering black wall.

"To be honest, I don't like too much color," says Ms. Reichenecker, who works in human resources.

During a visit in early spring, the only real splash of color was a flower bouquet on the dining table. That is set to change later this year, when the couple plan to add a whole wall of preserved green moss, which will add color as well



as muffle noise.

Sleekness will stay near the top of the menu. The kitchen's Miele appliances are carefully hidden behind a subtle array of handle-less oak cabinets, and the hallway connecting the bedroom to the kitchen is actually a de facto walk-in closet, thanks to carefully concealed storage.

DECKED OUT
A view of the deck, which leads to the open-plan living room, right, and one of the Reichenecker children's bedrooms, left.

The family is still figuring out how to make the most of the lower level. The spacious but closed-off foyer, meant to instill a feeling of security as soon as you walk in the door, has turned out to be an ideal spot for home workouts. And an underused guest bedroom may later be converted into a sauna.

The couple spent about \$30,800 on a bespoke smart-home system from Loxone, an Austrian startup, which they use to control functions from lights and kitchen appliances to a \$69,400 climate-control system fed by an air pump.

Pliezhausen, located in a dynamic economic cluster called the Neckar-Alb region, is far from rus-

tic. The headquarters of German clothing brand Hugo Boss is nearby, and the region's midsize high-tech manufacturers typically serve the Stuttgart automotive industry. (Both Reicheneckers once worked at Porsche.)

Nonetheless, not all village residents were ready for the austere eye-catcher.

"You can see people walking across the street and shaking their heads," says Mr. Reichenecker, adding that the home has become something of a local attraction.

Family members were also skeptical when they saw the plans, but now they get a kick out of it, he says. "We like it and they like it."