

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

**A**mazon delivered its best revenue growth since 2011, while profit more than doubled to top \$1 billion for a second straight quarter. The company credited its cloud-services and ad businesses for the results. **A1**

◆ **Wells Fargo** is being probed by the Labor Department over whether it has pushed customers to roll 401(k) holdings into costlier IRAs. **A1**

◆ **The highest oil prices** in years are boosting costs and denting earnings at some firms, while proving a boon for energy companies. **A1**

◆ **Huawei scrapped** plans for a bond sale after news that the U.S. is probing whether the Chinese firm violated Iran sanctions. **B1**

◆ **The Nasdaq broke** a five-day losing streak, boosted by tech shares. The Dow rose 238.51 points to 24322.34. **B1**

◆ **Microsoft posted** a profit increase of 35% for the latest quarter, aided by its surging cloud-computing business. **B4**

◆ **Barclays posted** higher revenue at its investment bank but a U.S. settlement led to an overall loss. **B10**

◆ **Deutsche Bank said** it would retreat from some businesses as it posted lower profit and revenue. **B10**

◆ **Lockheed will remain** the sole supplier of GPS satellites to the U.S. after rivals declined to bid. **B4**

◆ **PepsiCo plans** to boost U.S. cola advertising as it seeks to reverse declines. **B2**

◆ **Southwest's bookings** have fallen since last week's fatal airline accident. **B2**

### World-Wide

◆ **Kim became** the first North Korean leader to enter the South since the Korean War when he crossed the border Friday to meet with South Korea's Moon. **A6**

◆ **Otto Warmbier's parents** sued North Korea, saying the college student was "brutally tortured and murdered." **A6**

◆ **Pompeo was confirmed** by the Senate as secretary of state, installing the final piece of Trump's revamped foreign-policy team. **A4**

◆ **Trump's VA pick** withdrew his candidacy after allegations he wrecked a car while drunk and freely dispensed prescription drugs. **A4**

◆ **Cosby was found guilty** of sexually assaulting a woman in 2004, in the first major prosecution since the #MeToo movement. **A3**

◆ **Trump said** he had decided not to get "involved" for now with the probe of his associates' alleged ties to Russia and business dealings. **A5**

◆ **A Senate panel** approved a bill that would protect special counsel Mueller from being fired without cause. **A5**

◆ **EPA chief Pruitt** fought back against Democratic criticism, saying the attacks were driven by opposition to Trump's agenda. **A2**

◆ **German leader Merkel** meets with Trump on Friday in a last-ditch effort to avoid a trade conflict between the U.S. and EU. **A7**

◆ **Sen. Menendez** of New Jersey was admonished by the Senate ethics panel for failing to disclose gifts from a Florida eye doctor. **A3**

**CONTENTS** Opinion A13-15  
Business News B3-6 Sports A12  
Crossword A10 Streetwise B1  
Head on Street B12 Technology B4-5  
Life & Arts A10-11 U.S. News A2-5  
Mansion M1-12 Weather A11  
Markets B11-12 World News A6-8,16

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Source: Morningstar

17

## North Korea's Kim Takes a Historic Step South



**BORDER CROSSING:** Kim Jong Un, left, became the first North Korean leader to set foot in the South since the Korean War when he stepped across the military demarcation line at Panmunjom on Friday for talks with Moon Jae-in, the South Korean president. **A6**

## Firms Feel Impact of Oil Rise

Companies look to pass on costs to customers, which would push inflation higher

By DOUG CAMERON AND BRADLEY OLSON

The highest oil prices in years are increasing expenses for companies that had grown used to low energy costs since crude's 2014 tumble, while the turnaround is proving to be

a boon for some businesses.

Giant outfits from American Airlines Group Inc. to 3M Co. have warned this week about how persistent higher oil prices are boosting their expenses this year.

In response, some companies are looking to pass on the costs to their customers, which would push inflation higher. That, in turn, could slow growth and weigh on an already vulnerable stock market.

"I do believe that consum-

ers will pay more," said American Airlines Chief Executive Doug Parker.

The airline on Thursday lowered its profit outlook for the year, citing in part a 12% increase in the average price of jet fuel over the past two weeks. Fuel is airlines' second-largest expense after labor, and fare changes tend to lag movements in oil by several months. Mr. Parker said he didn't think higher fares would hurt demand.

The increased energy costs

hurt in the first quarter because West Texas Intermediate crude prices have remained above \$60 for much of the year, something not seen since late 2014. Higher energy prices hit different industries over time, and it can take weeks or months before they can pass their higher costs on to consumers or vendors.

Railroad operator Union Pacific Corp. reported Thursday that its fuel expenses

Please see OIL page A6

## Amazon Revs Up Profit, Revenue

By LAURA STEVENS

Amazon.com Inc. on Thursday delivered a double punch, reporting its best revenue growth in more than six years while topping \$1 billion in profit for the second straight quarter.

The results surprised investors who were already expecting Amazon to post strong numbers as it extends its dominance in online retailing and builds on gains in cloud-computing services. But this quarter, Amazon was expected to post a more modest profit as it refocused on longer-term investments after a blowout holiday period.

Instead, Amazon more than doubled its quarterly net profit to \$1.6 billion—just under its record of \$1.9 billion from the holiday quarter—as revenue surged about 43%. The profit feat is an achievement for a company with a reputation for plowing nearly every dollar it earns into investments.

The revenue growth was Amazon's best mark since the third quarter of 2011, pushing the total to about \$51 billion. The company credited the better-than-expected results to its cloud-services division and strong growth in the company's advertising business.

Amazon's swelling profitability doesn't appear to be an anomaly—it expects operating income to potentially more than double to as high as \$1.9 billion in the second quarter—though Chief Financial Officer

Please see PROFIT page A2

◆ Heard on the Street: Biggest delivery for Amazon..... B12

## Wells Is Facing 401(k) Inquiry

By GRETCHEN MORGENSEN AND EMILY GLAZER

The Labor Department is examining whether Wells Fargo & Co. has been pushing participants in low-cost corporate 401(k) plans to roll their holdings into more expensive individual retirement accounts at the bank, according to a person familiar with the inquiry.

Labor Department investigators also are interested in whether Wells Fargo's retirement-plan services unit pressed account holders to buy in-house funds, generating more revenue for the bank, the person said.

A new federal investigation is unwelcome news for Wells Fargo, which has been dealing with an array of regulatory issues over the past two years. Just last week, it agreed to pay a \$1 billion fine over claims of misconduct in its auto- and mortgage-lending businesses.

Please see WELLS page A4

## Cosby Convicted of Sexual Assault



**FALLEN:** A Pennsylvania jury on Thursday found entertainer Bill Cosby guilty of sexually assaulting a woman at his home in 2004. Lawyers for the 80-year-old comedian and actor plan to appeal. **A3**

## Michael Cohen: Outside, Looking In

Denied a White House job, Trump's lawyer struggles; 'Boss, I miss you so much!'

In the 15 months since Donald Trump shut him out of a White House job, Michael Cohen, the president's personal lawyer, has made a

By Michael Rothfeld, Alexandra Berzon and Joe Palazzolo

show of publicly dining with a vocal Trump critic, the billionaire Dallas Mavericks owner Mark Cuban.

After lunch at Freds restaurant in New York in April 2017, a gossip item appeared in the New York Post. When they had breakfast at the

Time Warner Center in November, paparazzi "somehow" showed up, Mr. Cuban said. "I think he does it to piss off Trump when Trump is ignoring him."

The second meeting, reported by celebrity-news outlet TMZ, did catch Mr. Trump's attention. He called Mr. Cohen to complain. The attorney sought to reassure him, according to a person familiar with the conversation.

"No, boss, I had breakfast

Please see COHEN page A9

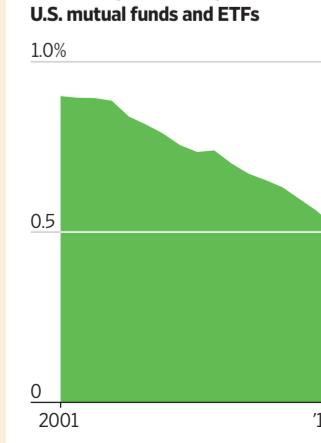
◆ Jackson withdraws as nominee to lead the VA..... A4

## Fund Fees Keep Sinking Lower

Fees had the biggest year-on-year decline since at least 2000. **B11**

Asset-weighted average fees for U.S. mutual funds and ETFs

10%



## In College Election Crackdown, No Glitter or Mascots Allowed

\* \* \*

Students running for office on campus trip over multiplying campaign codes

By PETER LOFTUS

Kristina Smith and her friends didn't know they were careening toward scandal as they danced to the music of Kanye West outside a Duke University dining hall in March, while distributing fliers promoting Ms. Smith's run for student-government president.

The election police soon put a stop to the fun. The music came from an iPad, and someone snatched to the student-government attorney general—another Duke undergraduate—that the tablet violated Section 6 of the election code, which bars candidates from soliciting votes

while possessing devices capable of connecting to the electronic voting system when balloting is under way.

Within hours, a student election board informed Ms. Smith it planned to dock 200 votes from her tally, imperiling her chances of victory. The junior public-policy major from Normal, Ill., filed an appeal, triggering a student-government showdown and a delay in the vote count, just as students were about to flee for spring break.

In the meticulous policed modern world of collegiate-government elections, students spot social-media manipulation and other of

Please see RULES page A9

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## U.S. NEWS

# Pruitt Says Critics Oppose Trump Agenda

BY HEIDI VOGT  
AND LOUISE RADNOFSKY

**WASHINGTON**—Scott Pruitt, the head of the Environmental Protection Agency, fought back Thursday against Democratic criticism of his spending and policies, asserting that the attacks were driven by opposition to President Donald Trump's agenda.

In largely partisan House subcommittee hearings, Mr. Pruitt said he recognized the "very troubling reports" on his travel, housing and personnel actions, but that much of what had been reported was

twisted. "Let me be clear, I have nothing to hide," he said.

The EPA administrator is under investigation for his spending on office furnishings, personnel moves, travel costs and destinations, security practices and the link between his rental housing in Washington and a lobbyist. The White House, inspector general of the EPA, House oversight committee and Government Accountability Office have been looking at the issues.

Mr. Pruitt, who as the Oklahoma attorney general sued the Obama administration over its environmental poli-

cies, was tapped for the EPA post to lead the rollback of regulations Republicans deemed burdensome.

On Thursday, Mr. Pruitt said he reversed course on several of the issues now under investigation when he became fully aware of them or if they became a distraction.

On his first-class air travel, he reiterated it had been dictated by security threats but subsequently opted to stop it after concluding it was creating a distraction for reasons of "optics."

Challenged about a \$43,000 secure phone booth he had in-

stalled in his office, Mr. Pruitt said that he had simply told staff he needed a method of secure communication. He said it had been agency career staff members who decided to spend the money and made the judgment it wasn't necessary to notify Congress. He said he wouldn't have made the decision if he had been aware of the cost.

Where Mr. Pruitt was unapologetic, Democrats were unforgiving.

"Your actions are an embarrassment to President Trump and distract from the EPA's ability to effectively carry out

the president's mission," said Rep. Frank Pallone (D., N.J.).

Rep. Tom Cole, a fellow Oklahoman, said he had high confidence in Mr. Pruitt's integrity and he believed the president's confidence in Mr. Pruitt would remain intact.

"He really performs for the president; that's a presidential decision," Mr. Cole said after the second hearing.

On Thursday, an administration official was critical of Mr. Pruitt's performance in the two hearings, but said he probably benefited from attention being directed at Ronny Jackson's withdrawal from the

Veterans Affairs secretary nomination and an interview the president gave on Fox News Thursday morning.

"It wasn't necessarily a forest fire—more like a small little burn," the official said.

Mr. Pruitt chalked up some of his missteps to a learning curve but said that responsibility for identifying and making changes "rests with me and nobody else." He also said that the criticisms stemmed from policies he had pursued.

"They want to attack and derail the president's agenda," he said. "I am simply not going to let that happen."

## Explosion Rocks Oil Refinery in Wisconsin



**BIG BLAST:** Smoke billowed from a Husky Energy Inc. oil refinery in Superior, Wis., on Thursday following an explosion that injured roughly 20 people.

## Demand Up For Durables, But Capital Goods Lag

BY SHARON NUNN

**WASHINGTON**—Demand for long-lasting U.S. factory goods rose in March because of increased aircraft orders, but an underlying proxy for business investment fell for the second time in three months.

Orders for durable goods—manufactured products intended to last at least three years, such as stoves and industrial robots—increased a seasonally adjusted 2.6% in March from the prior month, the Commerce Department said Thursday.

Meanwhile, a business-investment gauge, new orders for nondefense capital goods excluding aircraft, declined 0.1% in March from the prior month.

Taken together, the Commerce Department's latest report provides a mixed picture of U.S. business investment in the wake of late-2017 tax cuts meant to encourage U.S. firms to make capital expenditures.

"I was especially disappointed by the core capital-goods performance," Stephen Stanley, chief economist at Amherst Pierpont Securities said in a note to clients.

Many economists expect overall U.S. economic output will grow at a faster rate this year, bolstered by the recent tax-law changes.

## PROFIT

Continued from Page One

Brian Olsavsky cautioned he might not always have such good news.

"We certainly will always have periods of higher investment, and through the year we expect investments to increase," particularly for video content, Mr. Olsavsky said. He added that the company will continue to hire.

Amazon Chief Executive Jeff Bezos has told investors his company is focused on customers first, sacrificing short-term profit to keep prices low, urgently ship packages and expand into a broad array of services, including cloud computing and movie production.

While it still spends heavily on logistics and expansion—it's expenses rose 42% to about \$49 billion—the company appears no longer satisfied with razor-thin profit margins.

Amazon's profit, however, pales in comparison with other technology giants that generate far less revenue. Facebook Inc. on Wednesday posted a profit of nearly \$5 billion as its revenue surged 50%; shares in Facebook rose 9.1% on Thursday. Microsoft Corp.'s quarterly profit jumped 35% to \$742 billion, while Google parent Alphabet Inc.'s profit soared 73% to \$9.4 billion.

Shares in Amazon rose 7.2% in after-hours trading on Thursday to \$1,627. The stock is up about 35% this year, propelling Amazon's market value to over \$700 billion and put-

ting it neck and neck with Alphabet and Microsoft.

Amazon's dominant share of the e-commerce market is fueling revenue growth as traditional brick-and-mortar chains increasingly struggle and close more stores. Online sales are growing faster than overall retail, and Amazon currently commands roughly 43 cents of every dollar spent online, according to estimates by research firm eMarketer. The company's loyal base of Prime members, who analysts estimate spend significantly more than the average shopper on the site, now exceeds 100 million globally.

Amazon said Thursday it will raise Prime's annual price in the U.S. by \$20 to \$119, marking the second price increase in the program's 13-year history.

Still, Amazon has been spending heavily on building more warehouses and devices, as well as bulking up on assets for its delivery network and video content. During the quarter, it started adding one-and two-hour delivery from its newly acquired Whole Foods Market grocery stores in a handful of markets, as well as gearing up for the launches this week of Echo devices for children and the ability to deliver to customers' cars.

Those moves highlight Amazon's rapid ascent from its roots as an online bookseller to a conglomerate that offers a competitive line of tablets and voice-activated devices, runs a dominant cloud-services business and sells groceries from the neighborhood store. As it

expands into new business areas globally and furthers its reach into consumers' lives—from its Hollywood studios to its recent experimentation into health care and financial services—it is drawing attention to its growing clout.

Most visibly, President Donald Trump in recent weeks lashed out at Amazon's business practices and economic impact, raising questions about whether his comments will spur lawmakers to take a harsher look at Amazon's dominance. Other tech giants, including Alphabet and Facebook, are facing regulatory scrutiny over their companies' vast reach and access to personal data.

Still, policy experts say that targeting Amazon on anticompetition grounds would be difficult, requiring overturning

principles that have guided regulation for decades. Amazon has stayed silent on the topic.

Amazon has sought to differentiate itself from other tech giants by touting its job creation. Last year, the company announced the creation of 130,000 part- and full-time U.S. jobs through mid-2018, mostly at warehouses. It also launched the search for a second headquarters, which it has said could bring 50,000 high-paying jobs and more than \$5 billion in investments over nearly two decades.

The emphasis on warehouse employees means Amazon's median salary is just \$28,446, compared with \$240,430 at Facebook. In the first quarter, the number of global employees declined slightly from the fourth quarter to 563,100, although it was up 60% year-over-year.

Contributing to the number of employees is Amazon's acquisition of Whole Foods in August. Amazon has taken actions since buying the chain including lowering some prices, adding lockers in store and promising Prime benefits. Still, changes already under way before Amazon acquired the company have caused some strains with suppliers, and some executives have departed in recent months.

Revenue from physical stores, which primarily reflect Whole Foods but also includes a few Amazon bookstores and other physical locations, was \$4.26 billion for the quarter, slightly below the fourth quarter's \$4.52 billion.

A monthlong standoff between House and Senate lawmakers over bipartisan legislation to ease red tape for small- and medium-size banks may soon draw to a close, allowing the bill to clear Congress and become law.

House Financial Services Committee Chairman Jeb Hensarling (R., Texas) said he is open to advancing Senate-approved legislation to roll back the 2010 Dodd-Frank financial law without changes—as long as there are "other pathways" to advancing a separate series of House-favored bills not included in the Senate plan.

"I'd be happy to attend multiple signing ceremonies in the White House," Mr. Hensarling said, speaking at the U.S. Chamber of Commerce.

The remarks appeared to suggest Mr. Hensarling has accepted the political reality that any changes to the Senate bill could upend bipartisan support in the Senate, which passed the legislation in March on a 67-31 vote.

A core piece of the Senate bill could cut to 12 from 38 the number of banks subject to heightened Federal Reserve oversight by raising a regulatory threshold to \$250 billion in assets from the current \$50 billion.

—Andrew Ackerman

## MAINE

### Manhunt for Suspect In Killing of Deputy

The FBI is offering \$20,000 for information leading to the arrest of a man sought in the killing of a Maine deputy.

Officials announced the reward Thursday as over 175 officers continued to search for 29-year-old John Williams in and around the heavily wooded rural community of Norridgewock, about 60 miles west of Bangor.

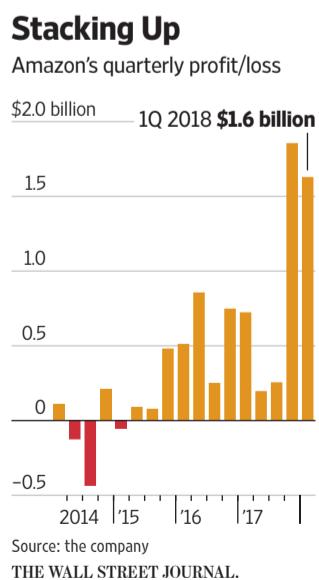
The killing of Somerset County Cpl. Eugene Cole on Wednesday is the first of a law-enforcement officer in Maine in nearly 30 years.

Somerset County Sheriff Dale Lancaster said investigators believe Mr. Williams is still in the area.

—Associated Press

## Stacking Up

Amazon's quarterly profit/loss



Source: the company

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## CORRECTIONS & AMPLIFICATIONS

**Police have named Joseph James DeAngelo as a suspect in the crime spree carried out by the so-called Golden State Killer. A U.S. News article Thursday about his arrest incorrectly referred to "his" crime spree without attributing the allegation to legal authorities.**

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

## U.S. NEWS

# Cosby Found Guilty of Sex Assault

Entertainer's lawyers plan to appeal verdict following conviction over 2004 encounter

By KRIS MAHER

NORRISTOWN, Pa.—A jury found entertainer Bill Cosby guilty Thursday of sexually assaulting a woman at his home in 2004, in the first major prosecution since the #MeToo movement put the issue of sexual assault by powerful men onto the national stage.

Mr. Cosby, the 80-year-old comedian and actor who has occupied the pinnacle of American celebrity for decades, faces as many as 10 years in prison for each of three counts of aggravated indecent assault, though the sentences could be served concurrently.

After Judge Steven O'Neill discharged the jury, Montgomery County District Attorney Kevin Steele asked to have Mr. Cosby's \$1 million bail revoked, saying he was a flight risk and owned a private plane.

"He doesn't have a plane, you asshole," Mr. Cosby erupted.

Mr. Cosby's attorneys quieted him. But Judge O'Neill

also had an angry exchange with the prosecutor, noting that Mr. Cosby had already surrendered his passport and attended every hearing. "Do not leave this county, Mr. Cosby, without any further order from this court," the judge said.

Cosby attorney Thomas Mesereau said he was disappointed with the verdict and planned to appeal. "We don't think Mr. Cosby is guilty of anything, and the fight isn't over," he said. Mr. Cosby didn't respond to shouted questions before getting into a large, black sport-utility vehicle.

Prosecutors celebrated the guilty verdict in their second attempt to convict the entertainer, after his first trial in June ended in a hung jury and a mistrial. Mr. Steele, the district attorney, said Mr. Cosby had used his celebrity, wealth and a network of supporters to conceal his crimes in the past.

"Now we know who the real Bill Cosby was," Mr. Steele said, adding: "We hope this case sends a strong message that the victims of these types of crimes can come forward and be heard on what happened to them."

The verdict capped a nearly three-week trial in Montgomery County Court that some viewed



**Andrea Constand, center, embraces supporters after Bill Cosby's conviction for assaulting her at his suburban Philadelphia home.**

as a milestone of the #MeToo movement, the wave of sexual-misconduct allegations against prominent men that burst into view last fall. Andrea Constand, 45 years old, said Mr. Cosby gave her three blue pills at his home in suburban Philadelphia in January 2004 when she was director of operations for the women's basketball team at Temple University, where Mr. Cosby was a trustee.

She said her legs became

rubbery and that Mr. Cosby helped her to a couch where he penetrated her with his fingers as she lost consciousness.

"I was weak. I was limp, and I just could not fight him off," Ms. Constand told the jury.

Judge O'Neill allowed five accusers beyond Ms. Constand to testify that they also were drugged by Mr. Cosby in the 1980s when they were aspiring actresses or models. Four said they remembered being raped

or molested by him.

A portrait strikingly at odds with Mr. Cosby's past persona as an affable comedian and star of "The Cosby Show" emerged at the trial. In a 2005 deposition, portions of which were read in court, Mr. Cosby said he got seven prescriptions for quaaludes in the 1970s to give them to women he wanted to have sex with, much "the same as a person would say, 'Have a drink.' "

Mr. Cosby's defense team tried to portray Ms. Constand as a "con artist" who made up the allegations to extract money from the star. Mr. Cosby paid Ms. Constand \$3.38 million to settle a 2005 lawsuit she filed against him alleging assault. He didn't admit wrongdoing.

Attorney Gloria Allred, who represents 33 women who have accused Mr. Cosby of sexual assault, said: "After all is said and done, women were finally believed."

## Opioid Curbs Face Patients' Pushback

By STEPHANIE ARMOUR

The war on opioids is making it tough for Evelyn Lopez to get narcotic pain medication.

A doctor recently stopped prescribing an opioid she had taken for years, saying it wasn't worth possible federal scrutiny. Ms. Lopez, a 53-year-old cancer survivor, travels 45 minutes to pick up another opioid prescription because her doctor isn't allowed to call a pharmacy for a refill.

"I have to jump through more and more hurdles," said Ms. Lopez, of Hazlet, N.J., who has chronic pain from treatment for her Non-Hodgkin lymphoma, which is in remission. "For people like me who depend on this medication, what they're doing is a huge injustice."

America is battling an opioid crisis, and the Trump administration has joined Congress and state capitals in the fight. But Ms. Lopez's frustrations illustrate the growing number of obstacles now facing patients with legitimate

needs for pain medication. Patient groups and health providers are increasingly challenging the limits that have been placed on prescription opioids in the name of combating the epidemic.

About 115 Americans die each day from opioid overdose, according to the Centers for Disease Control and Prevention, prompting almost 30 states to pass laws governing how long patients can get opioids or how strong a daily dose can be. Some require long-term users to submit to pill counts or urine tests that often aren't covered by insurance. In the private sector, liability worries have some pharmacies refusing to stock opioids altogether, while some insurers and drug-benefit managers have said they would limit the doses.

There could be more limits to come. President Donald Trump in March pledged to reduce opioid prescriptions by a third over the next three years. Congress is weighing legislation that would limit

first-time opioid prescriptions to three days.

Lawmakers and addiction specialists say that the limits are needed because opioids are extremely addictive, and that overprescribing helped fuel the current crisis. Studies have shown there are often more effective opioid alterna-

**About 115 Americans die each day from opioid overdose, according to the CDC.**

tives to manage chronic pain, they say.

The rise in opioid use can be traced in part to a concern in the late 1980s that pain was being undertreated, resulting in an accompanying push for more treatment. Pharmaceutical companies began heavily marketing opioids to physicians, especially with the release of OxyContin in 1996.

Millions of patients today are addicted, even though research shows the opioids don't work for such conditions as fibromyalgia, back pain and headache, said Andrew Kolodny, co-director of Opioid Policy Research at Brandeis University.

"Many of them may truly believe the opioids are helping them," Dr. Kolodny said.

More advocacy and doctors' groups say the measures, while often harming legitimate patients, do little to curtail an epidemic increasingly fueled by illicit rather than prescribed opioids. For example, some evidence suggests constraints on prescriptions are driving opioid misusers to illegal fentanyl, a drug whose use is more likely to result in death, according to a review of government data published in the Journal of American Physicians and Surgeons.

"The decision should be between the doctor and the patient," said Dr. Patrice Harris, past chair of the American Medical Association. "What the AMA and physicians are seeing is that the policies on restricting opioids are having a negative effect."

Patient advocacy groups—some of which get funding from drugmakers—say the focus on prescriptions is misplaced. "It's political. President Trump made this mandate and doesn't care if he knocks down people with chronic pain in the process," said Jana Shatzer, 55, of Cedar Rapids, Iowa, who takes prescription opioids.

The White House disputes this characterization. "For the first time in history, a sitting president has taken tangible action to combat the opioids crisis," said Hogan Gidley, White House deputy press secretary.

## Hit-and-Run Fatalities Soar

Hit-and-run crash deaths are rising nationwide, and pedestrians and bicyclists account for close to 70% of the victims, according to a report, as more people cycle to work and motor-vehicle fatalities are at a near-decade-high level.

The number of hit-and-run fatalities jumped 61% from 2009 to 2016, the most recent year for which data are available, according to the report from the AAA Foundation for Traffic Safety.

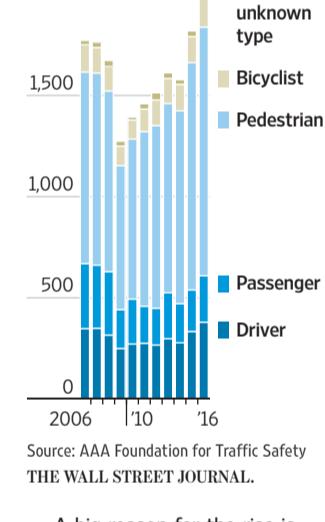
About 68% of fatal hit-and-run victims in 2016 were pedestrians or cyclists, compared with 61% a decade earlier, according to federal data cited in the report.

In 2016, 1,980 fatal hit-and-run crashes across the U.S. resulted in 2,049 deaths—both record highs in the roughly four decades that the National Highway Traffic Safety Administration has tracked such data, the report said.

"On the one hand, these statistics are a bit deflating. On the other hand, we can hope they serve as a wake-up call," said Jake Nelson, AAA's director of traffic safety advocacy and research.

### On the Rise

Number of fatalities from hit-and-run crashes by type



Source: AAA Foundation for Traffic Safety

THE WALL STREET JOURNAL.

A big reason for the rise is that deadly car crashes are up overall, the foundation said. Traffic-related fatalities surpassed 40,000 last year, the second year in a row, according to the National Safety Council.

—Scott Calvert



Evelyn Lopez of Hazlet, N.J., who is in remission from Non-Hodgkin lymphoma, has run into difficulties getting opioids to treat her pain.

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## Senate Ethics Panel Rebukes Menendez

By NATALIE ANDREWS

WASHINGTON—Sen. Bob Menendez (D., N.J.) was admonished by his Senate colleagues Thursday for failing to disclose vacation costs and political contributions from a Florida eye doctor, and was ordered to pay back the value of the gifts.

The Senate Ethics Committee, led by Sen. Johnny Isakson (R., Ga.), sent a public "letter of admonition" to Mr. Menendez, saying he "knowingly and repeatedly accepted gifts of significant value from" Salomon Melgen, a longtime political supporter.

Mr. Menendez's office didn't return a request for

comment.

The rebuke comes about five months after a federal jury deadlocked in a corruption trial of Mr. Menendez. He faced 18 counts, including conspiracy, bribery, fraud and honest services fraud, which carried a maximum sentence of 20 years in prison. The Justice Department decided not to seek a retrial.

During the eight-week trial, prosecutors alleged that Dr. Melgen, who was also charged, lavished the senator with trips on his private plane, luxury Caribbean vacations, a \$4,900 stay in a fancy Paris hotel and hundreds of thousands of dollars in campaign donations.

In return, they said, Mr. Me-

nendez helped to secure visas for several of the doctor's girlfriends, sought to intervene in a port-security matter that would have benefited a business investment of Dr. Melgen and tried to help with a multi-million-dollar Medicare billing dispute involving the doctor.

Defense attorneys for the men argued the government was misconstruing a long-standing and genuine friendship between the defendants. But the ethics committee concluded: "Your assistance to Dr. Melgen under these circumstances demonstrated poor judgment and it risked undermining the public's confidence in the Senate."

The rebuke doesn't affect Mr. Menendez's status in the Senate, a senior Democratic aide said. Mr. Menendez resumed his place as the top Democrat on the Senate Foreign Relations Committee in February.

However, it could become an issue in his re-election campaign. While he is unopposed in the Democratic primary, he will likely face Republican Bob Hugin, a retired pharmaceutical executive, in the general election.

"Bob Menendez's scandalous conduct laid out in this letter should outrage every New Jersey voter," said Bob Salera, a spokesman for the Republican Senatorial Campaign Committee.

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## U.S. NEWS

# Senate Confirms Pompeo

By MICHAEL C. BENDER  
AND NANCY A. YOUSSEF

WASHINGTON—The confirmation of Secretary of State Mike Pompeo installed the final piece of President Donald Trump's revamped foreign-policy team, transforming his inner circle from a disparate group of strangers to a band of Washington insiders who have accrued more than 115 years of government service.

As he lobbied for confirmation, Mr. Pompeo, a former House lawmaker who most recently ran the Central Intelligence Agency, marketed himself as the official who could unify Mr. Trump's tumultuous foreign-policy team. After 16 months in office, Mr. Trump is on his second secretary of state and third national security adviser.

Mr. Pompeo takes over as the nation's top diplomat at a busy period. Consequential decisions are due shortly on whether to exempt countries from the steel and aluminum tariffs the president says are needed for national security, and whether to withdraw from the Iran nuclear deal. Mr. Pompeo is also playing a key role in fostering a high-stakes summit, expected in the next two months, between the president and North Korean leader Kim Jong Un.

Mr. Pompeo's more pressing objective may be his role as a stabilizing influence in the West Wing and the State Department. Mr. Trump's presidential bid drew stiff resistance from foreign-policy and national security analysts, and those conflicts have been felt inside the administration in direct and indirect ways.

Those national security experts ordinarily would populate a new administration. Yet, no ambassadors have been nominated by the Trump administration in about three dozen countries, including six in the Middle East, and morale at the State Department, where vacancies are mounting, is dismal.

During his confirmation



Mr. Pompeo's most pressing goal may be to bring stability to the White House and State Department.

*The new secretary of state completes the revamp of Trump's foreign-policy team.*

so many vacancies. And frankly, many of them said, not to feel relevant. I'll do my part to end those vacancies."

Mr. Pompeo, said Sen. Heidi Heitkamp of North Dakota, the first Democrat to back his nomination, "is committed to empowering the diplomats at the State Department so they can do their jobs in advancing American interests."

Mr. Pompeo, through the

hearing, Mr. Pompeo said he spoke to every living former secretary of state to prepare for the job and met with dozens of department employees.

"To a person, they ex-

pressed to me their hope to be empowered in their roles and have a clear understanding of the president's mission," Mr. Pompeo said. "That'll be my first priority. They've shared how demoralizing it is to have

CIA, declined requests to com-

ment. After the Senate vote, Mr. Trump issued a statement saying: "He has my trust. He has my support. Today, he has my congratulations."

There already are some ten-

sions on the new foreign-policy

team. John Bolton, Mr. Trump's new national security adviser,

has pushed out a half-dozen

top officials on the National

Security Council and more may

be on the way out after a reor-

ganization was announced inter-

nally Wednesday, White

House officials said.

United Nations Ambassador

Nikki Haley's ambition tends to

put off the president, according

to a White House official.

She was considered as a potential

secretary of state successor last

year, but Mr. Trump recently re-

ferred to her privately as a "

showboat," the official said.

Defense Secretary Jim Mat-

tis noted Mr. Bolton's reputa-

tion in the media and diplo-

macy circles as "the devil

incarnate" at their first meet-

ing, and he lost a key ally when Rex Tillerson was fired.

Gina Haspel, a CIA veteran

who was named acting director

Thursday, has yet to be con-

firmed by the Senate, where

some senators have expressed reservations about the agency's use of extreme interrogation tactics during her tenure.

The new secretary of state will be tasked with advising a president who often expresses conflicting impulses on overseas entanglements and is impatient with traditional organizational charts.

"The president has an experienced group of people who are well positioned to deliver him good policy options," said Danielle Pletka, who oversees foreign and defense policy studies at the conservative-leaning American Enterprise Institute.

"The challenge for all of them is managing the president's rather capricious tendencies."

Mr. Pompeo brings to the job 13 years of government service, and an established rapport with Mr. Trump. He pitched those experiences with senators who were uneasy his hawkish stances would hinder his ability to conduct diplomacy.

"You might disagree with me in terms of policy, but nobody disagrees that State needs strengthening, and we can work together on that," Mr. Pompeo told lawmakers, according to one person present.

# Jackson Gives Up VA Nomination

WASHINGTON—Rear Adm. Ronny Jackson dropped his bid Thursday to lead the Veterans Affairs Department, ending a Senate inquiry into his background but still facing a likely military review into allegations about his conduct while serving as the president's personal physician.

By Peter Nicholas,  
Kristina Peterson  
and Nancy A. Youssef

Dr. Jackson's decision to pull out of the running for the VA job came hours after the release of a two-page summary of allegations compiled by the Senate Veterans' Affairs Committee's Democratic staff.

In a statement Thursday morning announcing his decision to withdraw, Dr. Jackson called the allegations "completely false and fabricated."

President Donald Trump called him a "great man" who had been treated unfairly.

Dr. Jackson's wife phoned him on Thursday and told him that reporters were camped out at their home, a disturbing development that fed his frustration over the confirmation proceedings, a White House official said.

The Democratic summary, assembled from interviews with about two-dozen current and former colleagues of Dr. Jackson, included allegations that he had dispensed prescription drugs without paperwork and wrecked a car while drunk.

Mr. Jackson returned to work at the White House on Thursday. White House press secretary Sarah Sanders indicated he would remain in his current posting. The White House is intent on clearing Dr. Jackson's name.

With Dr. Jackson's withdrawal, speculation turned to whom Mr. Trump would nominate next to lead a 370,000-person agency with a legacy of troubled management.

Mr. Trump offered few hints about the next nominee. In a Fox News interview Thursday, he would only say he has a candidate in mind—someone with "political capability."



Dr. Ronny Jackson

# WELLS

Continued from Page One

At issue in the Labor Department's investigation is how Wells Fargo handles its clients' retirement savings. Under the Employee Retirement Income Security Act, entities that serve these accounts are supposed to put their clients' interests ahead of their own.

Wells Fargo managers have pressed employees in the bank's retirement division to recommend that clients open more expensive individual retirement accounts when they retire or leave their jobs, according to another person familiar with

the bank's operation.

The bank gives employees asset-retention goals intended to keep these retirement accounts in-house, this person said, adding that Wells Fargo workers often generate higher fees for the bank by putting clients into mutual-fund shares that carried a front-end "load," or fee.

A Labor Department spokesman didn't respond to a request for comment. Its Employee Benefits Security Administration enforces the Erisa law with the Internal Revenue Service and Pension Benefit Guaranty Corp.

There are two types of penalties for Erisa violations. Civil penalties may include fines or a requirement that an entity

change its procedures or make a payment to a plan beneficiary. Criminal penalties may involve fines as well as imprisonment.

In a statement, Wells Fargo said the company is "committed to thorough reviews of Wealth and Investment Management," adding: "We are making significant progress in our work to identify and fix any issues, make things right, and build a better, stronger company."

In its annual financial report filed last month, Wells Fargo referred briefly to new federal inquiries involving practices in its 401(k) plan rollover business.

The bank said its board is reviewing certain activities to assess "whether there have

been inappropriate referrals or recommendations, including with respect to rollovers for 401(k) plan participants, certain alternative investments, or referrals of brokerage customers to the company's investment and fiduciary services business"; the review is at a preliminary stage.

The Justice Department and the Securities and Exchange Commission also are examining the bank's retirement-plan practices alongside a broader sales-practices probe, people familiar with the matter said.

A whistleblower has come forward to speak with regulators about Wells Fargo's IRA rollover activities, according to the person familiar with the in-

quiry, alleging that the bank breached its fiduciary duties to clients.

Wells Fargo's Institutional Retirement and Trust division offers record-keeping, trustee and custody services to corporations providing 401(k) plans to their employees.

Among the companies whose 401(k) plans are served by Wells Fargo are Cardinal Health, Caleres Inc., a shoe manufacturer, and Lowe's Cos., regulatory filings show.

Wells Fargo advisers make recommendations for clients on a variety of platforms with investment options. One of those Wells Fargo platforms for managed mutual-fund asset allocation includes the bank's proprie-

tary products and other offerings. In recent months, Wells Fargo lowered the fees for some of its 401(k) plan products, current employees said.

Wells Fargo isn't alone in working to hang onto customer assets in 401(k) plans. Other banks, including Morgan Stanley, have programs aimed at rolling over existing 401(k) plans into IRAs using proprietary products or third-party offerings that have revenue-sharing agreements that generate fees to the firm.

**Bank of America** Corp.'s Merrill Lynch used to have a similar program but changed it in June 2017 in anticipation of new Labor Department rules governing fiduciary duty.

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## U.S. NEWS

# Trump ‘Won’t Be Involved’ in Russia Probe

BY REBECCA BALLHAUS  
AND ARUNA VISWANATHA

WASHINGTON—President Donald Trump said on Thursday that he had decided not to get “involved” with the Justice Department investigation of his associates’ alleged ties to Russia and business dealings for now.

“I’m very disappointed in my Justice Department. I have decided I won’t be involved,” Mr. Trump said in an interview on Fox News. He added: “I may change my mind at some point.”

During his time in office, Mr. Trump has criticized senior officials in the Justice Department and Federal Bureau of Investigation over the probe of Russian interference in the 2016 presidential election, and earlier this month privately mulled taking steps to remove some of them.

In the Fox News interview, Mr. Trump lashed out again at the FBI: “You look at the corruption at the top of the FBI, it’s a disgrace, and our Justice Department—which I try to stay away from, but at some point, I won’t—our Justice Department should be looking at that kind of stuff.”

The president called the Russia investigation a “cloud over my head.”

Special counsel Robert Mueller, who was appointed by Deputy Attorney General Rod Rosenstein last year, is investigating whether Trump as-

sociates colluded with Russia’s efforts to interfere in the election, and whether the president sought to obstruct justice by firing then-FBI director James Comey last spring, while the agency’s investigation was under way. Mr. Trump has denied collusion and obstruction, and Moscow has denied election meddling.

Mr. Mueller’s team of investigators and prosecutors has secured guilty pleas from two Trump campaign aides, his former national security adviser, Michael Flynn, and several others. Mr. Trump’s former campaign chairman, Paul Manafort, has pleaded not guilty to tax, bank fraud and other charges filed by Mr. Mueller’s team.

Attorney General Jeff Sessions, who recused himself from the Russia investigation early on in Mr. Trump’s term, on Thursday criticized how long Mr. Mueller is taking with his investigation. Mr. Sessions was appearing before the House Appropriations Committee on the same day a Senate panel voted overwhelmingly to approve a bill protecting Mr. Mueller from being fired without cause.

“This thing needs to conclude,” Mr. Sessions said.

He also cited changes in the leadership of the FBI in response to Republican concerns about allegations of bias and misconduct, noting that the agency has a new director, deputy director and legal



Senate Judiciary Chairman Chuck Grassley, left, and three other Republicans voted for the bill.

## Senate Panel Votes To Protect Mueller

WASHINGTON—A Senate panel overwhelmingly approved a bill that would protect special counsel Robert Mueller from being fired without cause, in a bipartisan show of support on Thursday for the continuing investigation into Russian interference in the 2016 election.

Serious political and legal hurdles stand in the way of it

becoming law. The bill, written by two Democrats and two Republicans, would enshrine into law a Justice Department guideline that a special counsel can’t be fired without cause. In addition, it would give special counsels a 10-day window to challenge a dismissal in court.

The proposal, which passed the Senate Judiciary Committee 14 to 7, is the result of weeks of negotiations on the panel and is the first major congressional activity to protect Mr. Mueller’s probe. Four Republi-

cans joined all of the panel’s Democrats in backing it.

The measure would also require special counsels to report to Congress at the end of their investigations.

Judiciary Committee Chairman Chuck Grassley (R., Iowa), who supported the bill, said he had some concerns about its constitutionality but believed it was important for Congress to ensure special counsel investigations were conducted free from political interference.

—Byron Tau

counsel, among other posts.

“We’ve got to be careful we don’t smear everybody, if somebody made some errors,”

Mr. Sessions said of the FBI.

Mr. Trump’s comments Thursday followed weeks of frustration over the Russia

probe following the FBI’s search of the home and office of longtime Trump lawyer Michael Cohen earlier this

month. The raid was part of an investigation by federal prosecutors in New York, after a referral by the special counsel, into possible bank fraud and campaign-finance violations by Mr. Cohen.

Earlier this month, Mr. Trump told associates he was considering dismissing Mr. Rosenstein and Mr. Mueller himself, according to people familiar with the matter. His frustration has since subsided.

An administration official described Mr. Trump’s interview Thursday as a venting opportunity for the president, whose aides have sought to restrict how often he calls in to TV shows—a frequent habit of his during his campaign.

Mr. Trump also appeared to reverse previous statements about his knowledge of a payment Mr. Cohen made in October 2016 to adult film star Stephanie Clifford, known as Stormy Daniels, in exchange for her silence about an alleged sexual encounter with Mr. Trump a decade earlier.

Asked about the extent of Mr. Cohen’s work for him, Mr. Trump said Thursday: “He represents me, like with this crazy Stormy Daniels deal. He represented me.” He then added, “There were no campaign funds going into it.”

That appeared to conflict with Mr. Trump’s previous assertions that he had no knowledge of the payment by Mr. Cohen to Ms. Clifford or where the money came from.

## Ex-Judge Picked to View Cohen Materials

BY NICOLE HONG  
AND REBECCA DAVIS O'BRIEN

Barbara S. Jones, a former federal judge in Manhattan, was appointed as a “special master” to sort through the materials seized by the government this month from Michael Cohen, President Donald Trump’s personal attorney, and to review them for attorney-client privilege.

U.S. District Judge Kimba Wood announced the appointment at a hearing Thursday in Manhattan federal court, rejecting the special master names recommended last week both by the government and by Mr. Cohen’s lawyers.

Ms. Jones was nominated to the bench by President Bill

Clinton and is now a partner at law firm Bracewell LLP, where former New York Mayor and Trump adviser Rudolph Giuliani worked until 2016. Before serving 16 years as a judge, she worked as chief assistant to Robert Morgenthau, former district attorney in Manhattan, and was also a former federal prosecutor.

Ms. Jones and her team will begin reviewing the seized materials to identify which documents shouldn’t be used in the government’s investigation—with input from Mr. Cohen’s lawyers.

The special master’s appointment came after lawyers for Mr. Cohen filed a motion to block the government from conducting the initial privi-

lege review of the materials, which were seized as part of a monthslong criminal investigation into Mr. Cohen’s business interests. The investigation, which was referred to prosecutors in New York by special counsel Robert Mueller, is looking into possible bank fraud and campaign-finance violations by Mr. Cohen.

Former Judge Barbara S. Jones

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## WORLD NEWS

# Kim Crosses Border for Talks With South

North Korean leader is the first since war to go to South Korea, as U.S. meeting looms

By JONATHAN CHENG  
AND ANDREW JEONG

SEOUL—Kim Jong Un became the first North Korean leader to set foot in the South since the Korean War when he stepped across the military demarcation line Friday and shook hands with Moon Jae-in, the South Korean president.

The outcome of their meeting is set to determine the future of relations on the Korean Peninsula and lay the groundwork for Mr. Kim's planned summit with President Donald Trump, which could come within weeks.

In talks at the truce village of Panmunjom that include a dinner banquet, the two Korean leaders were due to discuss improvements in relations, a possible peace agreement and, perhaps most critically, North Korea's nuclear arsenal.

Mr. Kim, displaying a smile, greeted Mr. Moon and coaxed him across the line into the North for a moment, before the two men stepped back together into the South, while holding hands.

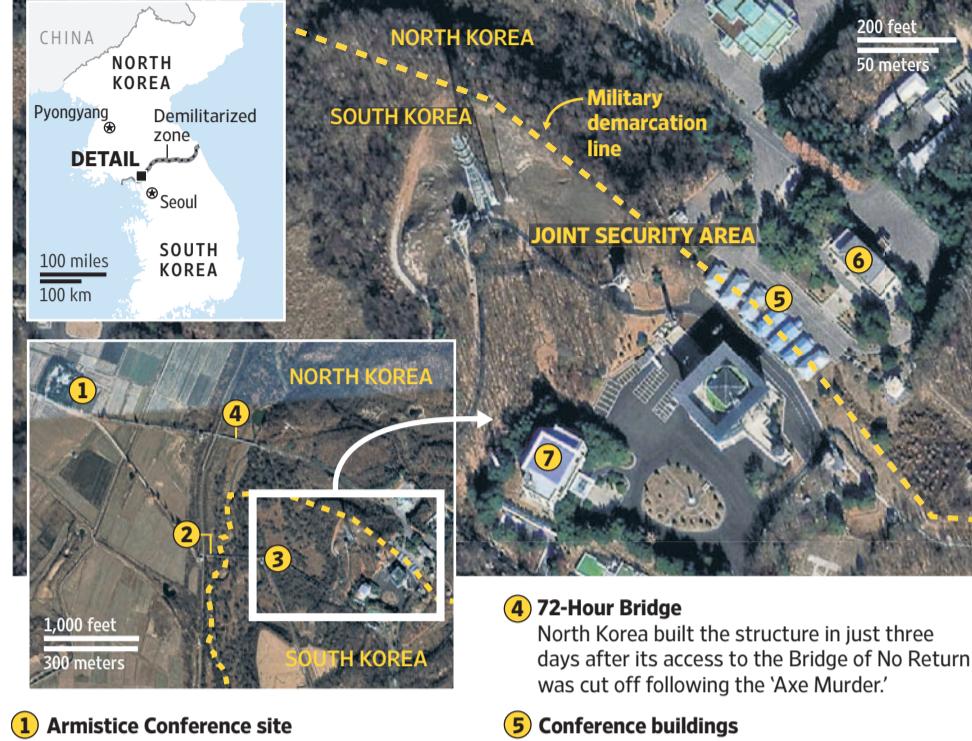
After posing for photos together, the two leaders introduced the members of their respective delegations, which included Mr. Kim's sister Kim Yo Jong. Messrs. Kim and Moon walked down a red carpet into the Peace House building, the venue for the negotiations, where the North Korean leader signed a guest book.

Central questions in the talks are what North Korea might demand, and what concessions the South might offer, to sustain the conciliatory climate and further negotiations aimed at persuading the regime to relinquish its nuclear weapons.

Mr. Kim said last week that he was suspending nuclear

## Great Divide

The close quarters around the demarcation line separating the two Koreas have seen a series of highly tense moments over the years.

**1 Armistice Conference site**

The Korean War Armistice Agreement was signed in Armistice Hall in 1953. The building, now in North Korea, is a museum.

**2 Bridge of No Return**

The bridge's name originates from the end of the Korean War, when it served as the site of prisoner-of-war exchanges.

**3 'Axe Murder' site**

In 1976, two U.S. Army officers were killed by axe-wielding North Koreans after trimming a tree that blocked the view of the North from the South.

**4 72-Hour Bridge**

North Korea built the structure in just three days after its access to the Bridge of No Return was cut off following the 'Axe Murder.'

**5 Conference buildings**

The Military Demarcation Line runs through the center of these huts, bisecting the buildings into North and South Korean sides.

**6 Panmungak**

North Korea's main building in the Joint Security Area serves as the command post for its guards.

**7 Peace House**

Site of Friday's inter-Korean summit. This will be the first time since the end of the Korean War that a North Korean leader will step over the line onto the South Korean side.

Sources: Google (images); OpenStreetMap (Military Demarcation Line)

and missile tests, but he hinted that he didn't intend to abandon his nuclear deterrent.

In televised opening remarks at the negotiating table, Mr. Kim told Mr. Moon they should frankly discuss problems and topics of mutual interest. "Let's not go back but rather look to the future," he said, adding that it was an emotional occasion.

"I've come here with the feeling that we are at the starting line of peace, prosperity and a new era for North-South relations," Mr. Kim said.

Mr. Moon said he and the North Korean leader should reach a "bold compromise" and give a "big gift to our people."

During a news briefing Thursday, Im Jong-seok, Seoul's presidential chief of

staff, said the summit would be difficult and he couldn't make promises about what agreements the leaders would reach on denuclearization.

Since taking office in May 2017, Mr. Moon has been pivotal in driving the thaw with Pyongyang, whose advances in weapons development had appeared to be drawing the U.S. closer to military action.

THE WALL STREET JOURNAL.

## Student's Parents Sue North Korea Over His Death

The parents of Otto Warmbier, the American college student who died last year after returning home from North Korea, sued the country on Thursday and said their son was "brutally tortured and murdered."

Among the claims in the parents' civil complaint, filed in U.S. District Court in Washington, D.C., are wrongful death and assault and battery.

Mr. Warmbier died last June at age 22 shortly after returning home to Ohio in a coma after more than a year in North Korean captivity. His parents, Cynthia and Frederick

Warmbier, have grounds to sue because President Donald Trump relisted North Korea as a state sponsor of terrorism in November.

North Korea "took Otto hostage for its own wrongful ends and brutally tortured and murdered him," said their complaint. They asked for a damages to be determined by the court.

No one answered the phone late Thursday at North Korea's mission to the United Nations.

The lawsuit comes as U.S. authorities continue trying to secure the release of three other U.S. detainees still held in North Korea, and as Mr. Trump plans to meet with North Korean leader Kim Jong Un. The summit is planned in June or earlier.

—Jon Kamp

tude of peace and prosperity for the entire Korean Peninsula."

The South Korean government has tried to keep expectations for the talks modest. Humanitarian agreements, including the possible resumption of reunions of families separated by the Korean War, might be discussed.

In a statement early Friday, North Korea's state media said Mr. Kim would "openheartedly discuss" with Mr. Moon "all the issues arising in improving inter-Korean relations and achieving peace, prosperity and reunification of the Korean peninsula."

A major goal of the talks is to smooth the way for a meeting between Messrs. Trump and Kim. Friday's discussions weren't expected to directly address some perennial irritants between the U.S. and North Korea, such as the 28,500 U.S. troops on the peninsula.

Instead, one of the most dramatic gestures could be an agreement to establish a more permanent peace regime to replace the armistice that ended Korean War hostilities in 1953.

where the average price of \$2.80 is the highest since June 2015. The U.S. Energy Information Administration has estimated that the average household will spend about \$190, or 9% more on fuel in 2018 compared with 2017.

Executives at both 3M and Caterpillar Inc. said this week that they would raise prices to offset the hit to profits from rising commodity prices.

"We are seeing some increases in raw material prices, in fact, more than what we originally estimated," 3M Chief Financial Officer Nicholas Gangstad said, adding that the maker of Scotch tape and Post-it Notes faced higher transportation and material costs as oil prices rose.

As was the case for Union Pacific, rising oil prices were at the same time a positive for Caterpillar, which provides the pumps for shale-well drilling and extraction. Caterpillar said sales of its equipment and parts used in the oil and gas industries rose 50% from the prior year to \$1.2 billion in the first quarter.

"At the end of the day, higher commodity costs benefit many of our customers, and they are one of the reasons we have seen several of our end markets begin to recover," Caterpillar Chief Financial Officer Brad Halverson said.

One factor that can blunt the impact of rapid oil-related cost inflation is hedging, or locking in future prices, which is common for airlines and other sectors where fuel costs can weigh heavily on the bottom line.

Gary Kelly, chief executive of Southwest Airlines Co., was more sanguine than American's Mr. Parker about the impact of the recent rise, in part because the largest carrier of domestic passengers has a longstanding hedging program.

"I think we're very well positioned to manage our way through a real fuel price shock," he said. "What we have now is not an issue. If we get to 100-plus dollars a barrel, then I think we have something else to talk about."

—Andrew Tangel  
and Jennifer Smith  
contributed to this article.

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## OIL

*Continued from Page One*  
surged 28% to \$589 million in the latest quarter, with most of the increase coming from a 22% increase in diesel prices. However, Union Pacific passed along some of that higher cost to customers through fuel surcharges, which totaled \$353 million, up 67% from the year-earlier period.

The company, though, also benefited from higher demand for sand used in shale-oil extraction and a surge in shipments of crude, as higher oil prices spurred production. Union Pacific, which operates in the western U.S. where much of the shale exploration occurs, said its energy revenue jumped by 15% in the March quarter from the year-ago period, growing twice as fast as its overall business.

Elsewhere, United Parcel Service Inc. said its fuel expenses jumped 21%, or \$129 million, in the March quarter. But the company said fuel surcharges and higher prices helped offset rising delivery costs in its U.S. ground business.

Rising diesel prices are weighing on trucking companies despite a surging freight market, though some of those costs also get passed on through fuel surcharges.

On Thursday, Schneider National Inc., a large trucking company based in Green Bay, Wis., reported its fuel expenses rose 16% in the first quarter to \$84.7 million. The carrier's revenue from fuel surcharges to customers jumped by 31% to \$117.8 million.

USA Truck Inc., another national carrier, reported \$13.5 million in fuel expenses

## Price Ripples

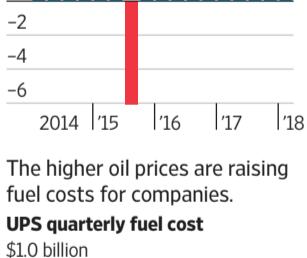
Crude oil has sustained its gains for the year so far.

**Crude oil futures, price per gallon**

The stability boosted Shell's earnings and is expected to do the same for Chevron and Exxon.

**Shell profits/loss**

\$6 billion



Source: WSJ Market Data Group (oil prices); the companies

THE WALL STREET JOURNAL.

for the quarter, up 25% year-over-year. The Van Buren, Ark.-based company said rising fuel was among several factors offsetting strong freight demand.

Meanwhile, earnings at energy companies have surged. Royal Dutch Shell PLC on Thursday posted its highest quarterly profit since 2013, when oil prices were peaking above \$100 a barrel. In addition, earnings jumped by more than half at ConocoPhillips and Schlumberger Ltd., where officials noted that drilling activity picked up in the second half of the quarter as prices stayed above \$60.

Exxon Mobil Corp. and Chevron Corp. are expected to post similar gains when they report Friday.

Consumers are seeing the effects at the gas pump,

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## WORLD NEWS

# Trade Battle Looms as Merkel Visits U.S.

German Chancellor Angela Merkel is traveling to Washington for a high-stakes meeting with President Donald Trump on Friday, in a last-ditch effort to avoid the biggest trade conflict in years between the U.S. and the European Union.

*By Bojan Pancevski  
in Berlin, William  
Mauldin in Washington  
and Emre Peker  
in Brussels*

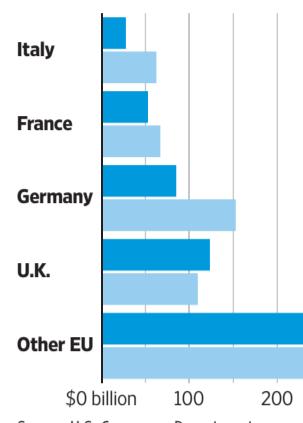
European officials expect the White House to make good on its threat to impose higher tariffs on steel and aluminum from EU countries, including France, Germany and the U.K. That would trigger retaliatory tariffs on a list of American products including motorcycles, bluejeans and bourbon whiskey, EU officials say.

High on the agenda for the meeting between Mr. Trump and Ms. Merkel are contentious trade issues as well as Mr. Trump's threat to withdraw the U.S. from a deal with Iran that curtails Tehran's nuclear ambitions in exchange for eased sanctions. The EU helped negotiate the accord and is a stalwart defender of the agreement.

"Right now we're in the overture to what could be a really serious escalation of trade disagreement," said Jeff-

## Commerce in Balance

U.S. exports to and imports from the European Union in 2017



Source: U.S. Commerce Department

THE WALL STREET JOURNAL.



European officials expect the White House to make good on its threat to impose higher tariffs on steel and aluminum from EU countries. A steelworker in Salzgitter, Germany, last month.

DAVID HECKER/EPA/SHUTTERSTOCK

frey Rathke, senior fellow at the Center for Strategic and International Studies, adding that while an all-out trade war has yet to begin, "we're drifting toward a confrontation."

The trans-Atlantic tension began in early March when Mr. Trump announced global tariffs on steel and aluminum exports. Some economies, including the EU, were given temporary exemptions that are set to expire Monday night.

The Trump administration justified the tariffs on national security grounds, leading military allies like the EU to hope

they might be spared the tariffs. But U.S. officials have also sought economic concessions from countries seeking exemptions.

The result is a complicated set of negotiations behind closed doors. South Korea won a long-term exemption from the tariffs last month after amending its free-trade agreement with the U.S. Meanwhile, Mexico and Canada are expected to see their exemption extended or made permanent due to recent progress in negotiations to overhaul the North American Free Trade Agreement.

Commerce Secretary Wilbur Ross and EU Trade Commissioner Cecilia Malmström have had frequent conversations to find a path toward a deal to avoid the tariffs of 25% on steel products and 10% on aluminum, but no signs of significant progress have emerged, officials said.

"We don't know what Trump will decide, but we see no reason for any great optimism," a senior German official said.

An EU official said colleagues in Berlin may be trying to manage expectations for Ms. Merkel's visit.

Still, Ms. Merkel's visit to Washington, coming on the heels of a visit by French President Emmanuel Macron, could potentially open a path toward shielding the EU from the tariffs, industry and government officials say.

"Talks are still going on," Mr. Ross said in a statement. "As May 1 approaches, if no deal is reached, the president will decide on his course of action."

If the Trump administration imposes tariffs on Europe, it will face complaints from domestic industries using imported metals, questions from

U.S. defense officials, and pressure from U.S. lawmakers supportive of European ties and wary of retaliation. The EU's list of possible tariffs on American exports includes products from the home states of Senate Majority Leader Mitch McConnell (R., Ky.) and House Speaker Paul Ryan (R., Wis.), among others.

"Our priority is, of course, on the ongoing high-level dialogue to secure this permanent exemption," said EU spokeswoman Mina Andreeva. "But we're ready if necessary."

The EU's initial plan for retaliation would impose tariffs of 25% on €2.8 billion (\$3.4 billion) in U.S. exports, a fraction of the \$284 billion in goods the U.S. sent to the bloc in 2017.

Trade hawks in Mr. Trump's administration say the global metals tariffs are largely aimed at China's glut of metals production, but they say imports from other major economies need to be restricted to make room for the U.S. domestic industry to recover.

EU officials have questioned the Trump administration's national security rationale, and said they need more time to negotiate a broad trade agreement.

—Valentina Pop  
and Josh Zumbrun  
contributed to this article.

## ECB Seeks Clarity on Growth Before Move

BY TOM FAIRLESS  
AND PAUL HANNON

FRANKFURT—European Central Bank President Mario Draghi put off a decision on the future of the bank's bond-buying program, saying officials want to better understand a recent slowdown in the eurozone economy before taking fresh steps to phase out easy money.

A recent "moderation in growth" across the 19-nation

currency union probably reflected temporary factors such as cold weather or the timing of public holidays, Mr. Draghi said Thursday. He said, however, the slowdown could also reflect more durable weaknesses.

The ECB's decision had been expected, but Mr. Draghi's caution suggests the ECB could still delay a decision to phase out its €30 billion (\$36.6 billion)-a-month bond-buying program, known as quantitative easing, which is due to run at least

through September.

With eurozone growth still strong, most economists expect the ECB to phase out its bond purchases by December—four years after the Federal Reserve halted its own program—and to start raising interest rates late next year.

The economy grew at the fastest pace in a decade during 2017, prompting the central bank to reduce its monetary stimulus by halving its monthly purchases of bonds in January.

However, a raft of recent economic data, from industrial production to retail sales, suggest the eurozone economy slowed in the first quarter of 2018 after outpacing the U.S. economy last year.

Mr. Draghi struck a cautious note on trade, warning that "risks related to global factors, including growing protectionism, have become more prominent." He said business confidence had been weakened by the possibility of higher tariffs.



Mario Draghi's caution suggests the ECB could delay a decision to phase out its €30 billion-a-month bond-buying program.

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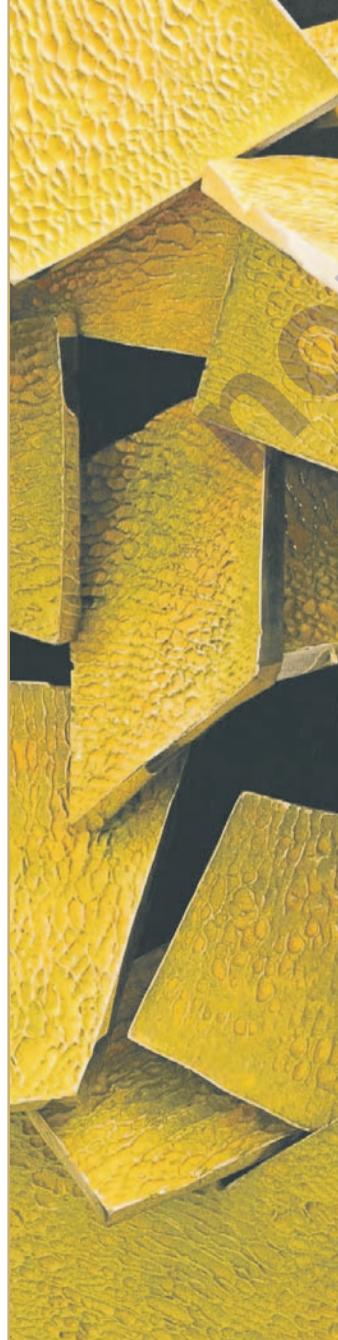
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## WORLD NEWS

# Paris Bike Network Rolls Into Ditch

City's widely emulated bike-sharing system is all but stalled after misbegotten effort to upgrade it

By MATTHEW DALTON  
AND SAM SCHECHNER

**PARIS**—The French capital has fallen from grace as a bike-sharing paradise that inspired cities around the world to launch programs of their own.

Over the past six months, a project to upgrade Paris's sprawling bike network has rendered it largely unusable. Gashes have appeared along the city's sidewalks where docking stations have been uprooted. Seemingly serviceable bikes can't be ridden because of electrical problems with newly installed stations. Overall the system, known as Velib', is operating at a fraction of its former capacity.

The mess, dubbed an "industrial catastrophe" by French media, is dragging down the popularity of Anne Hidalgo, the Socialist mayor of Paris. Officials are learning a new lesson in big-city politics: Keep the local bike-sharing network up and rolling, or suffer the consequences.

Velib' customers have been sharing stories of non-functioning bikes with the hashtag #Velibgate. On Saturday, one Twitter user posted a picture of a long row of Velib' bikes in their docking station, writing: "Not one works."

The scale of the backlash is a measure of the system's success. Before Velib' ground to a halt, the system averaged 100,000 bike rides a day, and boasted about 1,200 stations in the city and its outskirts. It was hard to walk five blocks here without coming across a row of clunky, gray Velib' bikes plugged into docking stations. Mayors from around the world, including Michael Bloomberg of New York, dropped into Paris to give Velib' a spin before launch-



Paris Mayor Anne Hidalgo sits on a new bike destined for the bike-sharing scheme.

when Smovengo started running behind schedule installing new stations—opening about 65 of the 525 stations it was supposed to have installed as of Jan. 1. As of late April, Smovengo said it was commercially operating only 670 of 1,400 planned stations. About 8,000 of the system's 24,000 bikes are on the streets.

But those numbers mask another problem: Smovengo has managed to connect only about 35% of the 670 active stations to the city's electrical grid, with the rest running on battery power. Battery-powered stations can't recharge the electric bikes that were one of the new Velib' system's selling points.

Worse, when a station's battery runs out, the electronic boxes that allow users to unlock bikes—even mechanical ones—exhaust their own batteries by trying and failing to connect to the station. That renders all bikes at the station unusable.

"Once we can get more stations hooked into the grid, that will fix a large number of the problems," said Jorge Azevedo, chief executive of Smovengo.

Smovengo also blames the sandy, gravel- and rock-filled earth under the city's streets, a legacy of hundreds of years of building. Mr. Azevedo says that makes it difficult to ground the electrical connections for each station.

"It was impossible to predict. We didn't know there were problems with the soil in Paris," Mr. Azevedo said, more than a century after Paris opened its first underground Métro line.

The contract required Smovengo to introduce electric bikes into the system, expand the network farther beyond the city limits of Paris and improve the design of the mechanical bikes.

The first glitch arose

estimated €600 million (\$734 million) bid to upgrade and operate the bike network for the next 15 years. Smovengo is blaming a local electrical company and JCDecaux, the outdoor advertising company that ran the previous version of the network.

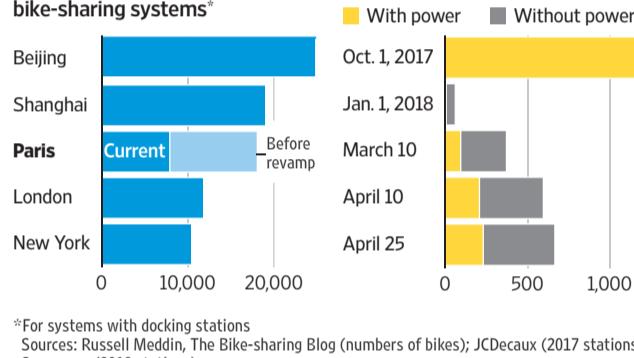
The problems started when Paris reopened the Velib' contract to new bidders, as required by law, nearly 10 years after the network first opened in 2007. The city and surrounding municipalities chose to replace JCDecaux with Smovengo, a consortium of four companies specializing in urban transportation.

The contract required Smovengo to introduce electric bikes into the system, expand the network farther beyond the city limits of Paris and improve the design of the mechanical bikes.

The first glitch arose

## Low Gear

Paris's Velib' bike-sharing system is one of the world's largest. But a snafu-plagued revamp initiated late last year has cut into the number of available bikes and functioning stations.



\*For systems with docking stations

Sources: Russell Meddin, The Bike-sharing Blog (numbers of bikes); JCDecaux (2017 stations); Smovengo (2018 stations)

THE WALL STREET JOURNAL.

ing their own programs.

"Velib' is part of the identity of Paris," said Christophe Najdovski, Ms. Hidalgo's deputy in charge of transportation. "Many are disappointed. Some are an-

gry, and that necessarily can have political consequences."

The controversy has devolved into a scrum of mutual recriminations. Ms. Hidalgo is blaming Smovengo, a consortium that won the

The first glitch arose

## WORLD WATCH

### UNITED KINGDOM

#### Legislators Send May a Message

Lawmakers backed a bipartisan motion calling on the government to establish a customs union with the European Union as part of a long-term settlement with the bloc once Britain leaves it.

Its adoption is symbolic and doesn't bind the government. Parliament will vote for real on future customs arrangements next month.

A dozen members of Prime Minister Theresa May's ruling Conservatives spoke Thursday in favor of the customs-union motion—enough to defeat the government were the Conservative defectors to back it again.

—Jason Douglas

### FRANCE

#### Macron Is Active on Antiterror Financing

President Emmanuel Macron called ministers from more than 70 countries to Paris on Thursday to coordinate a crackdown on new terror-financing methods that French officials say pose a growing threat to global security.

France pushed justice and finance ministers at the conference to look for ways to better identify users of prepaid cards and electronic wallets and strengthen regulation of crowdfunding websites that are increasingly used by terror groups.

"We need to starve our enemy at its roots," Mr. Macron said.

—William Horobin

### CHINA

#### Firms Wary About Investing in the U.S.

The U.S. threat of investment restrictions is damping the enthusiasm of Chinese businesses, with some canceling or slowing plans to invest in the American market, China's Commerce Ministry said.

Ministry spokesman Gao Feng, without naming businesses or specifying what China might do, said Beijing is "prepared to take action" if the U.S. does curb some outside investment.

—Liyan Qi

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## IN DEPTH

# RULES

*Continued from Page One*  
fenses in real time, and then deliver harsh penalties.

In Ms. Smith's case, she was notified of the allegation against her while she was still at the campaign event.

Some student-drafted election codes have grown to 30 or 40 pages in recent years, dictating nearly every aspect of campaigning—and making seemingly innocuous acts off-limits. The bulked-up codes often include new layers of rules to govern the use of mobile devices and social media. Student campaigns have been penalized for everything from improper use of Snapchat to failing to use approved hashtags. Candidates can be quick to inform on each other, leading to judicial reviews, penalties, and indignation.

"My team and I were just really shocked because I was confident we were not violating any election rules," Ms. Smith said of the election-board decision. But she and her team—an organization more than 40 members strong

that includes a head of social media, a web designer, and a chief data scientist—played it safe at the next campaign event and didn't use an iPad.

At Smith College in Northampton, Mass., the election bylaws limit each candidate to \$10 in campaign spending and one banner, which must be hung in the student center and cannot exceed 8 feet. The election code warns "glitter is strictly prohibited."

The spending limits and one-banner rule are intended to make student government accessible to all regardless of economic status, said Annika Jensen, chair of the election committee at Smith. The glitter ban is out of courtesy to the custodial staff, she added.

Earlier this year at the University of South Florida St. Petersburg, presidential candidate Kaeden Kelso and running mate Ysatis Jordan posted a photo of themselves on Facebook standing next to "Cheryl the Bull," a campus sculpture of the university's mascot. Another student alleged this unauthorized running with the bull violated the election code's ban on using likenesses of university figure-



Cheryl the Bull didn't endorse Ysatis Jordan and Kaeden Kelso.

KASI NELSON

heads, administrators or celebrities in campaign materials without written consent.

Penalties for infractions can include docked votes and suspension of campaign activities, but in this case the charge was dismissed after an election-board hearing, and the candidates, who had been running unopposed anyway, won.

"The downside is that it gets more and more complicated," said Pat Bosco, vice president for student life and dean of students at Kansas State University. Things

seemed simpler when Dr. Bosco was elected student-government president at Kansas State in 1970, after an election in which students cast their votes on paper ballots at a single campus polling booth. "It was a wide open campaign" with fewer rules than today, he recalled.

Taylor Pulliam, a junior at North Carolina State University, was initially ruled ineligible to run for president this year because the student government board of elections claimed he didn't attend the

required number of senate or cabinet meetings.

A special committee composed of other student-government officials, meeting at the student-unfriendly hour of 8 a.m. on a Friday, overturned the ruling after Mr. Pulliam provided selfies, text messages and witness testimony proving he was there. Mr. Pulliam said he was so overjoyed when his eligibility was restored he "freaked out a little bit."

Last year at Miami University in Oxford, Ohio, one student's campaign was hit with a 24-hour suspension when he allegedly circulated via Snapchat a video of the burning of a T-shirt with a rival campaign's logo; a student court later struck down the penalty.

At Duke's Durham, N.C., campus, a 90-minute hearing for Ms. Smith's appeal of the iPad violation was held after spring break. Seven student justices, most wearing black robes, sat at a table in front of open laptops. About 40 people filled a conference room, and hundreds more watched via a Facebook Live broadcast set up by the student newspaper, the Duke Chronicle.

Luke Farrell, a junior major-

ing in neuroscience and computer science who is Ms. Smith's campaign manager, told justices the iPad had been locked and wasn't used to access the electronic-ballot system. He called the vote-docking penalty "obscene."

The attorney general, Shreya Bhatia, said Ms. Smith's iPad use showed "clear disregard and disrespect" for the device ban. Ms. Bhatia, a sophomore, said the election commission determined the number of votes to be docked by estimating how many students passed Ms. Smith's campaign table that night.

The justices spent about four hours deliberating after the hearing, according to Chief Justice Dev Dabke, a math major. They concluded it was an unfair limitation on the right to free expression—as spelled out in the student-government constitution's "Bill of Rights." The justices restored Ms. Smith's 200 docked votes.

The day after, Ms. Smith was declared the winner. She called her campaign team and "we all convened at a restaurant to hug it out," she said. Then she had to go to a class, "Legal Issues in Education."

# COHEN

*Continued from Page One*  
with him to set him straight. I told him he has to respect the office, to respect you," Mr. Cohen said, according to this person.

"Boss, I miss you so much," he said later in the conversation. "I wish I was down there with you. It's really hard for me to be here."

Federal prosecutors are investigating Mr. Cohen's work for Mr. Trump, including his \$130,000 pre-election payment to a former adult-film actress, as well as his taxi business and other personal dealings. Federal Bureau of Investigation agents raided his premises earlier this month.

Looming over all of this is an investigation by special counsel Robert Mueller into whether associates of Mr. Trump, including Mr. Cohen, colluded with Russians to influence the 2016 presidential election. Mr. Cohen and the White House have denied any collusion.

## 'Take a bullet'

Prosecutors may not find evidence of wrongdoing by either man. Mr. Trump and his lawyers nonetheless are now grappling with the question of how the president's self-described "fixer" may respond if charged and presented with the choice of turning on his boss or facing prison time.

Mr. Cohen has memorably said he would "take a bullet" for the president. But in a sign of Mr. Cohen's state of mind, he has in recent months privately groused about being excluded from White House posts he believed he deserved, according to people familiar with his thinking. He has struggled to get Mr. Trump's attention. And two new business engagements he started during that time that could have profited from his Washington connections have instead languished.

The Wall Street Journal reported last week that a longtime Trump legal adviser had warned the president that Mr. Cohen would likely cooperate if charged. Since then, Mr. Trump called Mr. Cohen "a fine person with a wonderful family" on Twitter and expressed confidence he would stand strong.

"Most people will flip if the Government lets them out of trouble, even if...it means lying or making up stories," Mr. Trump tweeted. "Sorry, I don't see Michael doing that despite the horrible Witch Hunt and the dishonest media!"

Mr. Cohen declined to be interviewed and provided a two-word response to a list of questions sent by email: "Completely inaccurate." He didn't respond to a request to elaborate.

The White House didn't respond to a request for comment.

The recent actions have represented a remarkable turnaround for Mr. Cohen since the November 2016 election of Mr. Trump, whose presidential aspirations he had been encouraging for years.

Mr. Cohen had no official role in Mr. Trump's 2016 campaign but informally advised him and served as a surrogate on TV. Behind the scenes, he tried to kill damaging stories about Mr. Trump, including



Michael Cohen, second from left, leaves a hearing in Manhattan federal court on April 16. On the right, he was photographed after a meal with billionaire Mark Cuban.

reaching out to discourage women who had spoken negatively about the candidate, according to several of the women. He also paid for the silence of Stephanie Clifford, the former porn star known as Stormy Daniels, who alleges she had a 2006 sexual encounter with Mr. Trump.

Mr. Cohen and the White House have denied any sexual encounter took place.

In the months before the election, when Mr. Trump reshuffled his campaign for a third time and named Steve Bannon as campaign chief, Mr. Cohen told associates he had expected to be tapped for the role, according to people familiar with the matter. He also told people at the time he expected to be named White House chief of staff.

Mr. Trump decided that bringing Mr. Cohen inside the White House carried too many risks, according to people familiar with the discussions. Mr. Trump privately has described Mr. Cohen as a "bull in a china shop," who when brought in to fix a problem sometimes breaks more china, according to a person close to the president.

## Transition woes

On Jan. 5, 2017, two weeks before the inauguration, Mr. Cohen, camped in his cluttered office on the 26th floor of Trump Tower, a few doors away from the president-elect, still didn't know what his future role would be.

Mr. Cohen juggled two phones with the backdrop of mixed martial-arts paraphernalia in his office. "He knows that an hour before he leaves, if he me and says, 'I need you in D.C.,' I'll be there."

About a week later, Mr. Cohen had grown more frustrated. He still hadn't solidified his role. "It's crazy we're talking about this three, four days before which everybody starts heading down and I have no idea," he said in a phone interview.

Mr. Cohen said he believed he might become Mr. Trump's personal attorney, which he said would keep their communications confidential. "My sole purpose is to protect him and the family from anyone and anything," he said in the January interview.

The conversation occurred less than three months after his deal with Ms. Clifford—then not publicly known—in which Mr. Cohen has said he used his

## A Journey From Fixer to Suspect

**Oct. 27, 2016:** Michael Cohen wires \$130,000 to a lawyer for adult film star Stephanie Clifford to obtain her silence about an alleged sexual encounter with Donald Trump in 2006.

**Nov. 8, 2016:** Mr. Trump is elected president. Mr. Cohen, who encouraged him to run for years, isn't tapped for a White House job.

**Jan. 19, 2017:** Mr. Cohen says he will leave the Trump Organization to become Mr. Trump's personal attorney.

**Jan. 20, 2017:** At Mr. Trump's inaugural festivities, Mr. Cohen and his guests don't receive the VIP treatment.

**Feb. 15, 2017:** Mr. Cohen agrees to drum up business for Midlothian, Va.-based 4C Health Solutions, which aims to help

government agencies and companies detect questionable or fraudulent billing.

**April 3, 2017:** Mr. Cohen is named national deputy finance chairman of the Republican National Committee

**April 3, 2017:** Law and lobbying firm Squire Patton Boggs announces a "strategic alliance" with Mr. Cohen in which he will maintain his solo practice but get paid to refer business.

**Jan. 12, 2018:** The Wall Street Journal reveals Mr. Cohen's payment to Ms. Clifford.

**Feb. 27, 2018:** An arbitrator in California grants Mr. Cohen's request for a temporary restraining order preventing Ms. Clifford from discussing her alleged sexual encounter with Mr. Trump and nondisclosure agreement.

**March 6, 2018:** Ms. Clifford sues Mr. Trump and Essential Consultants LLC, Mr. Cohen's

Delaware company, to extricate herself from the "hush agreement" Mr. Cohen negotiated.

**April 9, 2018:** The FBI raids Mr. Cohen's law office, apartment and hotel room, using a search warrant that authorizes seizure of records relating to the payment to Ms. Clifford, Mr. Cohen's taxi business and other matters. Squire Patton Boggs cuts ties with Mr. Cohen.

**April 13, 2018:** Longtime Trump attorney Jay Goldberg warns the president that Mr. Cohen is likely to turn against him to avoid prison time if faced with criminal charges.

**April 21, 2018:** Mr. Trump tweets that he has faith Mr. Cohen won't flip, "despite the horrible Witch Hunt and the dishonest media!"

**April 26, 2018:** Mr. Trump tells Fox News, "I've been told I'm not involved" in the Cohen investigation.

"mutually and in accordance with the terms of the agreement."

Mr. Cohen also went into business with 4C Health Solutions, a Midlothian, Va.-based startup that works with governments and companies to help them detect questionable or fraudulent billing.

A consulting agreement reviewed by the Journal entitles Mr. Cohen to a 5% commission on contracts he delivers for the company, as well as the possibility of earning equity.

Chief Executive David Adams said Mr. Cohen has advised 4C on capital structure and introduced executives to potential clients, but the company has "paid zero dollars to Mr. Cohen," because he hasn't brought in any business.

## Fierce defender

Mr. Cohen, asked about the consulting agreement in January, said in an email he was "confused as to how or why you question my involvement in a startup company."

It is unclear what work, if any, Mr. Cohen performed for Mr. Trump since the election. There is no known record of his involvement in legal matters for the president since the start of the Trump administration.

In the Jan. 5, 2017, interview, Mr. Cohen said: "Let's just say I have no shortage of work. It encompasses all aspects of his life from his business to the personal," adding: "It's private between Mr. Trump and myself unless it's made public because of a lawsuit or a news story."

Mr. Trump said Thursday on Fox News that Mr. Cohen has done "a tiny, tiny little fraction" of his legal work, including "this crazy Stormy Daniels deal he represented me on."

Mr. Cohen was one of Mr. Trump's fiercest defenders last year, on Twitter and elsewhere. On May 24, he urged followers to retweet "if every morning you wake up and thank the Lord that @POTUS @realDonaldTrump won the election! I do..."

In the weeks since the FBI raid, Mr. Cohen has been out on the town, smoking cigars with friends and frequenting tony restaurants such as Nobu in midtown, in what some who know him interpret as an attempt to show he isn't frightened of what the investigation will bring.

Rebecca Ballhaus and Lisa Schwartz contributed to this article.

Jaguar, two of his law school classmates recall.

Mr. Cohen, who as a teenager frequented Brooklyn's ethnic Russian neighborhoods and married into a Ukrainian family, cultivated a rough-and-tumble, streetwise image.

Mr. Cohen joined the Trump Organization in 2007, after years of practicing law and doing business deals on his own, holding the title of Mr. Trump's special counsel.

Mr. Trump didn't always demonstrate respect for his employee. After saying he'd attend Mr. Cohen's son's bar mitzvah in 2012, Mr. Trump was late, and the blessings were delayed, according to an attendee.

After Mr. Trump arrived, he gave a speech, telling guests he hadn't planned to come, but he relented after Mr. Cohen had repeatedly called him, his secretary and his children begging him to appear, the attendee said. The guests laughed because "everyone knew it was very realistic-sounding," the attendee added.

Mr. Cohen found himself on the outside during the presidential transition, said a person close to Mr. Trump.

During the inaugural festivities, Mr. Cohen and his guests weren't given priority access, the person said, noting that the hurt was visible on Mr. Cohen's face: "He was always just

at the edges."

Now on his own, Mr. Cohen has had mixed success in business since Mr. Trump went to Washington. He re-established a solo legal practice, taking space on the 23rd floor of a skyscraper in Rockefeller Center, in the law and lobbying firm Squire Patton Boggs, less than half a mile from his old office at Trump Tower.

## End of a deal

Under a "strategic alliance" with Squire Patton Boggs, Mr. Cohen received an annual fee of \$500,000 from the firm for business development, according to court documents and a firm spokesman. His agreement with the firm also entitled him to a percentage of the fees the firm received from the five clients he referred, according to court documents.

Asked for comment, a firm spokesman referred the Journal to a recent court filing by prosecutors opposing Mr. Cohen's challenge to the search warrants executed against his property. The filing says Mr. Cohen "maintained complete independence" from the firm, used a separate computer server and had an office that locked with a key the law firm didn't have.

Earlier this month, on the day of the FBI raid, Squire Patton Boggs said it was ending its relationship with Mr. Cohen,

# GREATER NEW YORK

## De Blasio Seeks 4.5% Spending Increase

By KATE KING

New York City Mayor Bill de Blasio presented an \$89.06 billion executive budget proposal Thursday, representing a spending increase of nearly \$4 billion that the mayor said he is confident the city can afford.

The plan would raise spending about 4.5% over this year's adopted \$85.24 billion budget. Labor, debt service and education spending are driving most of the increase, with the proposed budget adding an estimated 1,700 city jobs, city officials said.

"We have been adamant that we have to achieve progressive change through a fiscally responsible paradigm," Mr. de Blasio, a Democrat, said at a budget presentation to reporters.

City coffers saw a \$973 million jump in tax revenue in recent months, which the mayor described as a welcome but "one-time" windfall. Most of that revenue—about \$600 million—came from money that was repatriated from overseas under two federal laws: the tax overhaul that President Donald Trump signed in December and 2008 legislation that closed loopholes for hedge funds, city officials said.

The proposed budget includes an additional \$103 million in capital funds to install over 3,000 permanent security barriers to protect pedestrians in the city's most heavily trafficked areas. The city also plans to spend \$20 million over the next two fiscal years to eliminate an estimated 50,000 work-order backlog at New York City Housing Authority facilities.

The proposal would fund city services for fiscal year 2019, which begins July 1. The mayor will now negotiate with the city council, which must approve a final spending package by June 30.

City Council Speaker Corey Johnson, who took the post in January, said he would like to see the revenue windfall go toward boosting the city's reserves, funding a reduced-fare MetroCard program for low-income New Yorkers and providing a property tax rebate to middle-class homeowners, according to a joint statement he released with Finance Chair Daniel Dromm and Vanessa Gibson, chair of the subcommittee on capital budget.

"This revenue has the potential to go a long way towards our goals of strengthening the social safety net, fighting for the middle class, and being responsible with taxpayer money," the council members said.

The mayor and speaker have already agreed on increasing spending in at least one area, announcing on Wednesday they would boost funding for a major source of aid for the city's schools by \$125 million. The additional money, which brings the city's Fair Student Funding budget to \$6.2 billion next year, would largely help high-needs schools that have many students who are poor, bilingual or have other special needs.

## Diversity Plan Worries Parents

High achievers could be squeezed out of top Upper West Side Schools, some fear

By LESLIE BRODY

A New York City proposal to diversify middle schools on Manhattan's Upper West Side, by setting aside seats for children with low test scores, is facing stiff resistance from parents worried their high-achieving children might lose access to the popular public schools.

The Department of Education has proposed one scenario in which most middle schools in District 3 would give priority, for up to 25% of their seats, to applicants who had fourth-grade scores below grade level on state tests of reading and math.

Some parents applaud the proposal as a way to help integrate a swath of a school system that is highly segregated by race and family income. About 84% of District 3's fourth-graders

with scores below proficiency in English language arts last year were black or Hispanic, according to city data.

But some parents argue their high-performing children shouldn't be edged out. At a heated public meeting Tuesday, filmed by NY1 at P.S. 199, many parents were upset. One woman said the department was telling hardworking children that "you're going to go to a school that is not going to educate you in the same way that you've been educated. Life sucks!"

The conflict involves a complex system of middle school admissions that uses interviews, test scores and grades. The 17 affected middle schools in District 3 have varying admissions criteria to rank applicants. Families rank their choices and the Department of Education makes matches. About 1,800 children applied for admission last fall.

"The community is really divided," said Kristen Berger, a Community Education Council member in District 3 who sup-



The Computer School's principal Henry Zymek welcomed the plan.

ports the plan. Many parents' first reaction is no, no, no change, but the more we explain the details, and how the change is modest, the more people come around."

If adopted, District 3 would be the first in the city to have a diversity plan for middle school admissions. Many neighborhoods are having similar conversations, including District 15 in Brooklyn, which

encompasses Park Slope. Mayor Bill de Blasio has said he supports such efforts, though some integration advocates say he hasn't taken forceful steps to back them.

Supporters say the disadvantaged deserve better access. Principal Henry Zymek of the Computer School, which would be affected, said children benefit from learning alongside others with varying abilities, and

teachers know how to differentiate instruction.

"If you have a large family, you don't keep your kids away from each other based on who has the highest test score," he said.

The department's proposal, which could be revised, would have schools give priority for up to 10% of sixth-grade seats to students who scored well below proficiency on state tests, and up to 15% to those who were partially proficient but still did not meet the standards.

If adopted, that would likely change admission outcomes for the most sought-after schools. At Booker T. Washington Middle School, for example, 58% of students offered seats for last fall scored as excelling. Only 12% didn't meet proficiency.

District 3 Superintendent Ilene Altschul sent a letter to parents last month asking for feedback. City education officials said their team and the superintendent would decide on any districtwide admissions change, and hope to do so by June.

## Signal Work on Train Line Means More Delays

By PAUL BERGER

The people of Queens have endured years of overnight and weekend subway closures so that the Metropolitan Transportation Authority can install a modern signal system on the 7 line.

Now, they will have to endure a little bit longer.

"It's frustrating riding the 7 train," said Roxanne Migliacci, a teacher from Sunnyside, who complained of frequent overcrowding and service outages.

After seven years and several blown deadlines, the MTA was supposed to have finished implementing the system by June 30.

But Thales Transport and Security Inc., the contractor installing the system, recently told transit officials that because of design and software issues, it likely won't be finished until November.

The setback underlines the challenge facing Andy Byford, the new chief of MTA New York City Transit, who has made modernizing the signal systems across all 27 lines the focus of his bid to improve service and reliability.

The subway's signal systems, some of which are 80 years old, are among the leading causes of service disruption. The new system, known as communications-based train control, allows trains to run closer together, giving the MTA the ability to add several more trains each hour. It also is less prone to break down.

Mr. Byford has refused to accept Thales's revised schedule for the 7, one of New York's busiest lines, which runs from Flushing in Queens to Hudson Yards in Manhattan. He said that the company's November deadline is based on an assumption that it can't have additional service outages, especially during the coming months when the 7 is used by people attending Mets games at Citi Field.

Mr. Byford's message Wednesday: "I said, 'Try me,'" meaning he was open to more outages on one condition—not during games.

He believes that riders would prefer more outages if it means they get the new system—and better service—sooner. He thinks that could be achieved by



The new signal system on the 7-subway line was supposed to be in operation by late 2016. It likely won't be finished until November.



the end of the summer.

"I think customers would prefer to rip the Band-Aid off and get on with it rather than have this slow creeping limp to the finish line," he said.

State Sen. Michael Gianaris, whose Queens district covers part of the 7 line, said riders would rather "have what the MTA has been promising from

the start, which is an on-time project consistent with the outages they told us about."

The project was originally supposed to be in operation by late 2016.

In a statement, Mario Péloquin, chief executive of Thales Transport and Security, said the company is studying the feasibility of moving its deadline for-

ward.

"This decision must be made based on sound engineering principles of safe operation and to do this we must continue to work together towards completion," Mr. Péloquin said.

A revised deadline is expected in the coming weeks.

The new signal system lies at the heart of the push to im-

prove service for the city's 5.6 million daily weekday riders.

It currently operates on only one line, the L. It took seven years to install that system. According to recent MTA estimates, it will take about 40 years to install the system across the remaining 25 lines.

Mr. Byford has vowed to slash decades from that timeline. He believes it is possible to install it on lines carrying 80% of passengers in the next decade. To do so could cost between \$8 billion and \$15 billion.

His strategy is expected to rely upon the MTA simplifying its signal system requirements, increasing the frequency of weekend and overnight closures and installing the system on at least two lines at once.

Richard Barone, a transportation expert, said that other cities such as London have managed to install the new system on multiple lines in three years.

"It's doable," said Mr. Barone, a vice president of the urban planning group, Regional Plan Association. "But it does mean making a change. A lot is about the process."

## The End of a Giant Tax Break Creates Bargains in Condo Market

By JOSH BARBANEL

of-the-universe views, it is listed by Related Cos. for \$32 million.

The initial property tax bill for the condo is \$198 a month because of a 20-year tax abatement. That works out to about 46 cents a square foot a year, or annual taxes of less than 0.01% of the asking price.

A much smaller, midcentury ranch house on a half-acre with a Scarsdale address in Westchester County north of the city comes with \$3,100 a month in property taxes, which is close to \$15 a square foot a year, or roughly 3.4% of the asking price. It is listed for just un-

der \$1.1 million.

"Taxes are a big concern," said Jennifer Constantin, an

agent at Julia B. Fee Sotheby's International Realty who is listing the Westchester house.

The golden age of the condo

property-tax abatement in New York drew to a close last year when the state legislature eliminated the break on nearly all new condominiums.

The abatement is still available in small, less expensive buildings outside Manhattan for buyers who make the condo their primary residence. But Paul Korngold, a lawyer who specializes in property taxes, said the regulations are so strict that few if any buildings will qualify.

The focus on property taxes comes at a time when the federal government has put a spot-

light on taxes by limiting state and local tax deductions to \$10,000 a year.

"Even if you are a billionaire purchaser you appreciate a savings on an expense you know you will have on an ongoing basis," said Anna Zarro, director of residential sales and leasing for Extell Development Co.

Extell obtained a 10-year tax abatement on its One57 development on West 57th Street, which includes a penthouse that sold for \$100.4 million. It now offers a 20-year tax abatement at One Manhattan Square, its 847-foot tall project near the

base of the Manhattan Bridge in Manhattan, and a 25-year abatement at the 68-story Brooklyn Point in downtown Brooklyn.

Ted Moncreiff said he was drawn to Brooklyn Point, a development in downtown Brooklyn, by its elaborate amenities. But he signed a contract for a three-bedroom apartment there, after considering the abatement, which will lower his monthly costs by about \$2,400. The benefit, he said, will be particularly important after his retirement.

"You can retire your mortgage, but you can't retire your property taxes," he said.

## GREATER NEW YORK

# Food Festival Evokes Spirit Of World's Fair

Queens event to be held this weekend at Citi Field, near site of the 1960s exposition

BY CHARLES PASSY

These days, New Yorkers have no shortage of food events to attend, from weekly markets with vendors galore to high-profile annual festivals showcasing celebrity chefs.

But Schneps Communications, a Queens-based media company, is betting that there is appetite for yet another event—in this case, a global-minded one intended to evoke the spirit of the 1964-65 World's Fair held in the borough's Flushing Meadows Corona Park.

Appropriately called the World's Fare, the event, set for this Saturday and Sunday, will take place in the parking lot of Citi Field, not far from Flushing Meadows. Organizers are describing it in ambitious terms, saying it will feature more than 100

**3,000**

Number of pierogies Baba's hopes to sell at the World's Fare

different vendors representing an almost equal number of cuisines and cultures.

The festival also will incorporate an international beer garden, with 60-plus selections of brews, plus live music and other activities.

The goal is to offer something decidedly different from and bigger than most

New York culinary events, said Joshua Schneps, chief executive of Schneps Communications.

"Where else are you going to find two sumo wrestling champions in the middle of a food festival?" he said.

None of this is coming cheaply for organizers. Mr. Schneps declined to disclose the budget for the two-day event, but said the cost of putting it together was in the high six figures.

The festival will make back a chunk of its money through sponsorships and ticket sales, but organizers consider the first year an investment into building the brand. Admission starts at \$19 for a single-day entry but runs as high as \$199 for a weekend VIP pass. Admission doesn't include the food itself, which is priced individually by each vendor.

And those vendors, most of which are based in New York City, represent the full range of global culinary styles. Their offerings range from Caribbean-style shark sandwiches to Russian-style stuffed cabbage to an Ivory Coast peanut butter stew.

Organizers concede that some vendors will be familiar to New Yorkers from other food events, but

World's Fare has also sought out festival first-timers. A case in point: Baba's Pierogies, a Brooklyn dining spot that specializes in the classic Eastern European dumplings.

Baba's co-owner, Helena Fabianovic, said the restaurant had been looking to expand into vending at festivals. The World's Fare



Deanna Turner and Karim Ramsey of Melting Pot Brownsville Community Culinary Center in Brooklyn prepared samples at a press event for the World's Fare, including a chicken dish, below left. David Schaap of Oaxaca Taqueria served up samples, below right.



concept spoke to her, particularly because of the World's Fair history in New York.

"I thought it was a cool way to bring that back," said Ms. Fabianovic, who is hoping to sell as many as 3,000 of her pierogies, priced starting at \$6 for two, over the weekend.

Still, some culinary ob-

servers are sounding notes of caution about World's Fair, noting the calendar has become crowded with food events and there may be little room for newcomers.

On top of that, World's Fair organizers face more direct competition from the Queens Night Market. The four-year-old weekly event,

held during the warmer months in Flushing Meadows Corona Park, arguably established the blueprint for a multicultural food showcase, with roughly 50 vendors representing a diverse array of cuisines.

"I can't imagine having two festivals side by side is good for anyone," said John

Wang, founder of the Queens Night Market, which kicked off its season last weekend.

But World's Fair organizers don't seem fazed by such concerns. They note they have already sold 7,500 out of a potential 10,000 tickets going into this weekend. They are already looking ahead to a second year's edition.

## Cherry Blossoms Bloom in New Jersey



**SMILE, IT'S SPRING:** Two women enjoyed the warm weather Thursday by the bank of Branch Brook Park Lake in Newark. Cooler temperatures with occasional rain are in the forecast for Friday.

## GREATER NEW YORK WATCH

### MANHATTAN

#### Real-Estate Developer Admits Tax Fraud

A luxury Manhattan real-estate developer and art collector pleaded guilty to tax evasion Thursday in connection with his purchases of furniture, jewelry, art and a Ferrari.

Michael Shvo pleaded guilty to second- and third-degree criminal tax fraud in state Supreme Court in Manhattan. Under a plea agreement, he is required to pay about \$3.5 million in taxes and penalties.

"Michael Shvo's brand of tax evasion was an art form unto itself," District Attorney Cyrus Vance Jr. said. "Through ornate ruses—like creating a sham Montana corporation to avoid taxes on a Ferrari—the defendant dodged more than a million dollars in state and local taxes."

Mr. Shvo's lawyer, Benjamin Brafman, said "we are pleased" the case has been resolved. He said Mr. Shvo would pay the taxes due.

—Corinne Ramey

### NEW JERSEY

#### Authority Censures Former Commissioner

The Port Authority of New York and New Jersey on Thursday formally censured a former commissioner caught on camera delivering a profane tirade to police during a traffic stop last month, and said it would review the use of official badges like the one she showed to the officers.

Caren Turner resigned last week as head of the authority's governance and ethics committee.

Dashboard video released by the Tenafly police department showed Ms. Turner trying to pull rank on the officers after a car carrying her daughter was stopped for an expired registration on March 31. She became increasingly agitated and shouted an expletive at them.

In a statement Wednesday, Ms. Turner apologized for her behavior but said she didn't seek to use her position to garner special treatment.

—Associated Press

### GOVERNOR'S RACE

#### Candidate Says He Will Get GOP Nod

Dutchess County Executive Marc Molinaro says he enough support from county Republican leaders statewide to win the GOP nomination for New York governor in November.

Mr. Molinaro announced Thursday that three more GOP leaders had endorsed him, giving him enough support to be nominated at next month's state convention in New York City. The former state assemblyman told reporters that he is "humbled" to be running for governor.

State Sen. John DeFrancisco of Syracuse also sought the GOP nomination, but on Wednesday he said he was suspending campaign activities. Joseph Holland, an aide to former Gov. George Pataki, is still seeking the GOP nomination.

Gov. Andrew Cuomo, a two-term incumbent, and actress Cynthia Nixon are vying for the Democratic nomination.

—Associated Press

**Entertainment**

# A TAUT SPY THRILLER.

**"AS RELEVANT AS IT IS ENTERTAINING, AND IT IS VERY ENTERTAINING INDEED."**  
LOS ANGELES TIMES

**"JON HAMM HAS FULLY ARRIVED ON THE BIG SCREEN. TONY GILROY IS A VIRTUOSO."**  
NEW YORK MAGAZINE/VULTURE

**★★★**  
**A SMART AND COMPLEX TALE THAT HAS ECHOES OF JOHN LE CARRÉ."**  
THE GUARDIAN

**"TENSE AND EVER-TWISTING."**  
CHICAGO SUN-TIMES

**"A MUST SEE! IT WILL HAVE YOU ON THE EDGE OF YOUR SEAT THE ENTIRE TIME. ROSAMUND PIKE IS FANTASTIC."**  
DEADLINE

**★★★**  
**SAN FRANCISCO CHRONICLE**

# BEIRUT

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**R**  
LANGUAGE, SOME VIOLENCE  
AND A BRIEF NUDE IMAGE

SHIV HANS PICTURES

REDFIN PICTURES

BY TONY GILROY DIRECTED BY BRAD ANDERSON

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# LIFE & ARTS

## TELEVISION REVIEW

By John Anderson

## A Brand Tries to Doll Up Its Image

**BARBIE HAS** come a long way since those years when my daughters' playroom resembled a Dante-esque hellscape littered with skinny naked bodies, legs akimbo, hair askew and which were—I was always assured—in the process of getting dressed. They never quite did. And Barbie has never quite escaped the rap of being the root of all evil—that is, the warped body image of American girls who want to be Barbie and shouldn't.

In "Tiny Shoulders: Rethinking Barbie," director Andrea Blaugrund Nevins dives into the venerable controversies surrounding Barbie, her origins, her iconic place in the culture, and the arguments of those who would like to see her melted. There's some lovely film-making—an opening sequence in which a handmade Barbie moves from stage to stage, from hair-weaving to lip-painting, is gorgeous.

The focus, though, is on Mattel. The Fortune 500 toy company—co-founded, somewhat ironically, by the firebrand businesswoman Ruth Handler—has made various efforts over the years to defend its very profitable, 11½-inch-tall plastic icon from charges that she's just a puppet of the patriarchy. One of the most radical of these attempts is the subject of "Tiny Shoulders": the planning and launch in 2016 of "Curvy Barbie"—aka "Project Dawn"—which, after it was announced, was immediately labeled online as "Fat Barbie" and did little to help declining sales or Mattel's declining stock price.

We don't get any of the downside here. Oh, no. "Tiny Shoulders" is a feel-good paean to progressive thinking, and concludes once "Project Dawn" is completed and the post-release social-media response is deemed to be positive and affirming.

The intentions are good, both behind the camera and in front of it. For Kim Culmone, Mattel's chief designer, the "more realistic" Barbie becomes a passion project. Likewise for Mattel's very savvy PR chief, Michelle Chidoni, though

Please see BARBIE page A11



1959 Barbie



STRAND RELEASING (2)

## FILM REVIEW

By Joe Morgenstern

## 'Zama': Trapped In the Tropics



**IT'S TEMPTING TO DESCRIBE** the many mysteries of "Zama" by falling back on familiar categories—existential comes quickly to mind—and by referring to the work of other artists. I'll succumb more fully to that temptation in a moment, but the first thing to be said of Lucrecia Martel's Spanish-language film is that it stands as a startling original. Though the story is elusive, the images speak for themselves, and they are stunning. (The cinematographer was Rui Poças; what does he know about light and color that others don't?) The time is the late 18th century, and the place is some godforsaken colonial backwater in South America, where the scowling magistrate of the title, an officer of the Spanish crown, awaits a transfer that may never come. Whatever else he may be—harsh, furtive, desperate—Don Diego de Zama (Daniel Giménez Cacho) is a man going mad from spiritual, not to mention geographical, isolation.

And from sexual starvation; his wife is somewhere abroad, and he hasn't heard from her in 14 months. A joke around town is that a local sophisticate named Luciana (Lola Dueñas, a star of many films by Pedro Almodóvar) has the most beautiful body that Zama has ever imagined. He hopes to be transferred to Buenos Aires. Luciana has been there, knows the city well. He longs to

go to Europe and, in a tropical reversal of Chekhovian yearning, dreams of seeing snow. She has been to Europe, but remains unimpressed. "Europe is best remembered," she tells him, "by those who were never there."

Yearning is Zama's malady, waiting is his fate. One thinks, of course, of Samuel Beckett, but also of Borges, Camus or Kafka, especially when the magistrate's superior, the governor, accepts Zama's letter requesting a transfer, then issues a warning. The governor will forward the letter to the king, he says, but the king never reads first letters

Daniel Giménez Cacho, above, and Mariana Nunes, left, in Lucrecia Martel's 'Zama'

on any subject, only second ones, and that may take a few years more.

If waiting were Zama's—and Ms. Martel's—only game, the film would soon run out of steam, rather than steadily gather force, as it does. The reason to see it is what happens as Zama inexorably loses his mind. Delusions seize him, apparitions come and go. (They may or may not include a llama that wanders across the screen.) Violence explodes wherever he wanders. In his delirium, which puts one in mind of Joseph Conrad, Zama joins forces with the very rebel group he has sought to suppress, and loses more than his mind in the process. (The filmmaker, who was born in Argentina, based her screenplay on a classic novel by the Argentine writer Antonio di Benedetto.)

All these events lead to one unforgettable overhead shot. On the left side of the screen Zama lies, in extremis, in the bottom of a canoe, while the right side of the screen is occupied by a vertical ribbon of vividly green vegetation as the boat slips through a mangrove swamp. And these events lead to a simple question about life and death. Zama's answer transforms who we believed he was, and clarifies who he is.

## The WSJ Daily Crossword | Edited by Mike Shenk



- 63 Paired conjunctions  
64 These defended theses  
**Down**  
1 Driver in "The Force Awakens"  
2 People of "Africa"  
3 Following, as rules  
4 Singing syllable  
5 Mark with color or light  
6 Chapel exchange  
7 Nat. with the most medals in Pyeongchang  
8 Web designer's major, often  
9 Chuckling syllable  
10 Preoccupy  
11 Arab infant  
12 Escape from a lot, e.g.  
13 Ballpark figure  
18 Isn't ready to forgive and forget  
19 Plain  
24 Spent singles  
25 People who perpetuate gender stereotypes  
26 1972 Jack Lemmon comedy  
27 Stylists' supplies  
28 Fierce competitor  
29 Meal
- 30 Oscar winner for "The King's Speech"  
31 Hägar the Horrible's wife  
32 Gulf of \_\_\_ (Djibouti is on it)  
33 Genealogist's abbr.  
37 Alternative milk source  
38 "Frozen" role  
40 Talking truckers  
41 Former mascot of the Baltimore Ravens  
43 Tried to hit, in paintball  
44 Lazybones  
47 Jezebel's husband  
48 "Like I \_\_\_!"  
49 Cat's escape from a dog, often  
50 Big do  
52 In the thick of  
53 It's covered with iron oxide  
55 Deduction finder  
56 Most Chinese, ethnically  
57 Comment further  
58 Zener cards test it

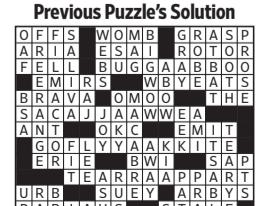
## PUZZLE CONTEST

### LET'S SPLIT THE LAST ONE!

By Matt Gaffney

- The answer to this week's contest crossword is a well-known sitcom.
- Across**
- 1 Slightly
  - 5 Kitchen occupant of song
  - 10 Whacks
  - 14 Too-trusting bird
  - 15 Be gaga over
  - 16 Dismiss
  - 17 Dumas title characters
  - 20 Server of Duff beer
  - 21 Letters on many trucks
  - 23 Yahtzee try
  - 25 Wise guys
  - 28 Famed double play makers
  - 33 Eats well
  - 34 Put on a pedestal
  - 35 Venerable ref. book
  - 36 Soufflé start
  - 37 Takes turns
  - 38 Glamour rival
  - 39 Volleyball pass
  - 40 Go via gravity
  - 41 Harmonize
  - 42 They sang "Suite: Judy Blue Eyes" at Woodstock
  - 45 Track prelims
  - 46 "Frozen" role
  - 47 Cruise, e.g.
  - 50 Bond rating
  - 51 Sum, some time ago
  - 54 Men's clothing retailer since 1887
  - 59 Region
  - 60 Ricardo Montalban's father
  - 61 Ado
  - 62 "Lettuce turnip the \_\_\_" (phrase on T-shirts with dancing vegetables)
- Email your answer—in the subject line—to [crosswordcontest@wsj.com](mailto:crosswordcontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, April 29. A solver selected at random will win a WSJ mug. Last week's winner: Yossi Fendel, Berkeley, CA. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

### Previous Puzzle's Solution



## THEATER REVIEW

By Terry Teachout

## FALLING STARS

New York

**ON BROADWAY** this year, spring is the season of marathons: First "Angels in America" and "Harry Potter and the Cursed Child," now Eugene O'Neill's "The Iceman Cometh" and George Bernard Shaw's "Saint Joan." Taken together, these extra-long shows are stretching patience and pocketbooks, and it's hard to imagine that very many people other than drama critics and well-heeled theater buffs will get to more than one of them. That's a pity, since "Iceman" and "Saint Joan," like "Angels" before them, both have much to offer the high-minded audience member (unlike "Harry Potter," which is for Quidditch fans only).

"Iceman" and "Saint Joan" also have something else in common, which is that they have lately received significant New York revivals, "Iceman" in the Brooklyn Academy of Music's 2015 transfer of Robert Falls's

Goodman Theatre staging and "Saint Joan" in the stripped-down four-actor off-Broadway version that put Eric Tucker's Bedlam on the map in 2012. Staging the classics isn't a competitive sport, but both of the latter productions were standard-setters, and neither of their successors is as effective as I'd hoped.

Absent a big-name star, the discursive "Iceman" (uncut and with intermissions, it runs for a bit less than five hours) is a defiantly uncommercial proposition. The only reason it's back on Broadway is that Denzel Washington is playing Hickey, the doomed traveling salesman who shows up at a dirty, disintegrating saloon-flop house in lower Manhattan, there to keep an appointment with oblivion. I can understand why he took on the challenge, for he's following in the footsteps of Jason Robards, James Earl Jones, Kevin Spacey, Lee Marvin (on film)

Please see THEATER page A11

## LIFE &amp; ARTS



Juliette Binoche as Isabelle and Nicolas Duvauchelle as the unnamed actor in Claire Denis's 'Let the Sunshine In'

FILM REVIEW | By Joe Morgenstern

## 'Sunshine': The Infinite Allure of Mr. Wrong

**SHE IS MADDENING**, the woman played by Juliette Binoche in "Let the Sunshine In," a French-language film, with English subtitles, by Claire Denis. Searching for the man who will finally fulfill her, she makes one ghastly choice after another. As you watch in bafflement, you want to tell her "No, no, not that guy, can't you see he's worse than the last one?" The movie is maddening too, just as it intends to be, but you do watch, and care, and learn. What seems at first to be a gallery of narcissistic rogues turns into something else, a study in equal-opportunity romantic folly.

The woman, Isabelle, is a painter living in Paris. A di-

vorced mother, she's successful in her work, though currently between galleries (of the picture-hanging kind); kind to others (including a cabdriver and other strangers); and a generous lover (as established by a bedroom scene that opens the action). What's more, she listens well—so well, and so indulgently, that her attentiveness provides a clue to who she is and why she makes the choices she does.

The first choice we see is the man she's been living with, a hostile brute of a banker named Vincent. (He's played by Xavier Beauvois, who wrote and directed the exquisite 2010 drama "Of Gods and Men.") Vincent is

married, has no intention of leaving his wife and family, and treats Isabelle badly. Then why does she hang in there? Fortunately she doesn't. Unfortunately, the next man is another kind of trouble, which we can see coming, even if she can't. An unnamed actor played by Nicolas Duvauchelle, this one has it all—narcissism, fatuousness, self-doubt and a gift for talking about himself at unendurable length.

I could go on, because Isabelle goes on, and on—ever hopeful, briefly fulfilled, then back to square zero. But the film's fascination lies less in its portraits of grievously flawed men than in its presentation of the heroine as a riddle for

us to solve. Nothing is spelled out by the screenplay, which the director and Christine Angot adapted from Roland Barthes's "A Lover's Discourse," though all the information we need is available—and available to Isabelle, if she chooses to use it and thereby fulfill the sunny optimism of the title. Paradoxically, if not ironically, the most influential man in her life is the only one in the film who harbors no romantic intentions toward her. He's a clairvoyant played with mesmerizing reserve by Gérard Depardieu, and he talks all sorts of nonsense with lofty authority. She listens intently, as always.

sufficiently varied in tonal color to allow her to speak Shaw's etched dialogue compellingly, especially seeing as how she's appearing opposite seasoned classicists like Patrick Page and John Glover who can hold an audience simply by opening their mouths and counting to 10.

Fortunately, the fact that this revival is being performed on the smallish stage of the 650-seat Samuel J. Friedman Theatre works to her advantage, especially in the climactic scene in which Joan of Arc recants her confession of heresy ("Light your fire: do you think I dread it as much as the life of a rat in a hole?") and to which Ms. Rashad gives her considerable all. It helps, too, that Mr. Sullivan, like Mr. Wolfe, has trimmed a fair amount of dialogue from Shaw's long-winded script—if not always to the best effect, though his cuts are carefully considered and for the most part plausible—and staged it as a 2½-hour intellectual conversation piece, a case study in what can happen when spiritual idealism and political expediency butt heads.

While I wish that Mr. Sullivan's baldly straightforward production were more theatrically daring, the play comes through with bright clarity and makes, as always, a thought-provoking impression. See it by all means, but keep in mind as you do so that there's a lot more to "Saint Joan" than this, both literally and figuratively.

**The Iceman Cometh**

Bernard B. Jacobs Theatre, 242 W. 45th St. (\$79-\$199), 212-239-6200/800-432-7250, closes July 1

**Saint Joan**

Manhattan Theatre Club, Samuel J. Friedman Theatre, 261 W. 47th St. (\$65-\$145), 212-239-6200/800-432-7250, closes June 10

**Mr. Teachout**, the Journal's drama critic, is the author, most recently, of "Billy and Me."

## BARBIE

*Continued from the prior page* one gets the sense that she is responding to the sales challenge rather than the body politics—and there's no question on anyone's mind that plumping up Barbie is going to be like putting a mustache on the Mona Lisa. (Speaking of which, the recently released Frida Kahlo Barbie has met all kinds of problems in Mexico, but perhaps that's a different story.)

What's largely missing in "Tiny Shoulders," besides any postmortems on Curvy Barbie, is the child's-eye view. It would seem, at least to us nonpsychiatrists, that children use certain kinds of toys as ways of projecting themselves, whether it's onto a Barbie, or G.I. Joe, or an American Girl doll. A doll is a repository of fantasy, a fetish object. Whether Barbie is a propagandist tool for unrealistic expectations or merely a reflection of an already existing blond, white, skinny and somewhat vacuous ideal is

not really something the film confronts head-on. Neither is Curvy Barbie's less-than-radical departure from the traditional doll: Ms. Cumone's rather minor modifications were almost guaranteed, from the start, to make the more severe Barbie critics unhappy. Ultimately, "Project Dawn" was all about adults, not children. But that's not something Ms. Nevins ever says out loud.

**Tiny Shoulders: Rethinking Barbie**

Friday, Hulu

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**PREVIEW**

May 9-15



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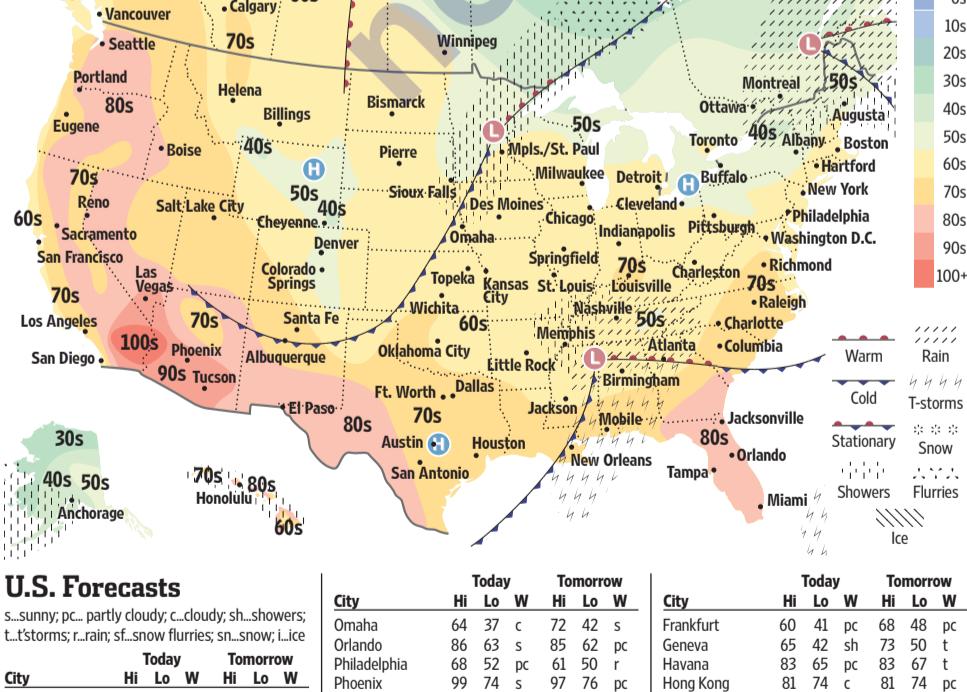
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## Weather



## U.S. Forecasts

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

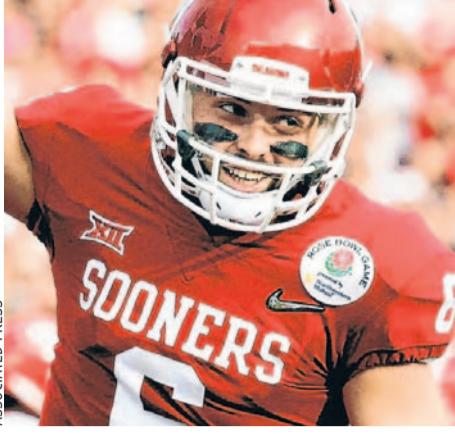
t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

40s 50s Anchorage

50s 60s 70s 80s 90s 100s

50s 60s

## SPORTS



NFL DRAFT

## MAYFIELD GOES NO. 1 TO BROWNS

BY ANDREW BEATON

The clearest way to grasp the craziness of this NFL draft is by looking at the player who went No. 1 overall. Baker Mayfield began last season as an afterthought in the NFL picture. That he was any type of thought at all was remarkable progress.

This was a quarterback who had to walk-on—at two different schools. He was called too short. He was considered a head case. He played in an offense completely unlike the ones in the NFL.

But there was no denying everything Mayfield accomplished at Oklahoma—so much so that the Cleveland Browns tapped him as the first pick and the hope for a franchise that hasn't made the playoffs since 2002, spending most of the time since then helplessly flailing.

That was the beginning of the mania. At No. 2 the New York Giants did something considered crazy by many. They didn't take a quarterback. Instead, they took Saquon Barkley, a dynamic running back from Penn State. Barkley's combination of speed, power and elusiveness is rare. Because of that, he became the first running back to go this high since Reggie Bush in 2006.

But there's a reason running backs don't frequently go this high: They're not considered especially valuable in the modern NFL. And the Giants, coming off a 3-13 season, had the chance to pick an heir apparent to 37-year-old quarterback Eli Manning. They didn't.

Their co-tenants, the New York Jets, think they found their quarterback of the future: Sam Darnold, from Southern California. The Jets had traded up for the No. 3 pick before the draft to assure themselves of one of the best options at quarterback—and that was just the beginning of picks changing hands.

After the Browns (cornerback Denzel Ward), Denver Broncos (defensive end Bradley Chubb) and Indianapolis Colts (guard Quenton Nelson) passed on quarterbacks or trades with the quarterback-hungry teams, the Buffalo Bills traded up to No. 7 for theirs: Josh Allen. The 6-foot-5 quarterback from Wyoming was already polarizing because of the contrast between his arm strength and struggles in college.

Then came another trade. It was also for a quarterback. The Arizona Cardinals moved up to No. 10 for Josh Rosen, from UCLA, making it four quarterbacks taken in the top-10—for the first time ever.

To prepare for the season, Ryan Zimmerman stayed almost exclusively on practice fields

BY JARED DIAMOND

**IT IS AN ANNUAL** tradition of March for veteran baseball players to complain about spring training. It's way too long, they say, it's mind-numbingly tedious and there is a constant risk of injury while playing games that don't count.

This year, one All-Star took an unusual—and potentially revolutionary—approach to combat these issues: He skipped most of it.

Washington Nationals first baseman Ryan Zimmerman appeared in exactly one official Grapefruit League contest, taking just two at-bats. Instead, Zimmerman stayed almost exclusively on practice fields, hitting against prospects in minor-league camp on a program that suited him.

The 33-year-old Zimmerman wasn't hurt, despite nearly a month of speculation that the Nationals were hiding an undisclosed ailment. He simply hoped to limit the strain on his well-worn body heading into his 14th major-league season, believing it will help him stay fresh without sacrificing performance.

Zimmerman's bizarre spring raised eyebrows across the sport, and his slow start to the 2018 season—he is batting .188—will only further fuel the debate. But if he completes the season healthy and productive, it could inspire copycats as teams look for an edge in the ultra-competitive world of injury prevention, an area that could determine an organization's success.

"Why would the teams risk their biggest assets?" Zimmerman said. "There's a lot of risk for a lot of players with no reward."

Zimmerman, a longtime proponent of shortening spring training, is quick to point out that he didn't intend to sit out most of the exhibition slate, or "sabotage spring training," as he put it.

Rather, Zimmerman was dealing with some normal soreness in the early part of the spring, so the Nationals decided to delay his start out of an abundance of caution. When he returned to full strength, he found that he liked the setup on the back fields and asked for permission to extend his stay. Manager Dave Martinez went along with the idea, comfortable that a veteran like Zimmerman knew how to get ready for the season at his own pace.

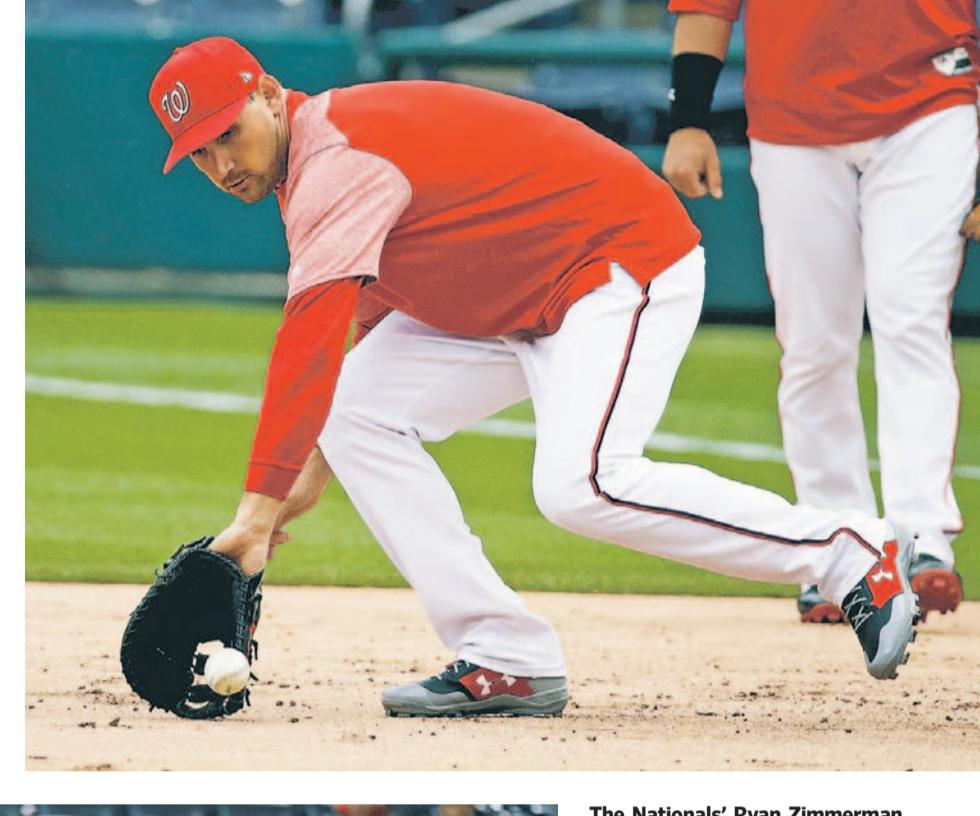
"The goal of spring training is to be healthy," Zimmerman said. "Spring training is completely independent of the regular season."

That's why despite the unorthodox nature of his plan, the controversy surrounding it surprised Zimmerman. After all, NFL stars routinely skip large chunks of the preseason to avoid injury and nobody seems to mind.

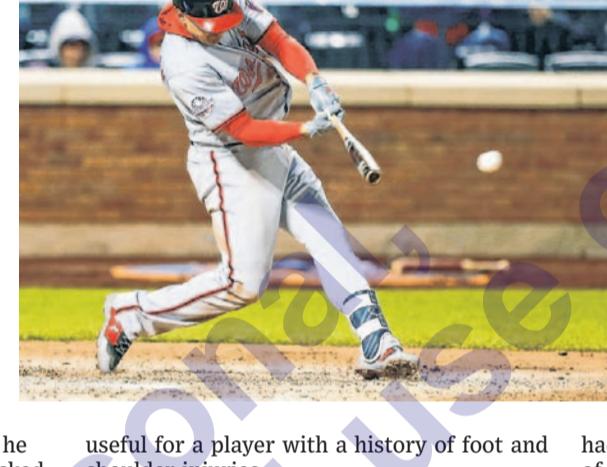
On the back fields, the Nationals could keep Zimmerman in what general manager Mike Rizzo described as a "controlled environment"—simulated contests without formal rules. Zimmerman could hit as many times as he wanted in any place in the lineup, sometimes batting 10 times in a day. He could run the bases and play the field as much or as little as he thought prudent,

## MLB

## The Star Who Took the Spring Off



T-B: ALEX BRANDON/ASSOCIATED PRESS; NOAH K. MURRAY/REUTERS



The Nationals' Ryan Zimmerman appeared in one Grapefruit League contest, taking just two at-bats. In 24 games this season, he is hitting .188.

career.

And that's probably a good thing, considering how he began the season. Zimmerman got off to a dreadful start, going 6 for his first 54 (.111), causing skepticism about his ideas regarding spring training. One rival general manager said, "Until it starts to work, you won't see it catch on."

But Zimmerman takes exception with that line of thinking. He didn't skip the Grapefruit League so he would play well in the first couple weeks of the season. He did it so he

had a better chance of enduring the rigors of a 162-game season.

In reality, Zimmerman rarely starts the season well. His lifetime on-base-plus-slugging percentage from March through June is just .773. From July through the end of the season, that number jumps to .860. He started brilliantly last year, posting a .330 batting average and .969 OPS before the All-Star break, but he wore down in the second half, hitting just .269 the rest of the way.

He wants to avoid that fate this season. Therefore, he said, his durability over the next five months should determine how this experiment fared.

"If at the end of the year, if I play 150, 155 games and put up my normal numbers, it was good," Zimmerman said.

There are signs that Zimmerman is about to heat up.

Among players with at least 40 batted balls this season, Zimmerman's average exit velocity of 96.3 mph leads the majors. That indicates he has hit the ball hard and has encountered a string of bad luck.

## NFL

## JAGUARS OWNER SHAD KHAN PUTS IN BID FOR WEMBLEY

BY JOSHUA ROBINSON  
AND ANDREW BEATON

**THE HOME OF** the English national soccer team could soon be in the hands of a different kind of football investor. Shad Khan, owner of the NFL's Jacksonville Jaguars, announced a bid on Thursday to buy Wembley Stadium and deepen the ties that already exist between the NFL and its second home in London.

The offer is worth close to £600 million, or \$839 million, according to a person familiar with the terms.

"We can confirm that The FA has received an offer to buy Wembley Stadium," the governing body of English soccer said in a statement.

The proposed deal would expand the NFL's footprint in England, driven by the team owner, Khan, who has most aggressively sought a presence there. Wembley has hosted 18 NFL games since 2007, including five Jaguars games.

For English soccer fans, Wembley is the most storied ground in the country—England won its only World Cup at a previous iteration of Wembley in 1966. Opened in 2007, the 90,000-capacity stadium acts as the home to the England national soccer team and hosts the annual semifinals and final of the FA Cup. This season, it has also acted as the temporary home of Tottenham Hotspur while the club awaits the completion of its new stadium at White Hart Lane. Tottenham's new ground, incidentally, is being built with the explicit purpose of also hosting NFL games in London.

Spurs may not be the only Premier League club to take up short-term residence at Wembley. Chelsea could move for a similar arrangement there in the near future once it moves ahead with plans to remodel

its longtime home of Stamford Bridge.

"The potential purchase of Wembley Stadium is a further powerful sign of their commitment to the U.K. and their vision to help us grow the sport," Mark Waller, the NFL's executive vice president overseeing the league's international events, said in a statement. "Having stadium options in London has always been critical to the NFL and, in tandem with our 10-year partnership with Tottenham Hotspur, this new relationship would allow for even greater flexibility in scheduling future NFL games in London."

Khan also sees the potential to more fully utilize Wembley for concerts and other sporting events, according to a person familiar with his thinking.

Khan also owns the Fulham soccer team, which plays in the second tier but is vying for promotion to top-tier Premier League for next season. The team plays at a small stadium called Craven Cottage, on the banks of the Thames, which Khan is also seeking to redevelop.

Khan wouldn't be the first NFL owner with a London soccer stadium in his portfo-

lio—that would be the Los Angeles Rams' Stan Kroenke, who also owns Arsenal—but he is the only one who considers London to be his team's home away from home.

"One of the many benefits of the Jaguars' commitment to London has been our partnership with the FA and Wembley Stadium,"

he said in a statement. "Over the past several years, it became clearer to us and the FA that the idea of our purchase of Wembley Stadium made a lot of sense for all of us."

To the FA, English soccer's national governing body, selling off the stadium would

provide significant debt relief and, the federation said, allow it to reinvest in grass-

roots development of the game.

For the NFL, the implications are broader

as it has eagerly tried to play more games abroad and attract an international fan

base. In that push, Khan quickly raised his hand and volunteered his team.

For much of the Jaguars' existence—their

first season was 1995—Jacksonville has

been one of the league's weaker franchises.

They have experienced long droughts be-

tween playoff berths, never reached a Super

Bowl and at some points struggled in its mid-sized market. From 2011 to 2016, they had the worst record in the NFL.

Then, this past season, Jacksonville won its division and went on a run to the AFC Championship game.

During the NFL's recent push to establish itself in England, the Jaguars have been the vanguard. They have played a game in London every year since 2013, and had previously agreed to continue that through at least 2020. Their annual presence created the cadre of Jacksonville die-hards across the pond—but also questions about the team's long-term commitment to Jacksonville.

Between Khan's ownership of Fulham, the Jaguars' annual games in London and periods of middling fan support in Jacksonville, it was only natural to wonder if the franchise had more permanent sights set on being the NFL's first European franchise. Khan, who's being advised by investment bank CenterView Partners, said that's not the case.

"Today's news changes none of what we envision for the long-term promise for the Jaguars here in Jax," he said.



L-R: MATT DUNHAM, DAVID SHOPLAND (ASSOCIATED PRESS)

## OPINION

## How Trump Takes On Obstruction



POTOMAC WATCH  
By Kimberley A. Strassel

President Trump vociferously protests his innocence as Robert Mueller finishes the first year of his Russia investigation. Still, the endless Tweet bleats of "PHONY" and "WITCH HUNT" are doing little to help his cause.

The question is why this high-energy president seems to have fallen for the media claim that his only proactive course is to fire Mr. Mueller. It isn't. There are two very bold actions the Trump White House could take to reset the Russia dynamic. Both would aid Mr. Trump's presidency and serve the executive branch and the public in the longer term.

The first is an abrupt overhaul of the president's legal team and strategy. Mr. Trump has talented lawyers, but not ones skilled at confronting the threat at hand. They continue to fret over his personal liability, when the real threat is to the Constitution—to this presidency and every future one. Mr. Mueller is by all accounts now focused on obstruction of justice. Mr. Trump needs constitutional powerhouses who can swiftly take that issue off the table.

Constitutional lawyer David Rivkin in December argued on these pages that a president's exercise of the powers of his office cannot

legitimately be construed as obstruction of justice. Among those powers are the right to direct law enforcement and to fire executive-branch appointees at will. Whether or not Mr. Trump's conversations with former Federal Bureau of Investigation Director James Comey, or his firing of Mr. Comey, were wise, Mr. Trump was exercising rightful powers. If Congress believes he abused his office, it has the power to impeach. If Congress had the authority to criminalize the exercise of presidential power, or the judiciary to question a president's motives, the separation of powers would be severely threatened.

Already we are seeing the obstruction narrative threaten other core powers. We are now told it is obstructionist for a president to use his pardon power, as Mr. Trump did with Joe Arpaio and Scooter Libby. We are told that Mr. Trump is obstructing justice by ordering the attorney general to *cooperate* with congressional document demands. And Team Trump needs to understand that the mere specter is enough to constrain the presidency; Mr. Mueller doesn't need to bring a charge.

Which is why the president needs a team that focuses on the Constitution, decoupling its defense of Mr. Trump's presidential powers from his personal legal risk. Example: The president's lawyers are currently resisting a Mueller interview for fear the president

might perjure himself. The correct grounds for refusing should be that the president will not parlay with any special prosecutor engaged in an unconstitutional obstruction probe. He needs a team that immediately goes to federal court to obtain a declaratory judgment that presidents cannot obstruct justice while exercising core powers. This legal

Trump aide George Papadopoulos. Details of any as yet undisclosed FBI spying on the Trump campaign.

Mr. Trump's advisers have warned him off this transparency, on the grounds—yet again—that such a release might be construed as obstructing the Mueller probe. To repeat: The president has ultimate authority over classification, and no exercise of that constitutional power can be obstruction. Even the few documents the public has seen—the Comey memos, the Peter Strzok-Lisa Page texts, a glimpse of one FISA warrant—have created a compelling case that the FBI and Justice Department in 2016 abused their power.

Yes, there are risks of a worrisome declassification precedent. But they are outweighed by the gravity of the threat to the executive branch and the potential loss of faith in law enforcement. The nation has the right to the full story now—to understand better how we ever got to a special counsel, and to put Mr. Mueller's ultimate findings in context.

The media and anti-Trump elites have created a false choice: that Mr. Trump must either sit back and take it, or go on a firing rampage. He has better options. He can define the terms of this debate and defend the executive branch. And he can enlighten the country. But his time for doing so productively is growing very short.

*Write to kim@wsj.com.*

### Focus on the threat to the powers of the presidency, not the president personally.

clarification is crucial, to preempt any Mueller charge or even report. It's also necessary to make clear that should the House impeach on obstruction, it will not be doing so on grounds that the president violated criminal law.

Simultaneous to legal overhaul, the White House should immediately order the declassification (with redactions for sources and methods) of every underlying document in the Justice Department and FBI counterintelligence probe, including any paper at the State Department, Central Intelligence Agency and any other agencies that were involved. Everything. The Foreign Intelligence Surveillance Act warrants. Emails. Texts. The interviews with dossier author Christopher Steele. The story of how exactly the FBI came into possession of info about

The path of reconstruction might have been less rocky if Americans had heeded some of his final words instead of deifying Lincoln or demanding retribution. Lincoln's second inaugural address—delivered a month before his death—drew heavily on biblical themes.

### 'Bind up the nation's wounds,' he urged in his second inaugural, echoing Luke 10.

Lincoln spoke to both sides without shying away from making distinctions or abandoning his own commitments. He blamed the South for pushing the nation to war, especially over slavery: "It may seem strange that any men should dare to ask a just God's assistance in wringing their bread from the sweat of other men's faces." But in that critique, Lincoln urged humility. "Let us judge not, that we be not judged," he asserted, echoing the Gospel of Matthew. Balancing his criticism, he argued that the horrible bloodshed of the war was a judgment on the North too.

Given these truths, Lincoln closed by calling his hearers

to steady service: "With malice toward none, with charity for all, with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in." The most important of these tasks was "to bind up the nation's wounds, to care for him who shall have borne the battle and for his widow and his orphan." In this invitation, Lincoln was calling to mind the Good Samaritan of Luke 10, who, finding an injured man, "bound up his wounds, pouring in oil and wine." Similarly, Lincoln echoed the book of James, which teaches the duty of visiting "the fatherless and widows in their affliction." Lincoln concluded this humanitarian vision could cross borders and ethnic divisions, providing an example to the world.

In the present moment, a desire to "bind up" must be a precondition for resetting some of the fractures the nation is experiencing today.

Americans should look to Lincoln's words as an enduring call to reconciliation.

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

## Lincoln's Biblical Lessons of Reconciliation

HOUSES OF WORSHIP  
By Jonathan Den Hartog

As pundits fret over America's political Balkanization, many also note that it has been worse before: The 2016 election might have brought out the worst in many, but it's nothing compared with the Civil War. This well-known narrative is often told as a secular story. Less appreciated is how faith helped bring Americans together after that deadly conflict.

April 1865 was mostly a time of optimism. The Civil War was all but over. The Confederate capital, Richmond, fell on April 3, and President Abraham Lincoln even walked through the defeated city. A few days later, Gen. Robert E. Lee surrendered his Army of Northern Virginia to Gen. Ulysses S. Grant at Appomattox Court House. Lee sent his troops home, averting a guerrilla conflict. All that was left was mopping up small pockets of resistance and preparing for the postwar settlement.

Good Friday that year came on April 14, the beginning of the Christian calendar's three most important days. Across the country, North and South, Christians gathered in their churches to

remember the crucifixion of Christ and to bewail their sins, which made such a sacrifice necessary.

Desiring some emotional release after four years of war, President Lincoln declined to attend any worship service that day. He did decide, though, that he and Mrs. Lincoln would attend a comedy at Ford's Theater. When the White House made arrangements for the Lincolns to attend, the theater made sure to publicize it to boost the box office.

That play was overshadowed by another performance, by the actor turned assassin John Wilkes Booth. In killing Lincoln, Booth believed he carried on the spirit of the Confederacy. He announced from the stage that he would avenge the Confederacy's loss. "Sic semper tyrannis," he shouted—"thus always to tyrants."

As Americans grieved, one of the most common tropes of mourning was to identify Lincoln's sacrifice with Christ's. Both died on Good Friday, after giving their lives for others. This sacralizing of Lincoln's death continued as his body was borne across the country to be laid to rest in his hometown of Springfield, Ill.

Given these truths, Lincoln closed by calling his hearers

to steady service: "With malice toward none, with charity for all, with firmness in the right as God gives us to see the right, let us strive on to finish the work we are in." The most important of these tasks was "to bind up the nation's wounds, to care for him who shall have borne the battle and for his widow and his orphan." In this invitation, Lincoln was calling to mind the Good Samaritan of Luke 10, who, finding an injured man, "bound up his wounds, pouring in oil and wine." Similarly, Lincoln echoed the book of James, which teaches the duty of visiting "the fatherless and widows in their affliction." Lincoln concluded this humanitarian vision could cross borders and ethnic divisions, providing an example to the world.

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## Monkeying Around With Copyright Law

By Robert C. Denicola  
And Richard Dooling

The Supreme Court held in 1884 that a photograph of Oscar Wilde was protected by copyright law because it was not a "mere mechanical reproduction" but "an original work of art," the product of the photographer's "intellectual invention," of which the photographer "is the author." The photographer was lucky he wasn't a monkey. The Ninth U.S. Circuit Court of Appeals held Monday that Naruto, an Indonesian crested macaque, has no right to photos he snapped in 2011.

The "monkey selfie case" began at a wildlife reserve on the island of Sulawesi. David Slater, a British wildlife photographer, left his camera unattended, and Naruto began playing with it. The stunning images went viral, and People for the Ethical Treatment of Animals sued on Naruto's behalf. The judges not only dismissed the monkey's infringement claim but ordered PETA to pay costs and attorneys fees to Mr. Slater and his publishers.

Now comes the hard part.

If the monkey doesn't own the copyright, who does? Nobody, it seems. According to a guide from the U.S. Copyright Office, it "will refuse to register a claim if it determines that a human being did not create the work." It specifically excludes not only works by monkeys (and elephants),

but those "produced by a machine or mere mechanical process that operates randomly or automatically without any creative input or intervention from a human author."

Animals don't contribute valuable intellectual property to our culture or economy, but machines? Computers double their capabilities every two years and are currently able to paint, draw, compose music and, yes, write. Many simple sports and financial news stories are written by computers. Machines generate maps, databases and other valuable works. Verse-writing

software has passed its version of the Turing Test by producing a poem that was accepted for publication in a literary journal by editors who assumed it had been written by a human.

Monkeys can't own copyrights, and neither should computers or artificial-intelligence programs, but does that mean that all works created by monkeys and machines are in the public domain? Such a rule threatens computer-generated works that are indistinguishable in merit, value and originality from works created by humans.

Maybe the Copyright Office's hostility to computer-generated works can be explained by the Patent and Copyright Clause of the Constitution, which states that Congress shall have the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Extending copyright protection to monkeys or machines wouldn't create a direct incentive for them to produce "science and useful arts." But computer-generated works, for

now at least, require human beings to develop, improve, distribute and use the technology. Copyright incentives could play a role in those human activities.

The question isn't whether computers can own copyrights, but whether humans (or corporations) should be able to claim ownership of works created by computers. Copyright laws already provide that in the case of "works for hire," the employer owns the copyright, even if an employee actually created the work. Shouldn't similar reasoning allow copyright protection for humans who employ computers to create valuable works?

Several foreign nations, including the U.K. and India, already grant copyrights to persons who arrange for the creation of computer-generated works. The U.S. should join them, lest creative computer programmers and users flee the country, making monkeys out of us Americans.

*Mr. Denicola, a copyright scholar, and Mr. Dooling, a novelist, teach at the University of Nebraska College of Law.*

BOOKSHELF | By Brendan Boyle

## Finish With a Flourish

### How to Die

By Seneca, edited and translated by James S. Romm (Princeton, 230 pages, \$16.95)

In A.D. 65 the emperor Nero forced Seneca, the Roman philosopher and statesman and Nero's erstwhile tutor, to commit suicide. Calmly and fearlessly, the historian Tacitus recounts, Seneca cut open the veins in his arms. This didn't work. So he tried the veins of his shins and knees. This, too, left him standing. He drank hemlock, but his body was too cold for the poison to take effect. Undeterred, he entered a hot bath and, after making an offering to Jupiter the Liberator, was at last done in by the poison and the steam.

James Romm includes this episode as an epilogue to "How to Die: An Ancient Guide to the End of Life" and invites readers to "judge for themselves whether Seneca achieved the kind of death he had contemplated and prepared for throughout his adult life." Mr. Romm's slim volume collects the evidence of that preparation by bringing together excerpts about death from eight of Seneca's major prose works. Pride of place is rightly given to selections from the "Moral Letters," a collection of 124 letters written to a certain Lucilius, though certainly intended for publication.

Taken together these excerpts constitute a kind of education in Stoicism, the philosophical school with which Seneca is most closely associated. The "Moral Letters" were written between 63 and 65, difficult years at Rome. Seneca had been Nero's adviser since his accession in 54. He may even have exercised a restraining influence during the early years of Nero's reign. But after Nero murdered his own mother, Agrippina, in 59, all pretense of moderation was gone, and soon enough Seneca was on the outs with his former pupil. One doubts, however, that this reversal much surprised Seneca. Early in life he had been an acclaimed orator and writer. But this very excellence seems to have aroused the ire of the previous emperor, Claudius, who sentenced him to exile on Corsica. He was recalled through the intervention of none other than Agrippina, the very woman whose murder Nero would ask him to justify not all that long before demanding Seneca's own death.

The orthodox Stoic cultivated indifference to the vicissitudes of political and social life—power, honor, friendship, wealth and their opposites. Pleasures were not to be shunned, but, in their impermanence, they counted not at all for true happiness, which came exclusively from cultivating the divine rational faculty in every human being. This faculty, appropriately exercised, brought one into alignment with the cosmos, itself a rationally ordered whole that passed through cycles of death and rebirth. Passion of all kind impeded this sometimes mystical-sounding endeavor, but much of Stoic philosophy can, more humbly and practically, be seen as therapy dedicated to freeing the learner from enslaving desires that blocked happiness.

**As the Stoic philosopher Seneca states: 'Death is the undoing of all our sorrows, an end beyond which our ills cannot go.'**

The fear of death was the most immovable of the impediments to cosmic alignment. Writing to a certain Marcia, who was grieving over the loss of a teenage son, Seneca advises her to "consider that the dead are afflicted by no ills, and that those things that render the underworld a source of terror are mere fables. . . . Death is the undoing of all our sorrows, an end beyond which our ills cannot go; it returns us to that peace in which we repose before we were born." To Lucilius he issues the reminder that "all things that seem to die are in fact transformed. . . . Just look at how the circuit of the universe returns upon itself. You will see that nothing in this cosmos is extinguished, but everything falls and rises by turns."

Of particular importance to Seneca's writing were examples of good deaths, many of which he presents with bracing vividness. There were, of course, the famous cases of Socrates and Cato the Younger—Stoicism's intellectual forefather and its most uncompromising practitioner, respectively. But Seneca was not choosy, happily celebrating virtue wherever it was found, even in gladiatorial combat. "Just recently," he writes to Lucilius, "in the beast-fighting shows, a German, when he was being readied for the morning program, drew apart . . . and jammed a piece of wood . . . into his windpipe and, with his throat blocked off, thrust off the breath of life"—all so that he could be the agent of his own death. The Stoics, to their credit, didn't consider moral action the exclusive preserve of the rich or well-born. This humble gladiator, no less than Lucilius, could heed Seneca's advice to "study death always" and, having done so, meet death with reason and nobility.

Mr. Romm's volume, in addition to a sharp introductory primer on Stoicism, includes the Latin texts of the selections he has very finely translated. Unfortunately, the Latin texts are consigned to the back, making consultation tricky for the casual Latinist. And many readers may find Seneca less than persuasive. The arguments offered to Marcia and Lucilius are inseparable from complex metaphysical doctrines. Absent a belief in a providentially ordered cosmos, Seneca's comforts are thin and bloodless.

The therapy that the Stoics sought to effect was an arduous, life-long undertaking. "How to Die" is an excellent guide, so long as readers remember Seneca's further advice to look to the totality of Stoic thought. "I don't object to your examining separate limbs, so long as you examine them as parts of the whole body." Only thus could we ever come to say, with Seneca, that "it's not years nor days, but the mind, that determines that we've lived enough. I, my dearest Lucilius, have lived as much as is enough. Full, I await my death. Farewell."

*Mr. Boyle teaches at St. John's College, Annapolis.*

### Coming in BOOKS this weekend

The epic story of hunting in America • Rachel Carson's 'Silent Spring' revisited • The soul of the Lone Star State

• American dreams in Chinatown • Ernest Hemingway & Martha Gellhorn • Sam Sacks on new fiction • & more

## OPINION

## REVIEW &amp; OUTLOOK

## Europe, Trump and the Iran Deal

**E**mmanuel Macron's state visit to Washington this week was notable for its warm atmospherics, but its significance could be far more substantial. The French President said he's willing to accept a revised Iran nuclear deal that includes at least some of President Trump's demands.

"We want sustainable stability and I believe that the discussions we've had together make it possible to open the way, to pave the way, for a new agreement," Mr. Macron said Tuesday, surprising many in Europe. The Trump-centric U.S. media gave more attention to Mr. Macron's remarks a day later that he thinks Mr. Trump still wants to withdraw from the deal by May 12, but that isn't news. Progress toward a joint Europe-U.S. revision is.

Specifically, the French leader appears to be on board with fixing at least two of three giant loopholes in the John Kerry-Barack Obama deal: strengthening inspections at any suspect sites inside Iran, and adding a provision on Iran's ballistic missiles. He also seems to have embraced the larger Trump strategy to contain Iran, which includes confronting its record of cyber attacks, human-rights abuses, support for terrorism and military adventurism.

\* \* \*

This is a major advance, and it offers hope that the U.S. and France, Britain and Germany can agree on a revised pact. Contrary to common misunderstanding, Iran, Russia and China wouldn't have to agree to these changes. The Joint Comprehensive Plan of Action, as the deal is known, isn't a treaty. Mr. Obama never submitted it for Senate approval because he knew it would be defeated. The deal is essentially a set of assurances agreed to at the United Nations that lack the force of U.S. law.

The U.S. and the French are still negotiating over the range of missiles that would be banned. But we're told the biggest remaining U.S. disagreement with Mr. Macron is the deal's sunset provision. To get a deal before leaving office, Mr. Obama agreed to let the pact begin to expire in 2025.

This is an invitation to Iran to bide its time and restart its nuclear program from a stronger economic position in a mere seven years. Mr. Trump is right to want to make the deal permanent, and Mr. Macron told Congress Wednesday

that "Iran shall never possess any nuclear weapons. Not now. Not in five years. Not in 10 years. Never." Never is later than 2025.

### Macron's move opens the way for a joint rewrite of the pact.

good for Iran even with revisions, and Iran can't afford the renewal of sanctions if it wants faster growth to create jobs for its restive youth. Iran needs foreign trade and investment.

On the sunset provision, Iran could decide to ignore a U.S.-Europe rewrite and wait until 2025 to test the world's resolve to enforce it. This is all the more reason not to let this single issue block U.S. and European agreement now.

The benefits would be considerable. A revised deal would show Western unity against Russian revanchism and Iranian imperialism. It would show Iran that the Obama-Kerry appeasement was the exception, not a Western consensus. On the eve of a Trump-Kim Jong Un summit, a Europe-U.S. rewrite would also reinforce Mr. Trump's demand that North Korea must dismantle its nuclear program to have normal relations with the world.

If Europe and the U.S. can't agree, Mr. Macron is right that Mr. Trump will probably honor his promise to withdraw on May 12. There would be a diplomatic uproar, and Mr. Trump would be denounced by the usual suspects. Iran and some in Europe would try to isolate the U.S. diplomatically.

But Mr. Trump has ample discretion to reimpose sanctions on Iran under U.S. law. If Europe tried to join Iran and Russia and isolate the U.S., the Trump Administration could then also impose secondary sanctions on European companies doing business with Iran. Faced with the choice of business with the U.S. or Iran, most companies would choose the U.S. But there's no denying the consequences of unilateral U.S. withdrawal would be messy.

All of which argues for the U.S. and Europe to agree on terms for a rewrite of the Kerry-Obama Iran deal. Europe has to decide if it wants to unite with the U.S. to make the Iran deal better for world security, or stick with the Obama terms and risk a showdown over U.S. sanctions on Iran and Europe.

## Victory for the Bitkovs

**O**ur Mary O'Grady has been telling you about the Bitkovs—Igor, Irina and Anastasia—who were railroaded to prison in Guatemala. Well, good news. On Thursday Guatemala's Constitutional Court upheld an earlier ruling that the family of Russian migrants fleeing persecution were victims of document fraud. If there is any rule of law in Guatemala, the trio's release from jail should be imminent, and they will need asylum lest they be returned to Russia.

The ruling comes the day before the U.S. Helsinki Commission, chaired by Sen. Roger Wicker (R., Miss.), holds a hearing on the case. It will examine the role that a U.S.-funded United Nations body known as the International Commission Against Impunity in Guatemala (CICIG) played in this disgraceful episode.

The Bitkovs were successful entrepreneurs in Russia but fled in 2008 after they rejected extortion demands. They landed in Guatemala in 2009 and thought that fees they paid to a law firm for legal documents were aboveboard. They picked

up their new passports and identity cards at government offices.

The Russian state bank VTB then accused them of fraud, money laundering and using fake documents. Without evidence, the first two charges went nowhere. The Bitkovs did have illegal papers—given to them by a crime ring inside the government.

According to the U.N.'s Palermo Convention, this made them victims of human trafficking not criminals. A Guatemala court said as much in December. But VTB bank, CICIG and Guatemala's attorney general ignored that ruling and went back to a lower court to get a conviction and stiff sentences.

On Friday Congress will hear about the Bitkovs' odyssey as they were hunted by Russians with close ties to the Kremlin and then punished under the guidance of powerful CICIG top prosecutor Iván Velásquez. The commission should get assurances that the law will be followed this time. But it also needs to uncover the rot at CICIG that led to this outrage.

## Road Testing the 2019 Resistance

**T**alk about an anticlimax: On Thursday the Senate confirmed Mike Pompeo 57-42 after Democrats threatened for weeks to torpedo the Secretary of State for no reason other than rank partisanship. This is a preview of what Democrats will do if they win the Senate in November—shut down the Trump Administration—and the GOP needs to kick it into gear on staffing the executive branch.

Six Democrats and one independent voted to confirm Mr. Pompeo, mostly those running for re-election this year in Trump states, including Claire McCaskill of Missouri and Heidi Heitkamp of North Dakota. This exposes the political cynicism of the outrage against Mr. Pompeo.

The other story absorbing the oxygen in Washington is Rear Admiral Ronny Jackson, the White House physician who on Thursday withdrew his name to run Veterans Affairs. President Trump treated Dr. Jackson like cannon fodder by nominating him without preparation and then musing that he should drop out amid anonymous allegations of misconduct.

But Dr. Jackson didn't deserve days of leaks and smears from Montana's Democratic Senator Jon Tester. Dr. Jackson said in his withdrawal statement that charges of drinking and writing too many prescriptions, among others, are "completely false and fabricated." If the charges are true, then why didn't they come up during his 12-year tenure working for three Presidents? Whatever the merits, Mr. Tester should have treated serious allegations with discretion, but he's out to feed The Resistance as he runs for re-election.

This will be business as usual if Democrats take the Senate. Democrats won't confirm a single ap-

### Tester's smears against Ronny Jackson will be standard procedure.

pellate or Supreme Court nominee. They might confirm politically correct nominees for executive-branch jobs, but Mr. Trump will have half a government. Chuck Schumer's Democrats have already invoked "cloture" on some 89 nominees, which triggers 30 hours of debate, even on non-controversial candidates. That compares with 12 for Barack

Obama's first two years and four for George W. Bush. The Senate this week confirmed an Ambassador to Germany, Richard Grenell, who has been in a Senate rubber room for months.

The question is what Republicans can do in the eight months left that they have Senate control. James Lankford of Oklahoma this week began to move a bill to change Senate rules and limit debate on most nominees to eight hours. This needs 60 votes to pass, and Democrats are resisting.

But perhaps the move is beginning to cause some Democratic movement. The Senate confirmed 25 nominees on Thursday, 23 by voice vote, after Majority Leader Mitch McConnell threatened to make Senators work into the weekend. He also filed cloture on six more appellate-court nominees, which would bring the total to 21 this Congress when confirmed, a modern record for a President's first Congress.

Mr. Trump said this week that Mr. McConnell should force Senators to work every weekend, but the Majority Leader thinks this could backfire because Democrats would then use Senate rules to stop everything. Mr. McConnell is the master tactician, but Republicans in the provinces want to see that Senators are fighting to overcome Democratic obstruction. If it means recesses foregone to keep vulnerable Democrats in Washington, so be it.

## LETTERS TO THE EDITOR

## Is the Job Corps Successful Enough at Its Job?

I have served twice as an assistant secretary for the Labor Department. Your editorial "The Job Corps Failure" (April 23) paints an unfair picture of the program. The editorial cherry-picks sections of a recent audit report to suggest that the Job Corps isn't fulfilling its mission. Yet the conclusion of the audit was that the Job Corps needed additional documentation requirements—now in place—not that the program was unsuccessful.

Longitudinal evaluations of the Job Corps' effectiveness have found that the program improves wages, literacy and credential attainment while decreasing criminal activity and reliance on public assistance. Eighty-eight percent of all Job Corps graduates are placed in jobs, higher education or the military. Students leave the program with industry-recognized credentials, trained and ready to contribute in high-demand jobs including health care, manufacturing and construction. The Job Corps works.

The Job Corps has positioned itself as the premiere preapprenticeship program and has developed valuable relationships with industry leaders. An example is Toyota's Technician Training and Education Network—an industry-leading program that develops and places thousands of factory-certified technicians in challenging, rewarding and well-paid positions in more than 1,400 Toyota and Lexus dealerships across the country.

As you note, the economy is desperately short of skilled workers. The Job Corps is indispensable in addressing that skills gap and ensuring disadvantaged, minority and unemployed young people in both urban and rural communities gain the skills and education needed for today's jobs.

ROBERT T. JONES

Alexandria, Va.

I know that the students at the Job Corps facility near me suffer from extremely high "adverse childhood experiences" scores or adverse life

events. The majority have lived with toxic stressors the likes of which most Journal readers wouldn't imagine. I would consider the Job Corps a success if the students get their GEDs, are not homeless, in jail or are holding any kind of job. Often the Job Corps is a last-ditch effort to make extremely poorly functioning young people get needed skills and education.

We should worry more about the college-educated young people with expensive degrees working in fields that require a high-school diploma or less. I agree that getting rid of the overpriced contractors would be a great tweak of a basically good program.

ANN FARASH, M.D.  
Pisgah Forest, N.C.

Your editorial highlights the irrational review and support of politically favored programs. Imagine if such a report had been written about proprietary (for-profit) schools? We should support all education providers where the results justify the costs, rather than squandering taxpayers' money, harming real people in very real ways.

WILLIAM CALHOUN  
Chapel Hill, N.C.

Rather than make government grants to training organizations, why not let the employers, who know best what they need, be incentivized to train applicants without the right experience appropriately? The government could reimburse the cost of training an unqualified candidate who remained on the payroll for one, two or three years in the skill for which their training was covered. To claim the funds, let the employer specify and certify the training that was done, have the employee agree and co-sign, and attach a résumé. The company's financial auditors can then also audit the certifications annually.

ROBERT L. BLUMBERG  
La Jolla, Calif.

## Reed College Defends Its Humanities Change

Your editorial "Reed College Bows to the Bullies" (April 20) mischaracterizes a yearslong discussion about revising Reed's core humanities course. At Reed, we celebrate student interest in the intellectual content of their courses. These changes to our demanding curriculum don't pick a side in any culture wars but meet our educational goals for the introductory course in the humanities: a single, required course—a requirement now increasingly rare in higher education—that teaches first-year students the skills of critical reading, analysis and respectful discussion, raises fundamental humanistic questions and explores civilizations from multiple perspectives. A significant contemporary rethinking of both the scope and nature of humanistic inquiry will only enhance our understanding of the world we live in.

PROF. NIGEL NICHOLSON

Dean of the Faculty

Reed College

Portland, Ore.

## Let 100 Flowers Bloom, Let More Candidates Compete!

As Rémi Brague writes, European civilization is unique in having had its source outside itself. It is only the West that has traditionally valued the study of all non-Western ways of life. This doesn't necessarily make us better, but it gives us an unusual breadth of experience and perspective. Rather than "erasing the histories of people of color," the West has obsessively preserved historical evidence that otherwise would have been lost to disinterest or worse, like the Bamyan Buddhas.

The old curriculum of Humanities 101 provides the basis for understanding the West's passionate outreach, which the protesters have absorbed without realizing that they are its direct heirs. Don't you want to know where you got your attitudes and ideas, guys? Hum 101 isn't a survey of the world, it's an explication of the foundation of your world; the world of the curious, intrusive, optimistic, greedy, analytical West. You're not likely to sit down and read Apuleius later—life gets busy. Read it now. Get your feet under you before you start your journey.

KERR WISSLER LOW  
Salt Lake City

The issue was identified by my late colleague B.F. Skinner nearly 50 years ago, when he wrote in "Beyond Freedom and Dignity": "Why should I be concerned about the survival of a particular kind of economic system?" The only honest answer to that kind of question seems to be this: "There is no good reason why you should be concerned, but if your culture has not convinced you that there is, so much the worse for your culture."

Apparently our culture has not imparted in those students a concern for Western civilization.

WILLIAM VAUGHN JR.  
Chebeague Island, Maine

This is a modern version of "Fahrenheit 451."

DAVID J. GROSS  
St. Augustine, Fla.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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"Delicious. Brick oven?"

## OPINION

# Senators on the Verge of a Political Breakdown

By Peter J. Wallison

The Senate finally confirmed America's new secretary of state, Mike Pompeo, on Thursday afternoon. The vote was 57-42, but the process was a cliffhanger. On Monday the Senate Foreign Relations Committee seemed set to vote against endorsing Mr. Pompeo, which would have been a historical anomaly.

The nomination, however, was voted out favorably after Republican Sen. Rand Paul decided to support the nomination and Democratic Sen. Chris Coons chose to vote "present." The event is more significant than it

sequences of their obstruction.

Don't forget that Mr. Pompeo was able to win approval only because Democrats in 2013 eliminated the Senate filibuster for most nominees. This change is what has allowed much of Mr. Trump's cabinet to be confirmed with fewer than 60 votes: Ben Carson with 58, Alex Azar with 55, Steven Mnuchin with 53, Jeff Sessions with 52, Betsy DeVos with 50 and a vice-presidential tie-breaker. If the Republicans had not kept control of the Senate in the 2016 election, it is not clear the U.S. even today would have a functioning government.

The most obvious and dangerous consequence of flat-out Democratic opposition to Mr. Trump's nominees is that it capitalizes on a previously unrecognized weakness in America's constitutional system of checks and balances. The Constitution's Framers didn't foresee the rise of political parties, so they don't seem to have considered that one political party with a majority in the Senate could cripple the presidency through united opposition to executive branch nominees.

Even after political parties became important to presidential elections, the Senate still considered itself a separate, independent governing body, above party politics. For more than 150 years, it was assumed that the president was entitled to fill his administration with loyal appointees who would reflect his philosophy. In the absence of scandal surrounding a specific nominee, the Senate

may at first seem. The president's difficulty in securing approval for a nominee to such a vital office signals that the U.S. has reached a dangerous point in its democracy.

The narrative in the press is that Democratic senators won't vote for Mr. Trump's nominees because they fear the party's "resistance" base. That seems likely, given the left's ferocious opposition to the Trump administration. But senators who take this short-term position are overlooking the dire long-term con-

sequences of their obstruction.

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AFP/GETTY IMAGES

Mike Pompeo at his confirmation hearing, April 12.

routinely confirmed the president's choices.

This attitude in the Senate, which allowed the government to function relatively smoothly, seems to have been abandoned. What's obvious now is that the Constitution permits one political party to prevent the other party's president from carrying out his electoral mandate, simply by refusing to confirm any of his nominees. That could plunge the American constitutional system into a new and perilous era. As the world has become more complex, the U.S. party system has evolved to threaten the president's effectiveness as a national leader.

Some may think that Democratic senators today have simply been

seized by the temporary insanity of their base, and that the old tradition will eventually reassert itself. But this hope ignores political reality. Republican senators also have a base.

Although generally more respectful of the Constitution's structure, the GOP base is likely to insist, when the next Democratic president takes office, that Republican senators follow the precedent Democrats are now setting.

Things could get worse next year. If the Democrats gain a Senate majority this November, that probably means no Trump nominee—other than one approved by the "resistance"—will be able to win confirmation thereafter. Even if Republicans keep the Senate majority, it is

only a matter of time before the tables are turned. Both parties could be caught in the same senseless game of retaliation.

It is hard to imagine how this ends well. If there is a ray of light, it is that a wide majority of Americans would doubtless agree that the president they elected should be given the opportunity to govern. This quiet middle should vote against the senators who are endangering the system. Any senators who care more for the institution than for their popularity with either side should see this group as a base from which to speak to the "better angels of our nature."

One example is Mr. Coons, the Democrat from Delaware who put a foot forward by dropping his opposition to Mr. Pompeo and voting "present" instead. Perhaps he realized that a negative committee vote might have weakened both the new secretary of state and the Senate Foreign Relations Committee.

Given the temper of the times, it was almost a heroic act, and no one would want to be reading Mr. Coons's mail this week. But this is a point in U.S. history when a profile in courage consists of merely doing what most Americans would say is the right thing.

*Mr. Wallison is a senior fellow at the American Enterprise Institute. He was White House counsel in the Reagan administration and is writing a book on reining in the administrative state.*

## Follow the Money—and Macron's Vision—to Europe's Future



French President Emmanuel Macron made a splash in Washington this week, but back home he's taking guff for the impending collapse of his grandest visions for European Union reform. Pay heed.

Big changes, but subtle ones, are again afoot in Europe.

Mr. Macron's boldest ideas—a reenergized European Parliament and a new position of European finance minister, to name two—are unlikely to fly when EU leaders convene in June to discuss the proposals. Given the euroskepticism periodically flooding across Europe, that vision of closer integration sounds fanciful.

Until, that is, you realize that Mr. Macron is merely articulating a logical destination for the path down which the EU currently is ambling, notwithstanding periodic bouts of anti-Brussels demagoguery. Germans and other taxpayers in Northern Europe already are cutting substantial checks to stabilize

profligate eurozone countries in crisis. It's not implausible to imagine, as Mr. Macron does, that they might one day prefer to exercise more fiscal control over their spendthrift neighbors via a supranational finance minister.

No matter, then, if Europe isn't ready this summer for such a radical overhaul. It could be ready eventually. The challenge, Mr. Macron and other "good Europeans" seem to have concluded, is to make sure voters get there in the end. That's why the budget brouhaha that kicks off in Brussels next week will be so consequential.

Every seven years, EU member governments, the European Parliament and the bureaucracy at the European Commission must agree on a spending plan that balances contributions from national governments against outlays on EU-level projects. This blueprint is called the MFF (for "multiannual financial framework," if you must know), and it's now time to devise the one that will start in 2020. The European Commission will release its proposal next week, and then Brussels will be gripped by budget wrangling for the better part of a year.

The immediate problem is Brexit. Britain's impending departure from the EU will deprive Brussels of a net U.K. contribution amounting to roughly 10% of the bloc's total annual spending. But that is relatively easily solved through a combination of spending cuts and modest additional contributions from remaining EU members.

### While grand reforms falter, big changes hide in the minutiae of a new EU budget negotiation.

The bigger news concerns what all that money will be spent on. An emerging consensus, shaped in large part by Mr. Macron, supports a significant rebalancing. Resources would be pulled away from agricultural subsidies and public-works projects in poorer countries, which are the two current pillars of the EU budget. Brussels instead would devote significantly more money to functions such as border security and defense.

That would be more radical than most people realize. Brussels has spent the past generation or two trying to buy Europeans' affections with subsidies for agriculture and public works. It is belatedly realizing that voters instead want more of the trappings of a proper state, including basic public services such as border enforcement and security.

The crux of Mr. Macron's broader message to the EU, although he never phrases it so cleanly: If you want voters to take you seriously, you have to do serious things.

This budget round will be a test of whether the EU can do serious things. This being Europe, it won't be simple. There's room for mischief in the way money for public works is allocated to less-developed member states. The Macron-esque plan envisions making these disbursements conditional on various political measures.

That might work well if it denies Hungary some funds while Prime Minister Viktor Orban is tamping down on freedom of the press. It's more problematic, however, if it means the EU can withhold money from countries that dare to experiment with lower corporate taxes—

a form of policy competition that the French, among others, view as a violation of European "solidarity."

In a worse vein, reformers hope Brussels will emerge from this budget round with bigger sources of direct funding, perhaps the proceeds from environmental levies or a new digital tax on tech giants. The EU already enjoys some guaranteed revenue, such as customs duties, but these are small enough not to matter politically.

That way lies danger. The EU that leaders like Mr. Macron envision will eventually need its own revenue to stabilize its budget. But the bloc may not last long enough to reach that point, if voters rebel after the EU acquires the ability to tax them before they acquire the ability to stop it from doing so through meaningful democratic accountability.

Mr. Macron stands a good chance of getting at least some of the budget reforms he's hoping for. The open question is whether other leaders will come to regret not having given him the institutional reforms—such as a more muscular Parliament and that finance minister—needed to make it all work politically.

## Relaxing Bank Capital Requirements Would Risk Another Crisis

By Thomas M. Hoenig  
And Sheila C. Bair

America's biggest banks are among the most leveraged financial institutions operating in the country today. They are permitted to finance lending and other activities with 94 cents debt and only about 6 cents of tangible equity for every dollar in assets. Their profits are breaking records—for some, soaring 35% to an all-time high. Their lending is robust, generally outpacing economic growth in recent years.

Therefore it concerns us that the Federal Reserve and the Office of the Comptroller of the Currency are weighing proposals that would permit further increases in bank leverage. These proposals have the laudable goals of simplifying bank capital rules and boosting lending to the real economy. But we fear their unintended impact would be to make the financial system less resilient and to make another financial crisis likelier and more severe.

The idea that lowering bank capital requirements boosts lending is urban legend. Ample research shows that banks with higher capital levels lend more, not less, through business cycles. Highly leveraged banks are vulnerable to the shocks that inevitably occur during a downturn. Because of the major banks' size and scope, that vulnerability undermines the stability of the economy.

Recall that at the start of the 2008 crisis the largest U.S. banks had tangible equity to assets of about 3%, or 97 cents of debt for every dollar of assets. They lost double their equity and required trillions of dollars in liquidity and other assistance backed by taxpayers to bail them out and stabilize the economy. During that time their ability to lend fell as the threat of insolvency rose. The largest Wall Street banks reduced lending by 18% from the first quarter of 2008 to the fourth quarter of 2009, dramatically deepening the recession.

This experience is consistent in all economic cycles, though it was particularly severe during the last crisis because of lax capital rules. That is why after the crisis, policy makers of all political persuasions worked to strengthen capital requirements. Bank capital is now healthier than it was before the crisis, and there is no evidence of a shortage of credit. Surveys of small businesses show that their credit needs are being met; leveraged loans to large companies are up; and the residential real estate market is hot. There may even be too much debt buildup in certain sectors.

Changes in capital rules should, if anything, boost capital buffers during growth periods. The proposals the Fed is currently considering would not only weaken them but rely less on the leverage ratio—a simple and understandable metric capping the ratio of debt to equity in bank funding that has proven a strong predictor of banks' financial health. Instead, they would assess banks' stability using "modeled risk," which failed to predict the last crisis.

By minimizing the role of the leverage ratio as a "binding constraint,"

the proposals are meant to "free up" capital with the presumption that it would give banks the ability to increase their debt and lend it to businesses and consumers. According to the Federal Reserve, the rules would release \$121 billion, representing a 20% reduction in the banks'

### The Fed's proposal would rely on 'modeled risk' to gauge stability. It failed to predict the 2008 collapse.

capital levels. In fact, the proposals would likely have only a small impact on bank lending. Banks are likely simply to transfer the newly released capital to their parent companies.

Given other changes the Federal Reserve is proposing to stress testing, it appears there would be nothing to prohibit the money then being distributed out of the holding company to shareholders through dividends and share buybacks so long as the bank is currently "well capitalized,"

a static standard all major banks meet.

In our experience, bank holding companies lower their capital to correspond to any new minimum requirement. They distribute the "excess" to shareholders, or use it to subsidize the expansion of their trading and other nonbank activities, rather than to increase commercial lending. We have no reason to believe banks would respond differently this time. Thus, these proposals would weaken system resiliency either to benefit shareholder distributions or to allow these eight largest banks to become even bigger by taking on more leverage and risk.

A strong leverage ratio is the best check against excessive risk-taking. Undermining it to allow for greater capital distributions weakens the industry, does little to enhance lending in good times—and undermines lending during downturns, when our economy needs it the most.

*Mr. Hoenig is vice chairman of the Federal Deposit Insurance Corp. Ms. Bair was chairman of the FDIC, 2006-11.*

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## Notable & Quotable: Alfie Evans and the State

From James Freeman's Best of the Web column, WSJ.com, April 25:

Alfie Evans is a toddler who has suffered severe brain damage for reasons that doctors at a British hospital cannot explain. Yet the same hospital and its doctors are so certain that his case is hopeless that this

## WORLD NEWS

# Europe's Pleas to U.S. on Iran Falling Flat

Administration isn't swayed by effort to forestall a pullout from nuclear deal

BY FELICIA SCHWARTZ

WASHINGTON—The Trump administration moved closer this week to dropping out of the landmark Iran nuclear agreement, after efforts by Europe's leaders to persuade President Donald Trump to remain in the accord appear to be falling flat.

French President Emmanuel Macron spent a major portion of his visit this week speaking in favor of the 2015 accord, but predicted after White House meetings that Mr. Trump would walk away from it.

German Chancellor Angela Merkel is expected to make a similar case during a visit to the White House on Friday. But because Ms. Merkel lacks the

personal chemistry with Mr. Trump that Mr. Macron appeared to have, many officials in Washington and Europe had given the French leader better odds of altering the outcome of the administration's review.

Senior administration officials said Thursday that Mr. Trump hasn't made a decision ahead of a self-imposed May 12 deadline to stick with the deal or abandon it. He said on Fox News that he felt he had convinced Mr. Macron to see things his way on Iran.

"I can say it from my standpoint, but he is viewing, I believe, Iran a lot differently than he did before he walked into the Oval Office, and I think that's important," Mr. Trump said.

In meetings with Mr. Trump, Mr. Macron proposed a "new deal" with Iran that would keep key provisions of the 2015 nuclear accord as the first of four pillars of a broader framework for inter-



Iran Foreign Minister Javad Zarif and European Union foreign-policy chief Federica Mogherini in Brussels on Wednesday.

national talks on Iran.

Mr. Macron said the new deal also would focus on how to curb Iran's ballistic-missile program, contain its influence in the Middle East, and restrict it from developing a possible nuclear-weapons program after some provisions of the 2015 agreement begin to expire in 2025.

Mr. Macron's "new deal" bears similarities to proposals taking shape in talks between U.S. and European officials working to address the U.S. administration's main objections to the nuclear deal. Those talks are nearly finished, though gaps remain on the question of post-2025 restrictions.

Administration officials said

after Mr. Macron's visit they are seeking the side arrangements Mr. Trump ordered ahead of the May 12 deadline.

The French president described his proposal in broader and more ambitious terms, though there are no signs that Iran, Russia or China—all parties, along with France, Britain, Germany and the U.S., to the 2015 agreement—would be willing to enter into such discussions. But he said a U.S. withdrawal could be "fruitful" in renewed talks, if it doesn't lead to war.

Iranian officials have said the country could back out of the deal if the U.S. moves to withdraw. In a speech Wednesday, Iranian President Hassan Rouhani urged its preservation. Mr. Trump "has no right to rework it," he said.

On Thursday, Defense Secretary Jim Mattis said at a Senate Armed Services Committee hearing that the Trump administration sees room for

improving the accord and the administration is weighing whether "we can repair it enough to stay in it."

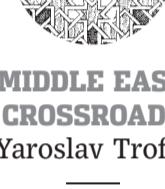
He said the 2015 agreement was written "almost with an assumption that Iran would try to cheat," and said the existing verification system under the deal "is actually pretty robust as far as our intrusive ability to get in."

Brian Hook, a senior State Department official leading talks with the Europeans, told National Public Radio on Wednesday that Messrs. Macron and Trump "discussed paving the way for a new agreement."

He also said the Trump administration doesn't feel particularly bound to the deal. "It is a political commitment by an administration that is no longer in office," he said.

Mr. Trump has condemned the 2015 deal, which he has said gives Iran too much in economic benefits for too little in limits on its nuclear program.

# In Sisi's Second Term, an Opening or More Repression?



MIDDLE EAST CROSSROADS  
By Yaroslav Trofimov

CAIRO—Now that President Abdel Fattah Al Sisi has secured his second term, Egyptians wonder whether the regime will relax and allow more breathing room for political life—or will turn even more autocratic.

The Egyptian president's 97% victory in elections last month—after all his potentially credible opponents were jailed, harassed or pressured to drop out—marked the high point of repression since Mr. Sisi seized power in 2013.

Even Egypt's former President Hosni Mubarak, ousted in the 2011 Arab Spring revolution, used to allow a more challenging contest. Mr. Mubarak, in his last election, ran against an opponent who criticized him; Mr. Sisi's rival spent much of the campaign praising the incumbent.

Even some of Mr. Sisi's supporters acknowledge that this isn't the optimal look—and that some reforms, even if they don't alter the nature of the regime, may be desirable.

"The last election seemed to slap us in the face. We ended up with one strong candidate and no other strong candidates," said Da-



Supporters of Abdel Fattah Al Sisi turned out for him at a presidential-election rally near Abdeen Palace in Cairo on March 9.

the country."

On the face of it, the Egyptian government can afford to relax. The Muslim Brotherhood, whose elected administration Mr. Sisi toppled in 2013, remains marginalized and weak. Though economic-austerity programs rolled out by Mr. Sisi in cooperation with the International Monetary Fund have been painful, impoverishing many middle-class Egyptians amid rampant inflation, there have been virtually no protests.

**A**fter the tumult of the Arab Spring, few Egyptians seem willing to again endanger the country's relative stability. And the economy, after years of doldrums, is finally showing signs of recovery, with growth projected by the IMF at 5.2% this year.

Despite all that, there are weighty reasons why the regime won't become more tolerant soon. Top among them is the future of Mr. Sisi's rule: while Egypt's constitution says his current term must be his last, there is already talk among Egyptian officials that the rules should be changed to allow the president to run again in 2022. Doing so, however, would risk triggering political unrest.

In this environment, few among Egypt's remaining human-rights activists entertain illusions of an imminent opening-up.

"Now that the election is finished, we hope—at best—that the level of repression stays the same," said Mohamed Lotfy, director of the Egyptian Commission for Rights and Freedoms. "This would be winning."

lia Yousef, a prominent pro-government member of Egypt's Parliament. "This was not the perfect political scene that Egypt needed after two revolutions. We have to work on political life."

**O**ne such avenue is consolidating and making politically relevant some of the 19 political parties—all of them supportive of Mr. Sisi—that are currently represented in the Egyptian Parliament, lawmakers say.

"The next four years will be different," said Nabil Fahmy, who served as Mr. Sisi's foreign minister in 2013-14 and is currently dean of the School of Global Affairs at the American University in Cairo. "To really reach Egypt's full potential one needs to be politically inclusive, to get everybody working—and competing—within the system. You need to allow creativity to flourish, which means diverse opinions."

What is being discussed in

the Egyptian establishment isn't questioning or trying to limit Mr. Sisi's near-absolute powers. Merely attempting to widen somewhat the circle of decision making that is currently limited to the president and a handful of fellow senior military officers would represent major change.

Such a change—if it occurs—would restore political and civil liberties to their level under Mr. Mubarak's rule before the Arab Spring began. At the time, political

opposition, human-rights groups and independent media were tolerated to a much greater extent than today.

"President Sisi needs a good image outside, he needs the support of the West. If [members of the regime] are smart, we might see some national dialogue," said opposition politician and former lawmaker Anwar E. Sadat, a nephew of Egypt's former president.

"Now nobody is consulted and nobody is aware of anything that is happening in

January 2017, when he came across online articles criticizing his grandfather, Fang Zhimin, a Chinese Red Army commander who was captured by Chiang Kai-shek's Nationalist forces in early 1935 and executed months later. The commander's writings in captivity, including an essay, "Lovely China," later prompted Mao Zedong to proclaim him as a national hero.

The online posts alleged that Fang's troops engaged in kidnappings for ransom and a military unit from Fang's 10th Red Army was responsible for the 1934 kidnap and murder of an American Protestant missionary couple, John and Betty Stam.

"My grandfather would never have done such dirty things," said Mr. Fang, the grandson, who is also an adjunct professor at an elite school for party officials.

Mr. Fang lodged a police report, accused party historians of neglecting their duty and

advocated for legislation to protect the reputation of national heroes.

Police in Jiangxi—the Fang clan's home province—detained a man and a woman in August for allegedly circulating the online posts and defaming Fang Zhimin. A local police spokeswoman said the two individuals received counseling over a detention period that lasted no longer than 15 days.

Mr. Fang also filed a lawsuit against the pair, Xu Lufei and Yu Xiangyan, seeking unspecified damages, but dropped the case this month after they

apologized for insulting his grandfather. Mr. Xu didn't respond to a social-media message seeking comment; Ms. Yu couldn't be located.

According to a draft released in December, the new law set to pass on Friday would invest police and authorities overseeing culture, media and the internet with responsibilities to protect the reputation and dignity of heroes and martyrs, and actively promote their legacy. Internet operators are required to promptly deal with online defamation.

The law would also mandate punishment for people who "glorify wars or acts of invasion"—a revision to the December draft made in response to recent incidents where some younger Chinese posed for photographs in World War II-era Japanese military uniforms and shared them online.

State media have ramped up publicity with a propaganda campaign titled "For National Rejuvenation: A Roll of Heroes and Martyrs." Fang Zhimin was the first hero profiled by state broadcaster China Central Television, whose flagship newscast opened one evening in early April with a segment honoring his wartime exploits and legacy.

—Xiao Xiao contributed to this article.

Enforcing control over Chinese history is a priority for President Xi Jinping, who has staked the legitimacy of Communist rule on claims that he and his ruling party are guiding China's return to greatness. Heroes and martyrs feature prominently in Mr. Xi's propaganda campaigns, which often hark back to the party's revolu-



Fang Zhimin, shown in 1935, was a Red Army commander.

# India's Central Bank: Faux Coins? Fake News!

BY ERIC BELLMAN

KANPUR, India—In parts of this city on the Ganges River and others across India, merchants, rickshaw drivers and some bank tellers are refusing to accept some coins, thanks to fake news.

Reports have spread via WhatsApp, YouTube and Facebook saying many of India's 10-rupee coins—worth 15 U.S. cents—are counterfeit.

But they aren't.

India's central bank, the Reserve Bank of India, has been battling "How to spot the fake" stories for more than a year.

The bank may have brought the problem on itself by minting 14 versions. To lighten the load on the overworked 10-rupee bills fluttering around the Indian economy, the RBI produced more than five billion 10-rupee coins since 2010. It used the minting binge to commemorate groups and events such as International Day of Yoga and the 125th anniversary of the National Archives.

The bank became muse to "coinspiracy" theorists, who spread videos and charticles online and via social media detailing the alleged fakes.

The counterfeits don't have a rupee symbol, they say.

No, the RBI explains, the rupee symbol wasn't used on earlier coins because it wasn't introduced until 2010.

Fake coins have 15 radiating lines on their outer edge instead of 10, some reports say. Both designs are real, the RBI replies.

The rejected coins are threatening to clog up the economy in parts of India where consumers can't spend them and small entrepreneurs can't invest them or even earn interest on them by depositing them in the bank.

The misinformation has already sparked fistfights and strangled some small shops.

While it would be hard to earn a profit making bogus 10-rupee coins—and serious counterfeiters would be unlikely to make the messy minting mistakes the fake news attributes to them—the RBI has found that common sense rarely prevails.

The central bank tried to clear up the confusion by sending out news releases and opening a hotline. It has sent hundreds of millions of text messages this year, in 13 languages.

"Coins are available in different designs due to their long life. Accept them without fear," said one.

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, April 27, 2018 | B1

**Commercial health plans, Medicare wrestle with how to cover new medicines**

BY JONATHAN D. ROCKOFF

The emergence of genetics-based medicines is pushing the cost of treating certain diseases to new levels, forcing hospitals and health insurers to reckon with how to cover total costs per patient approaching a million dollars.

The therapies deliver new genes or genetically altered

cells to tackle some of the hardest-to-treat diseases, including in children. They come at a high price: Novartis AG listed its newly approved cell therapy for cancer at \$475,000, while Gilead Sciences Inc. priced its rival drug at \$373,000.

But the price of the drugs is just the beginning, hospitals and insurers say. Administering these therapies can add hundreds of thousands of dollars to the tab, including lengthy hospital stays and use of other services and medicines.

It isn't clear how much hospitals will get paid for these

new treatments. Current payment systems generally cover infusions of drugs, or episodes of hospital care, but aren't set up to deal with treatments that combine both. What is clear is that the total cost will be far more than the list price of the drugs themselves.

"It is about systems that don't work well and aren't set up for cutting-edge new technologies," says Gary Goldstein, a business manager at Stanford University's health system, which is offering the new treatments. "And if we don't get this one right, what about the next one?" So far, few pa-

tients have received the new drugs, as commercial health plans and Medicare cover treatment on a case-by-case basis until they can settle on an official payment plan.

One of the first genetics-based treatments was Gilead's lymphoma drug Yescarta, approved last October for use in patients for whom other drugs have failed. Yescarta is a form of cell therapy known as CAR-T, for chimeric antigen receptor T-cells. It uses a patient's own immune cells, which are extracted, modified in a lab and then put back into the patient, where they hunt down

and attack cancer.

Martin Fries's recent treatment with Yescarta included a 13-day hospital stay, use of several other drugs and a variety of procedures that he anticipates will cost between \$750,000 and \$1 million.

The 62-year-old pharmacist from Kissimmee, Fla., first spent a half-day at Moffitt Cancer Center in Tampa, hooked up to a so-called apheresis machine. It harvested his immune cells, which were shipped to Gilead to be turned into the drug. Mr. Fries then received two che-

Please see DRUGS page B2

## Million-Dollar Treatment

A new wave of gene-based therapies, like CAR-Ts for cancer, threaten to bring the cost of treatment to a million dollars, including not only the drugs themselves but also related care. The total tab will depend on the therapy and the needs of the patient.

### Costly care

**1. Pretreatment testing**  
CT scans, blood work and other testing to see if a patient is eligible for treatment.

**2. Apheresis**  
The patient's cells are taken so they can be sent to the drug company, which weaponizes the cells.

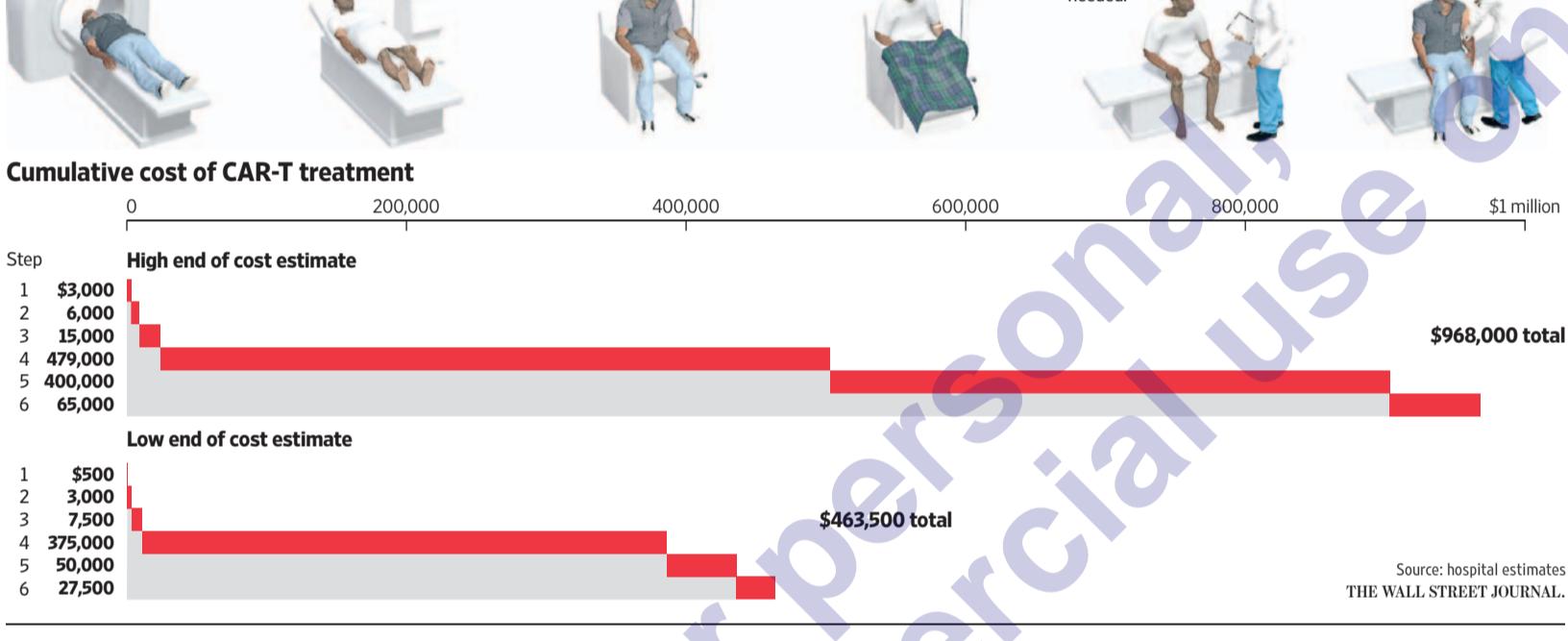
**3. Conditioning**  
Chemotherapy is given to start attacking the cancer and deplete the patient's immune system, so the CAR-T can flourish.

**4. Treatment**  
At the hospital, staff prepare the weaponized cells for infusion. The patient is then given the therapy in an IV.

**5. Posttreatment monitoring and side-effect care**  
Hospitals observe the patients for about two weeks for serious side effects, such as high fever and delirium, and treat them as needed.

**6. Postdischarge monitoring**  
The patient must be seen regularly for months after treatment to ensure the disease has responded and the patient is healthy.

### Cumulative cost of CAR-T treatment



### STREETWISE

By James Mackintosh

## To Predict Next Crisis, Study the Last One

Countries hard hit by the financial crisis have spent much of the decade since trying to fix their banks. Countries that escaped unscathed have done the opposite, going on a borrowing binge that makes them prime candidates to be victims of any credit squeeze resulting from rising U.S. interest rates.

Leading the list are Australia, Canada and Sweden. They had all the benefits of the lowest global interest rates in history, without first suffering the economic meltdown and bank failures that led the U.S. and Europe to take emergency action.

Having come through the crisis in good shape, lenders in the three countries haven't learned the lesson pummeled into bank boards in other developed countries: Watch out for frothy housing markets and for trouble in foreign-currency financing.

The pattern is familiar to any student of financial history: After a bout of financial excess, borrowers who lost out are leery of repeating their mistakes, while regulators clamp down on the dodgy practices that led to the latest crisis. The next problem comes from the places, products or businesses that no one is worrying about.

It isn't quite fair to say that no one is concerned this time. The Riksbank, Sweden's central bank, has been warning about the risks from the

## AT&T Merger Tab Tops \$1 Billion

By DREW FITZGERALD AND SAM GOLDFARB

WASHINGTON—Even if a federal judge sides with AT&T Inc. in its fight to take over Time Warner Inc. for \$85 billion, victory won't have come cheap.

AT&T spent \$1.1 billion last year on debt interest and fees tied to the proposed merger, plus \$214 million on related integration costs. The first quarter added an additional \$67 million of integration costs. Time Warner said it spent \$279 million on merger costs in 2017 and a further \$146 million through March.

Those figures don't include

the full cost of staffing the trial, which kicked off in March after the Justice Department sued late last year to block it, arguing the combination would hurt pay-TV competition. The companies denied the government's allegations and added attorneys from at least six white-shoe law firms to defend the tie-up in one of the most-watched antitrust cases in decades.

The meter has kept running for AT&T over the past five weeks at the E. Barrett Prettyman federal courthouse in Washington. On most weekdays, a convoy of Chevy Suburbans rumble across town from the Four Seasons and other

hotels to let off about a dozen attorneys at the courthouse, where they join another dozen or so colleagues already inside. For busy days, company lawyers watching but not arguing the case rely on local residents paid \$15 an hour to save them a spot in line overnight.

The team of newly hired and in-house lawyers has filled the well of Judge Richard Leon's courtroom, the pews behind it and, during crowded sessions, an overflow room next door. AT&T staffs a separate Washington "legal operations center" nearby while court is in session.

Executives have done little to hide their discomfort with

the wait. They argue that the companies could save money by merging operations sooner, helping drive down prices in the pay-TV market.

"The only lack of competition as a result of this transaction has been the delay of getting it to the marketplace," AT&T Chairman and Chief Executive Randall Stephenson testified earlier this month.

"We're just anxious to get moving and get this transaction put together so we can begin to bring these consumer benefits to play."

The added interest payments and legal fees only raise the stakes for two companies

Please see AT&T page B2

### INSIDE



#### NINTENDO CEO EXITS AT TOP OF HIS GAME

##### ELECTRONICS, B5



#### NASDAQ SNAPS OUT OF LOSING STREAK

##### THURSDAY'S MARKETS, B11

## Huawei Pulls Bond Sale Amid U.S. Scrutiny

By MANJU DALAL AND STU WOO

Huawei Technologies Co. scrapped plans for a bond sale following revelations that the Justice Department is investigating whether the Chinese cellular giant violated U.S. sanctions related to Iran.

The company pulled what would have been its first euro-denominated bond sale on Wednesday evening in Europe after attracting strong investor demand for a €500 million (\$608 million) offering of five-year debt.

Investors had placed more than €2 billion of orders for the securities, and bankers had already released final pricing guidance—typically an indication that the bonds were about to be allocated—when the sale was abruptly canceled, market participants said.

Huawei had embarked on an investment roadshow for the sale a day earlier, before The Wall Street Journal reported Wednesday that the Justice Department was scrutinizing the company, the world's largest provider of telecom equipment by sales, for whether it broke U.S. sanc-

tions on Iran. It is unclear how far the investigation has advanced or what specific allegations are being probed. The company declined to comment on the matter.

The company also faces a series of proposals from Congress and federal agencies aimed at reducing its already limited U.S. business, over national-security concerns that its products could allow the Chinese government to spy or disable U.S. telecommunications. A Huawei spokesman said the company is employee-

owned and doesn't pose a threat.

Huawei didn't give a reason for canceling the bond sale, according to a money manager who saw a notice about the company's change in plans.

On Thursday, the price of Huawei's outstanding U.S. dollar-denominated bonds that mature in 2027 were down slightly at 92.9 cents on the dollar and yielding around 5%.

The Huawei spokesman said that "in spite of the overwhelming responses" from investors during the euro debt



The firm faces congressional proposals to reduce its U.S. business.

### Drop-Off

Price for Huawei 4.125% notes due 2026

106 cents on the dollar



Source: WSJ Market Data Group  
THE WALL STREET JOURNAL.

offering, the company decided to put the bond issue on hold and "will provide a further update in due course."

Huawei, which doesn't have a credit rating, was planning to use proceeds from the sale for general corporate purposes. One banker who had worked on the recent offering said Huawei has ample cash and isn't in a hurry to issue new debt.

The company had \$30.7 billion in cash and short-term investments at the end of 2017, according to its website.

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	F	Northrop Grumman....B4
Advanced Micro Devices.....B4,B11	Facebook.....B5,B11	Norwegian Air Shuttle.....B12
Aer Lingus.....B12	Fiat Chrysler Automobiles.....B3	Novartis.....B1
Airbus.....B3	Ford Motor.....B3	<b>P</b>
Alaska Airlines.....B12	<b>G</b>	PepsiCo.....B2
Allegiant Travel.....B2	General Electric.....B10	Pershing Square Capital Management.....B6
Alphabet.....B1,B5	General Motors.....B3	<b>R</b>
Amazon.com.....A1,B1,B4,B5,B6,B12	Gilead Sciences.....B1	Royal Dutch Shell.....A6
American Airlines Group.....A1,B2	<b>H</b>	Ryanair.....B12
Apple.....B4,B5	Hershey.....B6	<b>S</b>
AT&T.....B1	HNA Group.....B10	SATS.....B3
Aurora Innovation.....B4	Huawei Technologies.....B1	SeaWorld Entertainment.....B10
<b>B</b>	<b>I</b>	Sherborne Investors Management.....B6
BAE Systems.....B3	Intel.....B4	Snap.....B6
Bank of America.....A4	International Consolidated Airlines Group.....B12	Southwest Airlines....B2
Barclays.....B10,B12	International Data.....B10	Starbucks.....B6
Boeing.....B3,B4	I Squared Capital.....B10	<b>T</b>
BP.....B3	JPMorgan Chase.....B1	Tesla.....B4
Bravia Capital Partners.....B10	<b>L</b>	3M.....A1
<b>C</b>	Leonardo.....B3	Time Warner.....B1,B2
Caleres.....A4	Lockheed Martin....B3,B4	TIP Trailer Services.....B10
Capital One Financial.....B10	Lufthansa.....B12	<b>U</b>
Caterpillar.....A6	<b>M</b>	UBS Group.....B1
Chipotle Mexican Grill.....B6,B11	Microsoft.....B1,B4	United Parcel Service.....B6
Citigroup.....B10	<b>N</b>	<b>V</b>
Coca-Cola.....B2	Netflix.....B5	Volkswagen.....B6
<b>D</b>	Nintendo.....B5	<b>W - Z</b>
Dassault Aviation.....B3	Zhonghong Holding.....B10	Wells Fargo.....A1,B2
Deutsche Bank..B10,B12		Zhonghong Holding.....B10

## INDEX TO PEOPLE

A	M	Mario Draghi.....B11
Ackman, Bill.....B6	Greene, Megan.....B12	Mueller, Robert.....A5
Althoff, Judson.....B1	Grewal, Ami.....B10	Musk, Elon.....B4
Anderson, Sterling....B4	Gurandiano, Jason....B10	<b>N</b>
Antoniewicz, Shelly..B12	<b>H</b>	Niccol, Brian.....B6
<b>B</b>	Hensarling, Jeb.....A2	<b>P</b>
Bannon, Pete.....B4	Heppenstall, Mark....B11	Parker, Doug.....A1
Braizinha, Bruno.....B11	Hood, Amy.....B4	Parly, Florence.....B3
<b>C</b>	<b>I</b>	Pollock, Darren.....B12
Chrisman, Aaron.....B2	Indra Nooyi.....B2	<b>S</b>
<b>D</b>	Johnston, Hugh.....B2	Shaukat, Tariq.....B10
Dickerson, Joseph....B10	Johnston, Jacob....B11	Sherman, Michael.....B2
Diess, Herbert.....B6	<b>K</b>	Staley, Jes.....B10
Dudley, Bob.....B3	Karpathy, Andrej.....B4	Stephenson, Randall...B2
<b>F</b>	Keller, Jim.....B4	Svanberg, Carl-Henric.B3
Fallon, Frank.....B10	Kimishima, Tatsumi...B5	<b>T</b>
Furukawa, Shuntaro...B5	<b>L</b>	Tremonti, Yvette.....B2
<b>G</b>	Lattner, Chris.....B4	<b>V</b>
Goldstein, Gary.....B1	Leon, Richard.....B1	von der Leyen, Ursula B3
Golub, Jonathan.....B12	Lund, Helge.....B3	

## AT&T

Continued from the prior page betting on the marriage of video content and distribution to juice their earnings as their core businesses face pressure from "cord-cutters."

Shares of AT&T and Time Warner fell Thursday after their latest quarterly results.

AT&T reported fewer satellite-TV customers, while Time Warner reported that higher programming costs weighed on operating income at HBO and Turner.

AT&T's original agreement, struck in October 2016, didn't plan for a merger review lasting more than a year and a half.

AT&T issued about \$30 billion of bonds last summer to fund the purchase. Most of that debt included language requiring the company to buy the bonds back at a premium of 101 cents on the dollar if the

deal didn't close by April 22. That date came and went, likely costing AT&T around \$200 million in premiums, said Mary Pollock, a senior analyst at the research firm Credit-Sights.

The redemptions still help

by keeping the company from

having to pay interest expense

on debt that it doesn't need as

long as it hasn't closed the

Time Warner deal, Ms. Pollock

added. AT&T had nearly \$49

billion of cash at the end of the

first quarter, giving it more

than enough to buy back the

debt.

If it is allowed to close the

Time Warner deal, AT&T likely

will need to issue a second

round of bonds that could pay

higher interest rates than the

original debt.

The average yield on invest-

ment-grade corporate bonds

has increased to 3.97% from

3.14% since AT&T sold dollar-

denominated bonds to fund the

deal last July, according to

Bloomberg Barclays data.

Research suggests Pepsi's

"Pepsi Generations" campaign,

which nods at the brand's history,

has increased connectivity

to the brand, but it is too

early to measure its impact on

sales, Chief Financial Officer

Hugh Johnston said. "With ad-

vertising you don't flip a

switch and the sales go up," he

said.

Ms. Nooyi also said the

company is considering

whether to run its bottling op-

erations as a separate unit,

spin them off into a stand-

alone public entity or put

them in the hands of multiple

franchisees. Its chief competi-

tor, Coca-Cola Co., is on track

to complete a yearslong effort

to rebrand its North Ameri-

can bottling system, an exer-

cise that has allowed it to sig-

nificantly cut costs, and

analysts have surmised Pepsi

could follow suit.

Ms. Nooyi said the company

hasn't ruled anything out and

will take its time reviewing

## BUSINESS & FINANCE

# Southwest Says Bookings Dropped

By DOUG CAMERON

**Southwest Airlines** Co. said bookings have dropped since last week's fatal accident on the largest domestic U.S. airline.

The carrier froze all advertising in the wake of the incident on a flight from New York to Dallas, a move executives said had cost the airline bookings into May and up to \$100 million in lost revenue. Some marketing activities resumed last weekend, it said.

Meanwhile, Southwest and rival carriers are facing a sharp jump in fuel prices, prompting some to raise fares. **American Airlines Group** Inc. on Thursday cut its profit forecast because of rising costs.

Southwest's shares dipped 1% on Thursday while American's stock fell 6.4%.

Southwest Chief Executive Gary Kelly said on an earnings call that competition between domestic U.S. carriers remains intense, and that the drop in bookings was "predictable."

He also paid tribute to passengers on Southwest Flight 1380 as well as others.

Investigators are continuing their probe into the accident that involved a blown engine and led to the death of one passenger. The airline's chief operating officer, Mike Van de Ven, said the airline has checked 8,500 engine fan blades over the past 10 days, with 16,500 still to go. Southwest has been canceling flights

to perform engine inspections across its fleet. As of Thursday, cancellations were still running over 1% of its 4,000 daily flights.

"It's an all-hands-on-deck activity," Mr. Van de Ven said.

Analysts said they expected Southwest's bookings to recover quickly, citing the recovery in business at **Allegiant Travel** Co. after a report on 60 Minutes this month questioned the safety standards of its Allegiant Air unit. Allegiant has rebutted the allegations and said Wednesday that bookings continue to improve.

Southwest's weaker bookings stood in contrast to praise the carrier drew for its handling of the accident, and the otherwise strong quarterly results it reported Thursday.

Southwest posted a profit of \$463 million, up from \$339 million in the year-earlier period and above analysts' estimates.

American, the world's largest airline by traffic, said its quarterly profit fell to \$186 million from \$340 million a year earlier. The result also topped forecasts; however, American cut its full-year profit guidance, citing a 12% rise in jet fuel prices over the past two weeks.

Chief Executive Doug Parker said American would likely pass on the higher costs to customers by raising ticket prices if fuel prices remain high.

—Imani Moise contributed to this article.

## PepsiCo Plans Ad Blitz for Its Sodas

By CARA LOMBARDO

**PepsiCo** Inc. said it would boost advertising for its cola brands in the U.S. and consider whether to separate or spin off its bottling operations as it seeks to reverse declines in its home market where it had been focusing on healthier drinks.

The snacks and beverage giant posted higher quarterly profits and sales as growth in its Frito-Lay food unit and in overseas markets offset sluggish demand for drinks like Pepsi cola and Gatorade in North America.

"The issue is in North America and the issue is really the last three quarters," Chief Executive Indra Nooyi told analysts on an earnings call.

Company executives have been saying their plan to get the business back on track with increased marketing spending and new products such as Bubly sparkling water and a clear, lemon-lime Mountain Dew is working, but will take some time to show results.

Research suggests Pepsi's "Pepsi Generations" campaign, which nods at the brand's history, has increased connectivity to the brand, but it is too early to measure its impact on sales, Chief Financial Officer Hugh Johnston said. "With advertising you don't flip a switch and the sales go up," he

said.

Ms. Nooyi also said the company is considering whether to run its bottling operations as a separate unit, spin them off into a stand-alone public entity or put them in the hands of multiple franchisees. Its chief competitor, Coca-Cola Co., is on track to complete a yearslong effort to rebrand its North American bottling system, an exercise that has allowed it to significantly cut costs, and analysts have surmised Pepsi could follow suit.

Ms. Nooyi said the company hasn't ruled anything out and will take its time reviewing

the options. "We want to make sure we don't engage in financial transactions for the sake of financial transactions," she said.

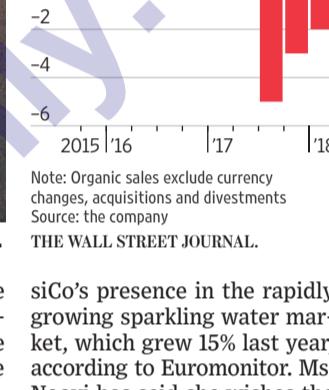
Analysts have raised the idea that Pepsi's drinks business could be better operated separately from the snacks business. Executives pushed back on the call, saying the two sides are better together and more valuable to retailers.

Mr. Johnston said Bubly has exceeded expectations in terms of distribution and "has all the signs" of being a product that will stick around, but didn't give specific sales figures.

The drink expands Pe-

### Bottled Up

Change from previous year in organic sales for Pepsi's North American beverages segment



Note: Organic sales exclude currency changes, acquisitions and divestitures

Source: The company

THE WALL STREET JOURNAL.

## BUSINESS NEWS

# BP Names Industry Veteran As Its New Chairman

By CARLO MARTUSCELLI

**BP** PLC has appointed energy veteran Helge Lund as its next chairman, as the oil giant tries to put the Deepwater Horizon disaster to bed while dealing with a fast-changing industry.

The company on Thursday said Mr. Lund would join the board as chairman-designate and a nonexecutive director on Sept. 1 before taking up the chairman role at the start of the new year. He succeeds Carl-Henric Svanberg, who along with Chief Executive Bob Dudley, has presided over BP's costly recovery from the deadly 2011 accident in the Gulf of Mexico.

Mr. Lund, a 55-year-old Norwegian, was chief executive of the country's petroleum national champion, Statoil ASA, before taking the helm at BG Group. He negotiated the 2015 sale of the British natural-gas giant to Royal Dutch Shell Group PLC for about \$50 billion.

He is currently a director at oil-field services firm Schlumberger Ltd., a seat he will give up to take the BP role. Mr. Lund is also chairman of health-care company Novo Nordisk.

BP is still struggling to right itself after the Gulf of Mexico oil-platform explosion that killed 11 and triggered the worst maritime oil spill on record. The company has paid billions of dollars in liabilities, and in recent years has divested itself of large chunks of its business.

More recently, Mr. Dudley has vowed to return BP to its oil-exploration glory days, while also betting on its refining operations, which benefited from a long stretch of low oil prices.

The chairmanship change comes as oil prices are rebounding, but also as investor pressure has mounted over the long-term prospects for petroleum amid rapid shifts in the world's energy mix and growing worry about climate change.

"Our industry is changing faster than ever as the world focuses on meeting the dual challenge of more energy with fewer emissions," Mr. Svanberg said, adding that his successor has "a track record of leadership in addressing these issues, characterized by his open-minded and forward-looking approach."

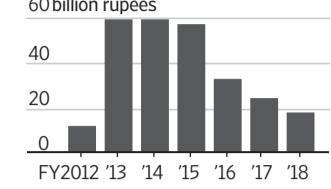


India wants the buyer of a majority stake to assume about 60% of Air India's \$8.2 billion of debt and not fire staff for a year.

## Bumpy Flight

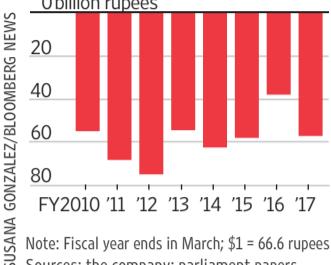
The Indian government has invested heavily over the years in the hopes of turning Air India into a success story...

### Capital infused by the government



... but the carrier has yet to have a profitable year.

### Loss after taxes



Note: Fiscal year ends in March; \$1 = 66.6 rupees  
Sources: the company; parliament papers

THE WALL STREET JOURNAL.

# Rivals Balk at Deal for Air India

By ANANT VIJAY KALA AND RAJESH ROY

**NEW DELHI**—Indian Prime Minister Narendra Modi's plan to privatize national carrier Air India seems to be floundering with some of the country's biggest carriers opting out of the sale, putting at risk possibly his last bold economic move ahead of national elections next year.

India's largest airline, IndiGo, and competitors Jet Airways and SpiceJet have said they won't bid for the company because of the difficult terms the government is requiring as part of its plan to sell a 76% stake in the unprofitable airline.

"It's next to impossible that the government will be able to sell this off in one year," said Mark Martin, an aviation consultant based in Dubai. "The government wants to use it as

an election accolade, but it's just not going to work out."

Mr. Modi is pushing aggressively for the disinvestment to go through as he wants to prove his economic management abilities before next year's federal elections. If the sale stalls, it could weaken his image and hurt his chances of getting re-elected. Critics already accuse Mr. Modi of promising too much last election and underdelivering.

Representatives from the civil aviation and finance ministries didn't respond to requests to comments.

Previous governments have attempted to sell Air India, but strong resistance from workers' unions and political parties blocked those attempts.

The global Star Alliance member's operating fleet of 115 aircraft, 2,500 international and 3,700 domestic slots, aircraft repair work-

shops and real estate from Mumbai to New York and London make it attractive for those wanting to expand their global presence.

But analysts and industry officials say the restrictions on any buyer are daunting.

*Industry officials and analysts say the restrictions on any buyer are daunting.*

The current government plan requires the new owner to assume about 60% of Air India's roughly \$8.2 billion of debt and face restrictions such as not firing staff for a year. The company has nearly 27,000 permanent and contractual employees.

The investor won't be able to sell the stake for at least three years, and it can't merge Air India's operations with any existing business as long as the government holds the remaining 24% stake.

Besides the 76% stake in Air India, the deal also would include selling all of the company's low-cost arm Air India Express and its 50% stake in the baggage-handling and airport-services joint venture with Singapore's SATS Ltd.

The offer requires the investor to bid for the combined stakes in the three companies and not separately.

The government is hoping the tight conditions will attract genuine buyers who have the capability to turnaround Air India, helping shield against any potential criticism that it allowed the national brand to fade away. A turnaround for Air India would

also allow the government to sell the remaining 24% stake at higher valuations later and heal its weak fiscal health.

Mr. Martin said a deal this size would require the buyer to invest an estimated \$7 billion initially to buy the airline and then an additional \$10 billion over the next several years to turn it around, something he said very few companies would be able to manage.

Although foreign airlines could still bid, they are allowed to do so only in partnership with a domestic entity and hold no more than 49% in the airline, leaving them without management control.

Analysts believe the government may have to reduce the debt burden on potential buyers if it wants the deal to go through. Buyers also would want the freedom to restructure the company, analysts say.

# France, Germany Pledge to Build Combat Jet

By ROBERT WALL

The French and German governments pledged to jointly build a new combat jet in the face of rising military tensions with Russia.

But the commitment to build the fighter, which would cost billions of dollars to develop and buy, also has another target: Washington.

Germany and France hope the new plane, which wouldn't enter service for years, also will wear European allies off buying U.S. planes.

The Pentagon's newest combat aircraft, the radar-evading F-35 Joint Strike Fighter made by Lockheed



Lockheed's F-35 has sold well in Europe, irking competitors there.

Martin Corp., has been a hot seller in Europe. The U.K., Norway, Italy, the Netherlands and Denmark are among the countries that have committed to buying the plane. Finland and Belgium are among others considering purchases of the

plane, which costs around \$100 million.

That has irked European suppliers, such as Airbus SE and French combat jet maker Dassault Aviation SA, which have sought to sell their planes to neighbors.

On Thursday, Germany's defense minister, Ursula von der Leyen, and her French counterpart, Florence Parly, signed an agreement at the Berlin air show to jointly pursue development of a brand new combat plane that would enter service around 2040.

The agreement comes at a time Germany and France have pledged to boost military spending, in part driven by tension with Russia. The two countries also committed to work together on a new submarine-hunting plane, drone aircraft and tank. The projects would "help build the strong European defense we want," Ms. Parly said.

# Fiat Chrysler Posts Higher Profit, Pares Debt

By CHESTER DAWSON

**DETROIT**—Fiat Chrysler Automobiles NV said Thursday its first-quarter profit rose 60% on strong sales of its most profitable vehicles, keeping its margins above rival Ford Motor Co.

The Italian-American auto maker said it was on track to meet its growth targets for the year, including a pledge to pay off what remains of its net industrial debt. That would mark Fiat Chrysler's full recovery after Chrysler's bankruptcy a decade ago and a validation of the merger with Fiat.

"Over all, the indications are that the business is in good shape," Chief Executive Sergio Marchionne said on a conference call with analysts.

Fiat Chrysler's first-quarter profit rose to €1.02 billion (\$1.24 billion), even as revenue fell 2% to €27 billion. The company said its adjusted operating profit, which excludes one-time items, grew 5% to €1.6 billion, which brokerage Evercore ISI said was below a consensus forecast of €1.8 billion among financial analysts.

The auto maker said the biggest earnings drivers were higher net pricing and increased sales of high-profit margin vehicles, particularly new versions of its Jeep Wrangler SUV and Ram 1500 pickup truck. Fiat Chrysler's global

margin for the quarter was 6%, up from 5.5% a year earlier and above Ford's 5.2% margin. General Motors Co.'s margin was 7.2%.

Mr. Marchionne, who plans to step down in early 2019, said he expects Fiat Chrysler will pay off its debt and move to a cash-positive position this year. The company is planning to announce a new set of growth targets in June, but won't name Mr. Marchionne's successor until next year.

The CEO said he was disappointed with a slow ramp-up in production of the new Ram truck and Jeep Wrangler. Higher-than-expected launch

costs for those two core vehicles dragged down profit in North America, the company's largest market.

Fiat Chrysler's operating profit in North America adjusted for one-time items fell 2% to €1.21 billion, with launch costs alone hitting €300 million in the quarter.

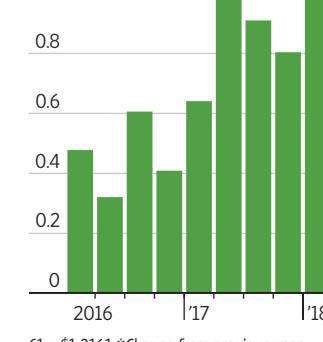
Mr. Marchionne characterized those costs as one-time occurrences and said the production difficulties were a temporary setback.

The company's stock price, which has more than doubled over the past year, was little changed on the New York Stock Exchange on Thursday.

—Max Bernhard contributed to this article.

## Revving Up

Fiat Chrysler's quarterly profit



Source: the company

THE WALL STREET JOURNAL.

## GM Takes Hit From South Korean Unit

**General Motors** Co.'s first-quarter profit sank 60%, as the auto maker booked a nearly \$1 billion charge for its South Korean operations and notched lower production in North America.

In February, GM said it would close one of its four plants in Korea and raised the possibility of withdrawing operations altogether if it couldn't cut losses. That month it also warned of cuts in North American production as three factories prepared for the autumn launch of redesigned pickup

trucks. GM produced about 809,000 vehicles in the region during the quarter, down 8% from a year earlier, according to WardsAuto.com.

The company said Thursday that higher commodity prices and costs for the truck rollout also weighed on results.

GM reported net income attributable to common shareholders of \$1 billion for first quarter. Operating profit excluding one-time factors was \$1.43 a share, surpassing analysts' expectations of \$1.24 a share. Revenue from continuing operations declined 3% to \$36.1 billion, higher than the average analyst forecast of \$34.6 billion.

—Mike Colias

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## TECHNOLOGY

WSJ.com/Tech



An artist's rendering of a next-generation satellite for the government's Global Positioning System. Lockheed Martin was the sole bidder.

## Lockheed Stays Well Positioned

Defense contractor retains business of supplying U.S. with GPS satellites

BY ANDY PASZTOR

**Lockheed Martin** Corp. will remain the sole producer of satellites for the government's Global Positioning System after two main rivals decided against bidding on the newest version, reflecting new Air Force acquisition strategies that favor incumbent contractors on some big-ticket space programs.

The decisions by **Boeing** Co. and **Northrop Grumman** Corp. this month to forgo competing for the multibillion-dollar business are in keeping with efforts by Air Force brass to reduce long-term costs and accelerate production of GPS satellites. They underscore the Pentagon's broader drive to transform acquisition of space technology—satellites, rockets, missile warning systems—into a less expensive and more nimble process.

The U.S. military, which is already committed to buying up to 10 next-generation GPS III satellites from Lockheed

Martin, has been advised by procurement experts inside and outside the Air Force that the best way to streamline the program is to stick with the existing supplier, people familiar with the details say.

The government-owned satellite system supports a range of widely used devices, from navigation aids to the cash-dispensing machines at banks. The Air Force has run the GPS program for decades, providing services to both government and commercial users.

The developments come against a backdrop of heightened threats to U.S. space technology from Russia and China. Military and intelligence experts warn that U.S. national security satellites, for example, could be blinded or damaged by hostile forces using lasers, antisatellite weapons and other types of weapons.

Air Force leaders also are under congressional pressure to show progress in overhauling the acquisition of space hardware. Some House GOP leaders advocate a separate branch of the armed services dubbed a space corps.

With product development largely paid for and 22 additional GPS III satellites slated

for procurement, the focus is now on smoothing out assembly, according to one person involved in discussions.

"The Air Force realizes it needs to dramatically squeeze costs while ratcheting up the pace of production," the person said.

There are currently 31 GPS satellites in orbit, including spares. The latest models feature greater power, accuracy and jam-resistant capabilities. The first Lockheed-built GPS III satellite, with a longer lifespan than its predecessors, will launch this fall at the earliest.

In the past, the Air Force's sprawling acquisition bureaucracy regarded competitive bidding as key to getting the best price. But now the emphasis is on moving quickly and, in some other programs, building prototypes to swiftly demonstrate cutting-edge technologies before committing to long-term production.

The process change aims "to put large amounts of hardware on orbit now, at the lowest possible cost," according to industry consultant Jim McAleese. Such moves "are critical for the Air Force at all levels," he said.

Boeing, which built a previous version of GPS satellites,

declined to comment. Instead, it referred to its statement earlier this month that it didn't bid because the Air Force's request, in part, prioritized uninterrupted production over creating new GPS features and capabilities.

Northrop spokesman could not be reached to comment. The company has indicated it didn't submit a bid because it didn't make financial sense. Last year, Northrop surprised aerospace industry analysts by not bidding on some larger Pentagon contracts, including one to supply unmanned tanker aircraft.

A Lockheed Martin spokesman also declined to comment. When it submitted its bid, the company said modular design envisioned "insertion of modern technologies and new Air Force requirements in a low-risk manner."

Lockheed Martin went over budget on its initial GPS production that dates back seven years, but company officials have said the program is back on track.

Based on current prices, the anticipated fixed-price contract, excluding potential incentive payments, could total more than \$12 billion.

## Top Executive Leaves At Tesla's Autopilot

BY TIM HIGGINS  
AND TED GREENWALD

startup called **Aurora Innovation** Inc. He was succeeded by Mr. Lattner.

Tesla's Autopilot program also is under new scrutiny after a Model X driver died using Autopilot in a crash south of San Francisco last month. The National Transportation Safety Board and National Highway Traffic Safety Administration are probing the crash.

Tesla has blamed the driver for the crash and defended the safety of its system.

That was the second fatal crash involving Tesla's Autopilot in the U.S. to draw federal review. The NHTSA found that Autopilot wasn't defective in a fatal 2016 Florida crash while the NTSB laid partial blame on Tesla, saying the system allowed the driver to keep his hands off the wheel too long and did too little to constrain the system to roads for which it was designed.

Tesla said Mr. Keller's responsibilities will now be shared by two executives. Andrej Karpathy, an expert in computer vision and deep learning who joined Tesla in June, is taking responsibility for Autopilot software, while Pete Bannon, a former Apple chip executive who joined Tesla two years ago, will lead Autopilot hardware.

"Tesla is deeply committed to developing the most advanced silicon in the world," the company said in a statement. "We plan to dramatically increase our investment in that area while building on the world-class leadership team we have in place."

For Intel, hiring Mr. Keller brings on an accomplished engineering leader who helped design competing products from rival AMD that have been gaining traction in the market. Besides his work at Tesla and AMD, Mr. Keller worked on pioneering semiconductor efforts at Digital Equipment Corp. in the late 1990s and Apple's early iPhone and iPad chips in the late 2000s.

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## Microsoft Buoyed by Cloud

BY JAY GREENE

**Microsoft Corp.** extended its streak of wins in the latest quarter and signaled further strength in the months ahead as the software giant moves into an era where its venerable Windows franchise plays a supporting role to its burgeoning cloud-computing operations.

The cloud business, called Azure, jumped 93% in the fiscal third quarter, Microsoft reported Thursday. The business has never grown slower than 90% since the company began reporting the metric in October 2015. The other big piece of the company's cloud operations, the commercial version of its Office 365 online-productivity service, grew 42%.

Microsoft doesn't disclose revenue for either business, but in the preceding second quarter it said Azure jumped 98% and commercial Office 365 grew 41%.

The two businesses combined accounted for \$6 billion in revenue, up 58% on what Microsoft financial chief Amy Hood said was "better-than-expected demand."

Ms. Hood pointed to 20% growth in Microsoft's server-products and cloud-services revenue as a reflection of its focus on the hybrid cloud, in which customers mix cloud services with software running on servers in their own data centers.

Microsoft has capitalized on its legacy as a seller of server software to win over its long-time customers who choose to gradually move their operations to the cloud.

That growth has propelled Microsoft into the role of chief cloud rival to **Amazon.com** Inc., which pioneered the business of renting out computing power and storage a decade ago. In the first three months of 2018, Amazon held a 31.7% share of that cloud infrastructure market, while Microsoft has 16% and Google has 7.4%, according to the research firm Canalys.

"Two years ago, there was a clear No. 1 with no clear No. 2," said Stifel Nicolaus & Co. analyst Brad Reback. "There is no doubt that Microsoft has put significant distance between themselves and all of the other" Amazon rivals.

### Highly Valued

Microsoft is battling Amazon and Alphabet to rank second behind Apple in market capitalization.

\$1.0 trillion



Source: FactSet

### Intel's Profit Jumps On 9% Revenue Rise

Intel Corp.'s results showed no impact from revelations earlier this year of critical security flaws in its processors.

Its profit in the first quarter grew by 50% from a year earlier to \$4.45 billion. Revenue rose 9% to \$16.07 billion.

Sales in the division responsible for server chips and other data-center gear rose 25%, notching important growth in the highly profitable segment.

Intel is leaning on the unit, which typically makes up around one-third of its revenue, as sales of PCs give way to mobile devices and smart speakers.

The surging cloud business led Microsoft to post a profit increase of 35% to \$7.42 billion, or 95 cents a share. Revenue rose 16% to \$26.82 billion. Analysts surveyed by S&P Global Market Intelligence expected Microsoft to report per-share earnings of 85 cents on revenue of \$25.78 billion.

Microsoft no longer reports adjusted figures, reflecting accounting changes it adopted at the start of the fiscal year. The year-ago figure reflects that change.

The stock climbed 3.2% in after-hours trading to \$97.41 after the company provided

Sales of data-center equipment to cloud providers grew 45% from a year earlier, while sales to network operators were up more than 30%. Enterprise sales edged up 3%, the company said. Executives attributed the growth to corporate spending to keep proprietary data on-site rather than in the cloud.

Revenue from the division that sells chips for PCs, which generally makes up more than half of revenue, rose by 3%.

Intel's shares were up 5.3% to \$55.86 after hours. The stock has gained 44% over the past 12 months.

The chip giant raised its full-year revenue forecast nearly 4% to \$67.5 billion, and raised its earnings outlook.

—Ted Greenwald

strong guidance for the current fiscal fourth quarter.

Ms. Hood expects the Productivity and Business Processes segment, which includes Office, to grow roughly 9% from a year ago to between \$9.55 billion and \$9.75 billion. The unit that includes Azure, the Intelligent Cloud segment, should climb about 22% to \$8.95 billion to \$9.15 billion.

The projected roughly 18% growth even for the often sluggish More Personal Computing segment that includes Microsoft's Windows franchise, guiding to revenue of between \$10.3 billion and \$10.6 billion.

## TECHNOLOGY

# Nintendo CEO Hands Off the Controller

Success of Switch game console sets scene for transfer between generations

BY TAKASHI MOCHIZUKI

OSAKA, Japan—**Nintendo** Co. Chief Executive Tatsumi Kimishima said he would step down in June in favor of a younger executive, calling it the right time after the success of the Switch game machine.

Succeeding the 68-year-old Mr. Kimishima will be Shuntaro Furukawa, 46, who is currently in charge of corporate planning.

Nintendo has been booming thanks to the Switch, which was introduced last year. The company said Thursday that revenue for its March-ended fiscal year more than doubled to ¥1.06 trillion (\$9.7 billion) as it sold more than 15 million of the consoles.

At a news conference Thursday, Mr. Kimishima, who became CEO in 2015, described



Shuntaro Furukawa, left, and Tatsumi Kimishima, during a press conference on Thursday.

KYODO NEWS/ASSOCIATED PRESS

his successor as someone good at building consensus among all employees rather than relying on a few "geniuses." He said he had viewed Mr. Furukawa as a possible CEO for years.

Mr. Furukawa joined Nintendo in 1994 and has worked mainly in finance, including an 11-year stint in Germany. He has often briefed investors and analysts about the company's financial results.

On Thursday, he said the company "should focus on things that only we can provide. Otherwise Nintendo would lose a reason to exist."

While he hasn't developed game consoles and software

himself, people who know the new chief said he is an enthusiastic game player. Asked what games he liked, Mr. Furukawa said a recent favorite is "Golf Story," a role-playing sports adventure game developed by a small studio in Australia.

"I have to ask him many numbers-related questions, but there have been so many times in the past when I ended up spending so much time chatting about games," said Hideki Yasuda, an analyst at Ace Research Institute.

Mr. Kimishima said he would remain at Nintendo as an adviser and assist the new CEO along with Shigeru Miyamoto, who created many of Nintendo's famous franchises such as "Super Mario" and "The Legend of Zelda." Mr. Miyamoto holds the title of fellow.

Mr. Kimishima, a former banker, took the top role at Nintendo following the death of longtime CEO Satoru Iwata. He said it was getting difficult for him to fly around due to his age. The better-than-ex-

pected sales momentum of the Switch console made him decide it was time to pass the baton, he said.

Nintendo's operating profit in its latest fiscal year rose to ¥177.6 billion (\$1.6 billion) from ¥29.4 billion in the prior year.

The company said it is aiming to sell 20 million units of the Switch and 100 million copies of games for the platform in the current fiscal year. Analysts called the forecast conservative and said it was likely to be raised.

Mr. Furukawa said he hoped to bring the Switch to a wider audience and pointed to Nintendo Labo, a do-it-yourself kit of cardboard gizmos—such as a fishing rod and a piano—that work with the Switch. He also said he wanted to turn smartphone games into a revenue pillar for the company, a goal Mr. Kimishima said he wasn't able to fully achieve during his time in office.

Nintendo earned ¥39.3 billion from smartphone games and property rights in the past fiscal year.

## EU Presses Tech Firms on Search Results, Fake News

BY NATALIA DROZDIAK

BRUSSELS—The European Union tightened its effort to rein in tech giants such as **Alphabet** Inc.'s Google and **Facebook** Inc., advancing several measures on Thursday that aim to shape the way they operate in Europe.

The European Commission—the bloc's executive body—proposed new EU-wide regulations that would require web platforms, including search engines such as Google, to provide more transparency about their search rankings. The rules also aim to prevent web platforms from offering unfair terms to small businesses that use their services to sell or promote products.

Ahead of European Parliament elections in 2019, the

commission also urged platforms to do more to halt the spread of disinformation or "fake news," on their sites, or face possible regulation.

It asked web platforms to draw up a voluntary code of conduct by July with the aim of seeing changes by October. It said the EU was first pursuing industry self-regulation, but if that fails it would explore other options "including regulatory ones targeted at a few platforms."

Some EU countries, including France, are already considering legislation in the area.

Separately, the EU's three legislative bodies agreed to the final version of new rules that allow countries to force **Netflix** Inc. and other online-video providers to help finance Europe-made films. On-

demand services such as Netflix, **Amazon.com** Inc. and **Apple** Inc.'s iTunes will also have to ensure that 30% of their content is made in Europe.

The announcements come amid greater scrutiny by lawmakers and other authorities in Europe and the U.S. regarding the power of a handful of large technology companies.

Facebook has come under fire following revelations about the abuse of users' personal information and interference in the 2016 U.S. presidential election by Russian operatives using the social network.

Under rules proposed Thursday, platforms such as Google and Amazon.com would have to explain how they rank businesses' products

and services in online marketplaces, for example, or in general search results. They would also have to provide more information about which posts are paid for and which services are offered by the platform itself. Tech firms would have to inform companies about their reasons for delisting and removing any goods and services from results.

Online visibility has a significant impact on sales, particularly for small- and medium-size businesses, the EU says. Some companies, including Google, already publish information about their search rankings.

Tech executives and lobbyists have expressed concern that the EU's proposal could force companies to divulge too

much detail about their search algorithms. This could increase cybersecurity risks and the opportunities for spammers to game the system.

Some critics of the proposal

**Google and others would have to explain rankings for products and services.**

states, which must agree on a text in order for it to become law.

In terms of combating fake news, the EU said it would support the creation of an independent European network of fact-checkers. The commission wants platforms to improve access to trustworthy information and provide more transparency about content that is sponsored for political purposes. In addition, the EU said it wanted firms to restrict targeting options for political ads and facilitate access to news sources representing alternative viewpoints.

Freedom of expression activists urged the EU not to place disproportionate limits on free speech.

—Sam Schechner in Paris contributed to this article.

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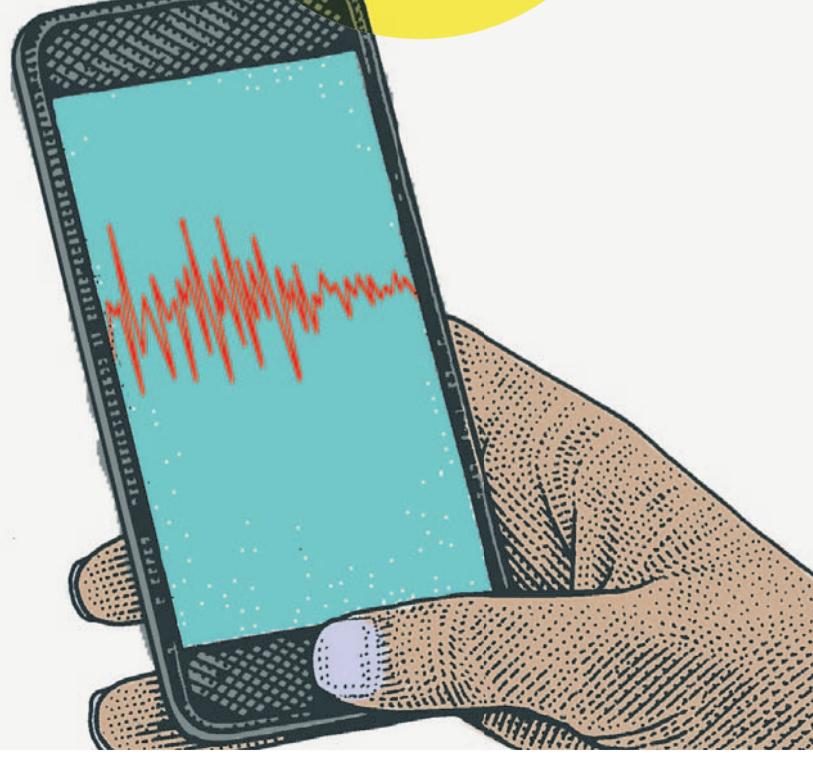
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## BUSINESS NEWS



The first video-recording Spectacles sunglasses were sold in vending machines. Snap said the strategy made demand hard to predict.

## Snap Tries On New Specs

Updated video glasses will be sold online with measured marketing; vending machines out

By GEORGIA WELLS

**Snap Inc.** is trying a reboot with its video-recording sunglasses, Spectacles, which had a splashy debut—and then fizzled—when introduced just over 18 months ago.

The move shows the company is sticking with its push into hardware as it tries to diversify beyond its roots in social media.

On Thursday, Snap started selling the updated version of Spectacles on its website for \$150. The new models are in-

tended to be easier to use and more appealing for an audience beyond devoted techies.

Among other features, the new Spectacles are waterproof and shoot photos as well as videos of higher quality. The videos can be uploaded to users' smartphones in a fraction of the time it took with the first version.

Spectacles were released in 2016 and sold in vending machines. They became the company's most visible failure, as Snap misjudged demand and eventually had to take a charge to account for the excess inventory.

The company produced one million units of the first-generation glasses, according to a person familiar with the matter. Snap declined to say how

many glasses it produced; Snap says customers bought 220,000.

"We think from a product standpoint, we did a relatively good job with Spectacles," said Mark Randall, vice president of hardware at Snap, referring to the first-generation sunglasses. "From a planning standpoint, we didn't do a good job."

Snap has struggled to manage expectations as a publicly traded company. When it began planning for its initial public offering in 2016, it told underwriters it would describe its business as a camera company, a surprise to bankers and investors who expected Snap to embrace its identity in social media. Then, in its first three quarters as a public

company, Snap reported revenue lower than what Wall Street investors had forecast.

In the fourth quarter, Snap for the first time exceeded Wall Street's revenue forecasts. For the new version of Spectacles, Mr. Randall said his team has put in place a more measured marketing plan. Snap plans to sell the products only online at Spectacles.com—the artificial scarcity that the vending machines created made it hard to forecast demand for the sunglasses, he said. Promotions for the products on Snapchat will focus more on what the glasses can do rather than their fashion appeal.

Mr. Randall declined to offer sales forecasts for the new version of Spectacles.

## Chipotle CEO Puts His Focus On Turnaround

By JULIE JARGON

**Chipotle Mexican Grill** Inc.'s new chief executive said his recipe for reviving the burrito maker is simple: focus on improving the fast service and relatively simple menu that made the chain popular to begin with.

Brian Niccol said in an interview on Thursday that he is taking a measured approach to turning around Chipotle's business after more than two years of weak sales in the wake of food-safety and customer-service problems.

Mr. Niccol said the company is hiring new field managers and restaurant employees from outside the company rather than only promoting people internally. He said Chipotle will more rigorously test new menu items and add longer hours, pickup windows for mobile orders and potentially drive-throughs at some restaurants.

He said that Chipotle won't introduce combo meals or cut prices to entice new customers.

"I'm not planning on playing that game," he said. "I'm planning on playing a different value game: offering great food with great ingredients that you don't get anywhere else."

Investors this week cheered Chipotle's first strong quarterly earnings report in some time. Shares jumped more than 24% on Thursday after the chain reported late Wednesday that it had beat sales and profit expectations in its fiscal first quarter.

Mr. Niccol, who was the chief executive of Taco Bell

before taking the top job at Chipotle in March, has shrugged off calls for Chipotle to franchise stores or add breakfast items. Activist investor Bill Ackman, whose **Pershing Square Capital Management** is Chipotle's largest shareholder with a stake of about 10%, has publicly urged Chipotle to serve breakfast.

Mr. Niccol said he has told Mr. Ackman Chipotle needs to focus on turning around its current business first. "I've been very clear with him: Not now," Mr. Niccol said. "Bill and

*Chipotle has suffered weak sales amid customer-service and food-safety problems.*

I have had a couple of really good conversations. He may have some ideas that I don't think are the right ones now."

Mr. Niccol said Chipotle can instead open restaurants earlier and keep them open later without making major menu changes. Many customers want to eat its burritos before 10:30 a.m. and after 10 p.m., Mr. Niccol said.

Mr. Niccol also said he is scrutinizing operations at 100 underperforming restaurants and that some of them might be closed. He said he is looking for ways to make Chipotle's supply chain more efficient while sticking by the company's commitment to buy from local farmers.

## BUSINESS WATCH

### UNITED PARCEL SERVICE 'Transformation' Picks Up Pace

**United Parcel Service** Inc. is ramping up a "transformation" plan to cut costs across the organization as the delivery firm responds to changes in how people shop and nontraditional competitors such as **Amazon.com** Inc.

In an interview, Chief Executive David Abney said in addition to the growth in e-commerce, the restructuring will look at opportunities in emerging markets and how to incorporate new technology into operations.

The cost cuts are being paired with the start of a three-year period of ramped-up spending to upgrade and expand UPS's network, including up to \$7 billion in capital spending this year.

In the first quarter, UPS's profit rose 15% to \$1.3 billion, from \$1.2 billion last year. The company's international and freight business offset the drop in the domestic business. Total revenue rose 10%, to \$17.1 billion.

—Paul Zibro

HERSHEY

### For Some Candy, The Party Is Over

**Hershey** Co. said it would stop selling certain sizes and varieties of candy to save money as costs rise.

The chocolatier said it has

become too expensive and complex to manufacture, deliver and market its array of brands and holiday varieties in the U.S. The maker of chocolate Kisses and Reese's peanut butter cups said it could, for instance, eliminate the many holiday assortments it makes for specific retailers and instead make a smaller number for distribution nationwide.

The plan will dent sales in the second half of the year, the company said. Hershey now expects annual sales to rise by about 5%, from a previous projection of up to 7%.

In the latest quarter, Hershey's sales rose 4.9% to \$1.97 billion. Adjusted profit rose 8.5% to \$298 million, or \$1.41 a share, topping analysts' expectations.

—Annie Gasparro

VOLKSWAGEN

### New Chief Enjoys A Fast Start

New **Volkswagen** AG Chief Executive Herbert Diess's tenure got off to a strong start as the auto giant reported a rise in sales and said its broad revamp was on track.

The company on Thursday reported a 3.6% rise in first-quarter revenue to €58.23 billion (\$70.81 billion), supported by a record 2.7 million vehicle sales amid demand for its namesake passenger cars and Audi brands.

Mr. Diess's debut report was blotted slightly by a 3% fall in net profit to €3.22 billion, which

the company attributed to an accounting change related to the valuation of derivatives.

Volkswagen confirmed its guidance for the full year, saying it expects sales to rise as much as 5% and forecasting an operating profit margin of between 6.5% and 7.5%.

—Max Bernhard

STARBUCKS

### Growth Speeds Up At Home and Abroad

**Starbucks** Corp. reported higher revenue in its latest quarter as the coffee giant accelerated growth in the Americas and Asia.

The company reiterated its outlook for fiscal 2018, but noted that its guidance excludes the impact of the planned closures of more than 8,000 company-owned stores in the U.S. on the afternoon of May 29. The stores are closing for antibac training after fallout from a store manager in Philadelphia calling the police on two black men who were arrested.

For fiscal 2018, Starbucks guided for adjusted per share earnings of \$2.48 to \$2.53, compared with analysts' forecasts of \$2.49. Revenue jumped 14% to \$6.03 billion, beating estimates of \$5.93 billion. Starbucks reported a second-quarter profit of \$660.1 million, or 47 cents a share, up from \$652.8 million, or 45 cents a share, in the year-ago period.

—Aisha Al-Muslim



The maker of Kisses and Reese's peanut butter cups reported sales rose 4.9% to \$1.97 billion.

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## Legal Notices

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### CLASS ACTIONS

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SAN MATEO

IN RE GOPRO, INC.  
SHAREHOLDER LITIGATION

Lead Case No.: CIV537077

SUMMARY NOTICE OF PROPOSED  
SETTLEMENT OF CLASS ACTION

### SUMMARY NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS WHO PURCHASED SHARES OF GOPRO, INC. ("GOPRO" OR THE "COMPANY") CLASS A COMMON STOCK IN GOPRO'S JUNE 26, 2014 INITIAL PUBLIC OFFERING (THE "IPO"), OR BETWEEN JUNE 26, 2014 AND NOVEMBER 19, 2014, INCLUSIVE, AND WHO WERE ALLEGEDLY DAMAGED THEREBY (THE "CLASS").

THIS NOTICE WAS AUTHORIZED BY THE COURT. IT IS NOT A LAWYER SOLICITATION.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.

YOU ARE HEREBY NOTIFIED that a hearing will be held on **July 27, 2018** at **2:00 p.m.**, before the Honorable Marie S. Weiner, Superior Court of California, County of San Mateo, at the San Mateo County Courthouse, Dep't 2, 400 County Center, Redwood City, California 94063, to determine whether: (1) the proposed settlement (the "Settlement") of the above-captioned action ("Action") for \$5,000,000 in cash should be approved by the Court as fair, reasonable, and adequate; (2) the Final Judgment as provided under the Stipulation and Agreement of Settlement ("Stipulation") should be entered, dismissing the Amended Class Action Complaint filed in the Action on the merits and with prejudice; (3) the release by the Class of the Released Claims, as set forth in the Stipulation, should be provided to the Released Defendants' Parties; (4) to award Plaintiffs' Counsel attorneys' fees and expenses out of the Settlement Fund (as defined in the Notice of Proposed Settlement of Class Action (the "Notice"), referenced below); (5) to grant Plaintiffs' request for a service or incentive award out of the Settlement Fund in connection with their role in prosecuting this action on behalf of the Class; and (6) the Plan of Allocation should be approved by the Court.

This Action is a securities class action against GoPro, certain of its current and former officers and directors, and the underwriters of GoPro's June 26, 2014 IPO, alleging that GoPro's Registration Statement and Prospectus, issued in connection with the IPO, contained material omissions and false statements relating to certain aspects of GoPro's business, including its expenses, intellectual property, competitive risks, products and financial results.

**IF YOU PURCHASED OR ACQUIRED SHARES OF GOPRO CLASS A COMMON STOCK (ticker symbol: "GPRO") IN THE JUNE 26, 2014 IPO, OR BETWEEN JUNE 26, 2014 AND NOVEMBER 19, 2014, INCLUSIVE, YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF THIS ACTION.**

To share in the distribution of the Settlement Fund, you must establish your rights by submitting a Proof of Claim and Release to the address below that is postmarked on or before July 26, 2018. Your failure to submit your Proof of Claim and Release by July 26, 2018 will subject your claim to rejection and preclude your receiving any of the recovery in connection with the Settlement of this Action. If you are a Member of the Class and do not request exclusion therefrom, you will be bound by the Settlement and any judgment and release entered in the Action, including, but not limited to, the Final Judgment, whether or not you submit a Proof of Claim and Release.

If you have not received a copy of the Notice, which more fully describes the Settlement and your rights thereunder (including your right to object to the Settlement), or a Proof of Claim and Release form, you may obtain these documents (as well as a copy of the Stipulation, which contains the complete terms of the Settlement and the definitions of all capitalized defined terms used in this Summary Notice) online at [www.GoProShareholderLitigation.com](http://www.GoProShareholderLitigation.com), or by writing to:

GoPro Shareholder Litigation Settlement  
JND Legal Administration  
P.O. Box 91346  
Seattle, WA 98111  
Telephone: 833/380-5566

Inquiries should NOT be directed to Defendants, the Court, or the Clerk of the Court. Inquiries, other than requests for a copy of the Notice or Proof of Claim and Release form, may be made to Plaintiffs' Counsel:

Francis A. Bottini, Jr.  
Bottini & Bottini, Inc.  
7817 Ivanhoe Avenue, Suite 102  
La Jolla, CA 92037  
Telephone: 858/914-2001  
Facsimile: 858/914-2002

**IF YOU DESIRE TO BE EXCLUDED FROM THE CLASS, YOU MUST SUBMIT A REQUEST FOR EXCLUSION POSTMARKED BY JUNE 27, 2018, IN THE MANNER AND FORM EXPLAINED IN THE NOTICE. ALL MEMBERS OF THE CLASS WHO DO NOT PROPERLY REQUEST EXCLUSION FROM THE CLASS WILL BE BOUND BY THE SETTLEMENT ENTERED IN THE ACTION EVEN IF THEY DO NOT FILE A TIMELY PROOF OF CLAIM AND RELEASE.**

**IF YOU ARE A CLASS MEMBER, YOU HAVE THE RIGHT TO OBJECT TO THE SETTLEMENT, THE PLAN OF ALLOCATION, THE REQUEST BY PLAINTIFFS' COUNSEL FOR AN AWARD OF ATTORNEYS' FEES AND EXPENSES, AND/OR THE PAYMENT TO PLAINTIFFS FOR THEIR TIME AND EXPENSES. ANY OBJECTIONS MUST BE SENT TO CLASS COUNSEL AND THE COURT AND POSTMARKED BY JUNE 27, 2018, IN THE MANNER AND FORM EXPLAINED IN THE NOTICE.**

Dated: March 28, 2018

HON. MARIE S. WEINER  
SUPERIOR COURT JUDGE  
SAN MATEO COUNTY, CA

Luke Sharrett/Bloomberg News

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**24322.34** ▲ 238.51, or 0.99%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.56 20.91  
 P/E estimate \* 16.45 17.60  
 Dividend yield 2.19 2.33  
 All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



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&amp;P 500 Index

**2666.94** ▲ 27.54, or 1.04%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.98 24.39  
 P/E estimate \* 17.02 18.24  
 Dividend yield 1.95 1.98  
 All-time high 2872.87, 01/26/18



Jan. Feb. Mar. Apr.

## Nasdaq Composite Index

**7118.68** ▲ 114.94, or 1.64%  
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 26.01  
 P/E estimate \* 20.03 20.37  
 Dividend yield 1.04 1.11  
 All-time high: 7588.32, 03/12/18



Jan. Feb. Mar. Apr.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	3-yr. ann.
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Dow Jones	24402.46	24128.72	<b>24322.34</b>	238.51	<span style="background-color: green;">■ 0.99</span>	26616.71	20606.93	<b>15.9</b>	-1.6	<b>10.4</b>
Industrial Average	24402.46	24128.72	<b>24322.34</b>	238.51	<span style="background-color: green;">■ 0.99</span>	26616.71	20606.93	<b>15.9</b>	-1.6	<b>10.4</b>
Transportation Avg	10503.17	10297.79	<b>10413.88</b>	-94.25	<span style="background-color: red;">■ -0.90</span>	11373.38	8783.74	<b>13.3</b>	-1.9	<b>5.5</b>
Utility Average	702.91	692.42	<b>702.30</b>	7.37	<span style="background-color: green;">■ 1.06</span>	774.47	647.90	<b>-0.7</b>	-2.9	<b>5.5</b>
Total Stock Market	27758.04	27471.20	<b>27662.64</b>	263.17	<span style="background-color: green;">■ 0.96</span>	29630.47	24391.29	<b>11.5</b>	-0.04	<b>7.6</b>
Barron's 400	721.47	715.61	<b>719.44</b>	3.47	<span style="background-color: green;">■ 0.49</span>	757.37	624.99	<b>11.7</b>	1.2	<b>7.3</b>

## Nasdaq Stock Market

Nasdaq Composite	7143.94	7055.66	<b>7118.68</b>	114.94	<span style="background-color: green;">■ 1.64</span>	7588.32	6011.24	<b>17.7</b>	3.1	<b>11.8</b>
Nasdaq 100	6673.65	6579.12	<b>6649.65</b>	135.71	<span style="background-color: green;">■ 2.08</span>	7131.12	5571.28	<b>19.4</b>	4.0	<b>13.6</b>

## S&amp;P

S&P	2676.48	2647.16	<b>2666.94</b>	27.54	<span style="background-color: green;">■ 1.04</span>	2872.87	2357.03	<b>11.6</b>	-0.2	<b>8.0</b>
MidCap 400	1901.10	1885.06	<b>1895.21</b>	7.20	<span style="background-color: green;">■ 0.38</span>	1995.23	1691.67	<b>8.3</b>	-0.3	<b>7.3</b>
SmallCap 600	961.44	954.19	<b>958.70</b>	3.67	<span style="background-color: green;">■ 0.38</span>	979.57	817.25	<b>11.2</b>	2.4	<b>9.8</b>

## Other Indexes

Other Indexes	Russell 2000	1562.50	1550.31	<b>1557.89</b>	7.43	<span style="background-color: green;">■ 0.48</span>	1610.71	1355.89	<b>9.9</b>	1.5	<b>7.1</b>
NYSE Composite	12621.16	12521.85	<b>12582.90</b>	65.04	<span style="background-color: green;">■ 0.52</span>	13637.02	11423.53	<b>8.7</b>	-1.8	<b>4.0</b>	
Value Line	556.36	552.03	<b>554.96</b>	2.76	<span style="background-color: green;">■ 0.50</span>	589.69	503.24	<b>5.1</b>	-1.3	<b>2.2</b>	
NYSE Arca Biotech	4544.48	4454.93	<b>4520.33</b>	83.62	<span style="background-color: green;">■ 1.88</span>	4939.86	3507.64	<b>24.9</b>	7.1	<b>3.3</b>	
NYSE Arca Pharma	532.14	525.82	<b>529.83</b>	6.79	<span style="background-color: green;">■ 1.30</span>	593.12	511.84	<b>3.4</b>	-2.8	<b>-3.5</b>	
KWB Bank	108.18	107.33	<b>107.51</b>	-0.36	<span style="background-color: red;">■ -0.33</span>	116.52	88.87	<b>16.6</b>	0.8	<b>13.9</b>	
PHLX® Gold/Silver	83.00	82.05	<b>82.52</b>	0.06	<span style="background-color: green;">■ 0.07</span>	93.26	76.42	<b>1.8</b>	-3.2	<b>5.7</b>	
PHLX® Oil Service	158.97	155.29	<b>157.77</b>	1.76	<span style="background-color: green;">■ 1.13</span>	165.78	117.79	<b>2.4</b>	5.5	<b>-9.3</b>	
PHLX® Semiconductor	1268.96	1254.46	<b>1268.21</b>	26.02	<span style="background-color: green;">■ 2.09</span>	1445.90	1004.62	<b>23.9</b>	1.2	<b>22.3</b>	
Cboe Volatility	18.12	16.24	<b>16.24</b>	-1.60	<span style="background-color: red;">■ -8.97</span>	37.32	9.14	<b>56.8</b>	47.1	<b>9.7</b>	

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	7,936.7	267.18	0.87	<span style="background-color: green;">■ 0.33</span>	267.43	265.80	
Microsoft	MSFT	7,696.9	97.80	3.54	<span style="background-color: green;">■ 3.76</span>	97.99	91.52	
Intel	INTC	5,604.3	56.06	3.01	<span style="background-color: green;">■ 5.67</span>	57.77	52.43	
AT&T	T	4,636.0	33.37	0.27	<span style="background-color: green;">■ 0.82</span>	33.55	32.72	

## Percentage gainers...

Company	Symbol	Expe	708.9	117.00	10.65	<b>10.01</b>	120.72	106.35
Sprint Corp.	S	SPY	801.8	6.51	0.51	<span style="background-color: green;">■ 8.50</span>	8.50	5.96
Amazon.com	AMZN	2,079.9	1626.88	108.92	<span style="background-color: green;">■ 7.18</span>	1641.00	1506.84	
Baidu ADR	BIDU	361.9	253.07	14.38	<span style="background-color: green;">■ 6.02</span>	260.94	236.00	
Chegg Inc.	CHGG	77.0	22.97	1.28	<span style="background-color: green			



## BIGGEST 1,000 STOCKS

**How to Read the Stock Tables**

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq. 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 26, 2018

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
AABB	ABB	23.39	.06	Autodesk	ADSK	32.98	.30	Canon	CAJ	34.69	.21	Grifols	GRI	20.23	.07	LamWeston	LW	66.41	.56	SBA Comm	SBCA	165.22	.73
ADT	ADT	9.08	-.04	AutoZone	AZO	119.59	.64	CapitolHealth	COH	64.19	.62	GruHub	GRUB	98.53	.29	LasVegasSands	LVS	73.11	.77	NorwegCruise	NCLH	55.05	-.13
AES	AES	12.17	.14	ADP	ADP	118.69	.19	Carlisle	CG	20.20	.05	GpoAeroporta	PAC	105.00	.08	Lazard	LAZ	53.60	.70	Novartis	NVS	77.21	.13
Aflac	AFL	45.68	.27	AvalonBay	AVB	161.58	.22	CashNet	CNL	106.72	-.12	GpoAvlAcc	AVAL	8.76	.01	Lear	LEA	189.50	.01	No Nord	NVO	47.16	.28
AGNC Inv	AGNC	19.09	.15	AveryDenison	AVY	106.21	.46	DollarGeneral	DG	99.93	.08	GpoFinGalicia	GGL	59.32	-.24	Leidos	LDOS	65.61	.09	Nutanix	NTNX	52.15	1.54
ANGI Homesvc	ANGI	12.53	.12	Axavis	AIXS	212.85	.03	DollarTree	DLT	96.93	.02	GrupTelevision	TV	17.05	-.04	Lennar	LEN	54.29	.38	SS&Tech	SSNC	43.91	.46
Ansys	ANSS	162.60	.27	AxaltaCoating	AXTA	30.75	.01	Guidewire	GWRE	84.56	.16	LennarB	LENB	43.91	.46	Nutrien	NTR	46.63	.28	Telus	TWT	30.27	.52
ASML	ASML	195.68	.42	Babcock	BBL	57.32	.04	DukeEnergy	DKE	88.94	.05	Liberty	LIB	18.27	.26	NVIDIA	NVDA	225.22	.86	TylerTech	TYL	21.81	.95
AT&T	T	33.10	-.21	Babcocks	BBLT	53.24	.07	DukeRealty	DRE	26.76	.80	HarleyDavidson	HOG	41.82	-.01	Sabre	SABR	20.45	.02	TysonFoods	TSN	71.03	.59
AbbottLabs	ABBV	59.00	.85	BabcockFin	BOKF	106.66	-.24	Dover	DOV	94.81	-.81	HDFC Bank	HDB	94.89	.86	LibertyBroadband	LBRD	81.38	-.21	UBS Group	UBS	16.91	.14
AbbVie	ABBV	97.44	.57	BabcockFin	BOKF	106.66	-.24	DowDuPont	DWD	64.04	.40	HD Supply	HDS	38.32	-.01	LibertyBroadband	LBRD	81.38	-.21	Udr	UDR	35.79	.55
Abiomed	ABMD	303.41	10.21	BaileysEmmett	DEI	37.17	.05	DrPepperSnap	DPS	119.81	.21	HP	HPO	21.48	.01	LibertyGlobal	LBCTV	31.29	-.10	Ugi	UGI	48.07	.08
Accenture	ACN	152.29	.20	BanCorp	BBL	47.41	.06	Dropbox	DBX	29.33	.69	HolidayInn	HIN	16.00	.01	LibertyGlobal	LBCTV	31.29	-.10	UltaBeauty	ULTA	243.61	7.41
ActivisionBlz	ATVI	66.34	.15	BanCorp	BBL	47.41	.06	Dropbox	DBX	29.33	.69	HolidayInn	HIN	16.00	.01	UltiSoftware	ULTI	24.12	1.77	Schlumberger	SCL	69.47	.37
Adient	ADNT	62.56	1.18	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Turkcellletism	TKC	8.83	0.09	Schwab	SCHW	55.15	.05
AdobeSystems	ADBE	221.91	.49	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	TurquoiseHill	TRQ	36.25	-.33	T-Mobile	TM	13.05	.25
AdvanceAuto	AAJ	113.18	.56	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uxcell	UXCE	30.40	.03	T-MobileUSA	TMUS	13.28	-.38
AdvMircroDevices	AMD	11.04	1.33	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	UltiContinent	UAL	66.62	-.19	UltiContinent	UAL	66.62	-.19
Aegon	AEG	7.35	.05	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	UltraPart	UP	17.70	.12	UltiContinent	UAL	66.62	-.19
AerCap	AER	52.31	.05	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Aetna	AET	178.82	-.17	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AffiliatedMtrs	AMG	170.00	.19	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AigleTechs	AGLE	63.37	.57	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AigonicEagle	AGEM	43.67	.38	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AirProducts	APD	166.49	.27	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Alcatel	AKAM	71.53	.75	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AlaskaAir	ALKS	65.90	-.49	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Albermarle	ALM	9.52	.09	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Alcoa	AA	56.24	.99	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AlexionPharm	ALXN	124.42	15.38	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Alibaba	BABA	173.90	.68	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AlignTech	ALGN	25.89	14.26	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Alkerimes	ALKS	46.05	1.98	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
Alleghany	Y	58.14	-.32	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.28	.46	UltiContinent	UAL	66.62	-.19
AlliGen	ALL	78.59	4.44	BanCorp	BBL	47.41	.06	Dresser	DR	29.33	.69	HolidayInn	HIN	16.00	.01	Uvera	UVER	13.2					

## BANKING &amp; FINANCE

# Barclays Investment Unit Perks Up

Revenue growth could quiet investor criticism; bank posts overall loss for quarter

By MAX COLCHESTER

**LONDON**—**Barclays** PLC Chief Executive Jes Staley faced down investor pressure over its investment bank by boosting revenue at the unit in the first quarter, even as a settlement with the U.S. Justice Department pushed the British lender into an overall loss.

Under pressure from a newly arrived activist investor, Mr. Staley said Thursday's results were "a validation of the strategy that we laid out two years ago," reiterating that the lender can thrive with a diversified business stretch-

ing from credit cards to equity derivatives.

The bank said it had a net loss of £764 million (\$1.06 billion) in the first quarter, compared with a profit of £190 million a year earlier, after it agreed to pay \$2 billion to the Justice Department to settle a claim for selling toxic mortgage-backed securities before the financial crisis. Total income totaled £5.4 billion in the quarter, down 8% from a year earlier, when it made a gain on a business disposal.

Despite the reassurances, Barclays's management is still fighting to prove that it can squeeze strong returns from its trading unit—even as other European banks, including Deutsche Bank AG, pare their investment-banking activities. Activist investor **Sherborne Investors Management** LP took a stake in the lender ear-

lier in the year, its fund backed by a number of blue-chip British investors.

Some Barclays shareholders have questioned whether the bank has the balance-sheet heft to take on larger U.S. ri-

## \$1.06B

Overall loss at Barclays in the first quarter

vals in investment banking and whether the capital plowed into the trading unit wouldn't be better deployed in more vanilla businesses. Mr. Staley said he would meet with Sherborne's management in the coming weeks.

The corporate and invest-

ment bank reported a 1% gain in revenue, as choppy markets boosted trading activity. Equities income rose 28%—largely keeping pace with its U.S. rivals—but revenue fell 2% in its bond-trading unit. The bottom line at the unit was helped by a fall in costs and much-lower provisions for bad loans.

A stronger-than-anticipated performance at Barclays's corporate and investment bank should ease immediate pressure on the executive to dramatically alter the direction the bank is going in, analysts say.

"The investment bank performance was far better than expected," said Joseph Dicker-son, an analyst at Jefferies.

Barclays also said it was again expanding its investment-banking footprint, re-opening an office in Australia it had previously shut. It will

also continue to look at reallocating capital into the trading unit from other businesses.

The first quarter is traditionally strong for investment-banking businesses, so few are expecting Barclays to repeat the strong growth in the coming months.

Instead, executives hope that a steady improvement can win over investors in the next year. Mr. Staley believes that rising interest rates and U.S. tax cuts should fuel growth at the unit.

Barclays's retail division, meanwhile, posted a much smaller profit before tax than a year earlier, hit by a provision to reimburse customers who were sold insurance products they didn't need. Across the franchise, bad loans were down significantly due to improved economic forecasts in the U.S.



CEO Christian Sewing

## Bruised Deutsche Bank Plans To Retreat

By JENNY STRASBURG

**Deutsche Bank** AG, beaten down by lagging performance, said it would pull back from trading and lending businesses dominated by Wall Street banks while asking investors for faith that its new chief executive can succeed where others have failed.

On Thursday, Deutsche Bank reported worse-than-expected first-quarter net income and broad revenue declines, and said it would shrink its investment bank in the U.S. and Asia.

The lender essentially admitted defeat in head-on competition with big U.S. banks in areas where those stronger Wall Street banks dominate. Deutsche Bank insisted it isn't pulling out of the U.S., the world's most profitable investment-banking market.

Still, the moves could mark the end of an era for a bank that over the course of two decades boomed in the U.S. and beyond, fueled by profits from its massive global trading business.

Deutsche's message is focused on retrenching to serve Europe. But details are scant—including how many investment-banking jobs might be cut, how a considered pullback in trading might affect the unit's revenue, and exactly how Deutsche's new "strategic adjustments" will affect costs.

The bank said it plans to pull back in certain investment-banking activities that don't make enough money to justify costs and risks. It described planned job cuts as a "material workforce reduction," without providing numbers.

The bank left big-picture financial targets unchanged, leading some analysts to criticize the moves as too little, or too vague, to be satisfying.

Christian Sewing, who became CEO this month after his predecessor, John Cryan, was dismissed, asked for patience but said he isn't wasting time.

Deutsche Bank said first-quarter net income declined 79%, to €120 million (\$145.9 million). Companywide revenue fell 5% to €7 billion. Revenue in the investment bank declined 13% to €3.8 billion, with fixed-income trading revenue down 16%, and equities sales and trading revenue down 21%.

Euro exchange rates and some one-time events amplified the declines.

Hedge funds will get less of Deutsche's balance sheet to amplify their trades through the prime brokerage unit, in a reversal from earlier plans. The bank plans to shrink its equities-trading business, which could hit areas heavily reliant on technology, where it has fallen behind other banks.

Deutsche will scale back trading in U.S. interest rates and certain securities financing, and focus on helping European clients do deals, manage their cash and global payments and hedge currency risks. The bank will also continue to shed real estate.

Some investors have questioned whether Deutsche Bank should split its retail and investment banks, radically redefining the bank. But executives argue that maintaining a strong, integrated global investment bank is crucial to the lender's core mission of serving German companies abroad.

Other European investment banks are still battling through multiyear turnarounds, but with sharp differences. **Barclays** PLC appears to be pushing deeper into investment banking.

## Chinese Builder Defaults on More Debt

By DOMINIQUE FONG

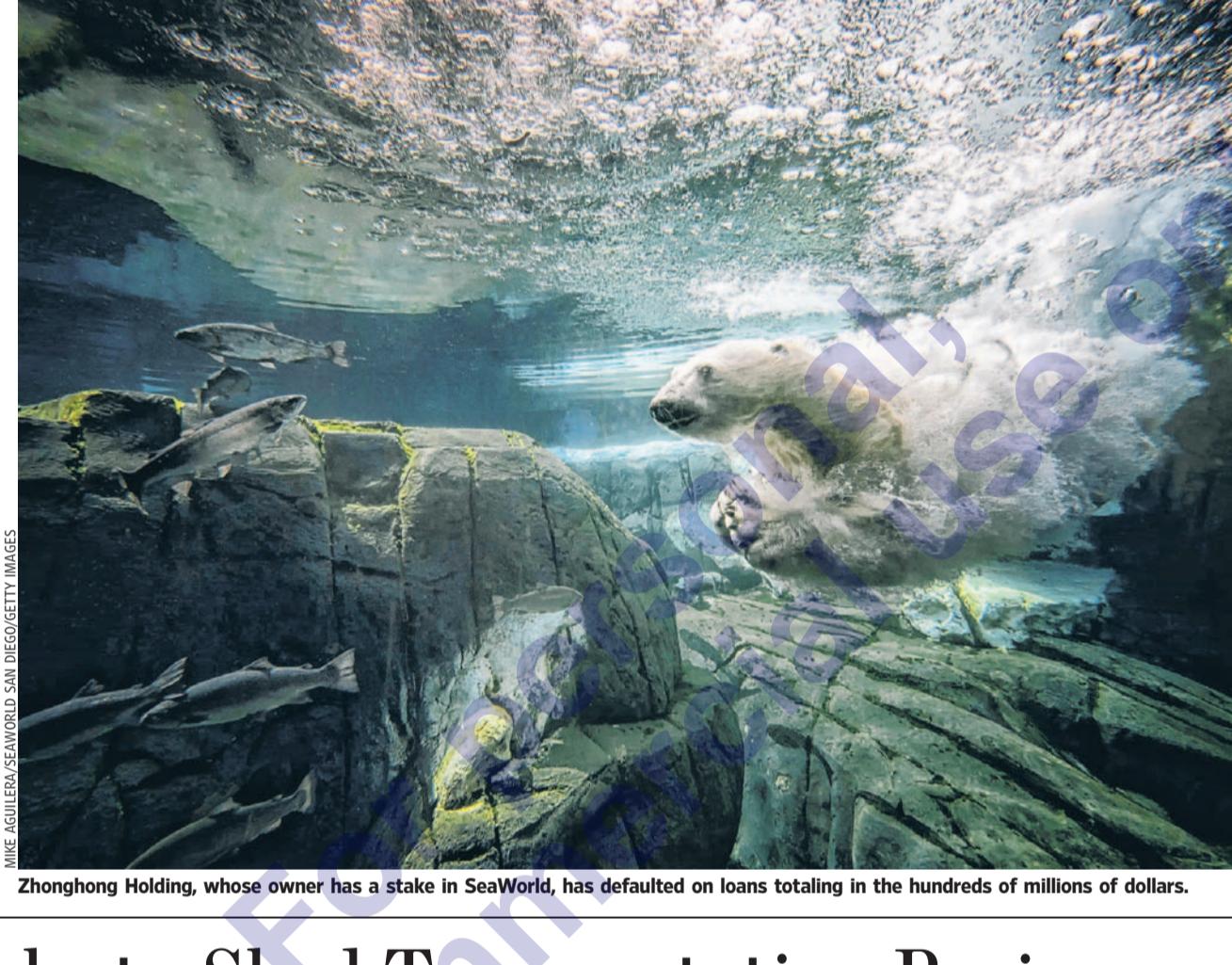
**BEIJING**—A Chinese property developer whose owner bought a stake in **SeaWorld Entertainment** Inc. is piling up defaulted loans valued at hundreds of millions of dollars as a government campaign to control debt starts to squeeze China's real-estate sector.

**Zhonghong Holding** Co. disclosed in a regulatory filing Monday that it defaulted on more than 1.1 billion yuan (\$174 million) in borrowings, doubling in the past five weeks a heap of overdue debt that totaled 2.27 billion yuan.

In the filing with the Shenzhen Stock Exchange, Zhonghong said the debt came from "various kinds of borrowings" and didn't disclose further details. Zhonghong is talking with creditors, said a company representative. She declined to disclose further information.

Zhonghong's defaults are seen as a bellwether of emerging problems in the real-estate sector that could ripple across the banking system.

The property sector is suffering in many places from overbuilding and speculation. Meanwhile, regulators are forcing banks to bring hidden debts from nonbank lenders on the books and close those channels.



Zhonghong Holding, whose owner has a stake in SeaWorld, has defaulted on loans totaling in the hundreds of millions of dollars.

## HNA Looks to Shed Transportation Business

By BEN DUMMETT AND JULIE STEINBERG

Chinese conglomerate **HNA Group** Co., under pressure to cut its debt load, is in exclusive talks to sell its European and Canadian transportation and logistics business to infrastructure investor **I Squared Capital** for more than €1 billion (\$1.21 billion), according to people familiar with the matter.

The deal could be completed soon, though as in all transactions talks could collapse before an agreement is

reached. HNA teamed up with **Bravia Capital**, a Hong Kong-based private-equity firm, to acquire **TIP Trailer Services** in 2013 from **General Electric** Co.'s financial-services business, GE Capital, for an undisclosed amount. According to TIP's 2017 annual report, HNA is the company's owner.

Based in Amsterdam, TIP rents trailers for hauling cargo and provides related services such as leasing and maintenance aimed at the trucking industry. It operates 84 locations across 17 countries in Europe and Canada.

"acy cost pile is limited," said Jason Gurandino, head of financial technology banking at RBC Capital Markets. "So banks moving to the cloud gives them leverage with the tech providers."

Cloud spending by banks is expected to skyrocket. By 2021, banks globally are forecast to spend more than \$12 billion on public cloud infrastructure and data services, up from \$4 billion last year, according to market research firm **International Data Corp.**'s public cloud spending guide.

By many metrics, the cloud business offers better opportunities to tech firms than, say, retail banking.

Overall, cloud-industry revenue is increasing at about 60% year over year, Jefferies estimates. Meanwhile, retail-banking revenue, including products such as checking accounts and cards, at most big banks is expanding at a fraction of that rate. And any real foray into banking or financial products could also entail substantial regulatory issues and expense.

"Tech companies are going to get far more consistent and repeatable revenue being infrastructure providers than by

HNA bought TIP to complement its existing transportation businesses in aviation, aircraft and sea container leasing and financing. The purchase was also part of a debt-fueled overseas acquisition spree across industries ranging from hotels to airports.

Since November, however, HNA has pivoted toward selling assets as it seeks to service its debt of more than \$100 billion and shed businesses considered speculative by Chinese authorities.

HNA has focused much of

this effort on its holdings in the financial-services and hospitality sectors. The company disclosed this month that it had cut its stake in **Deutsche Bank** AG to 7.9% from 8.8%.

The company also generated a significant profit from

share sales in Hilton Worldwide Holdings Inc. and two related operations: timeshare business Hilton Grand Vacations Inc. and Park Hotels & Resorts Inc., which owns airport hotels, convention centers and resorts.

HNA has been garnering interest for its most attractive

assets. TIP generated €517 million in revenue last year, up nearly 39% from 2015, according to the trailer-leasing company's latest annual report. Operating profit gained about 29% to €49 million over that period.

Based in New York, I Squared invests in infrastructure projects, targeting the transportation, energy and utilities sectors in North America and Europe, among other regions. It beat out three other bidders for TIP, according to some of the people familiar with the matter.



Spending by banks on cloud-computing services is expected to skyrocket in coming years. A Google data center in Iowa.

being in banking," said Ami Grewal, head of digital strategy at GFT Group, an engineering services firm that works with banks and partners with tech firms including Amazon and Google.

A handful of banks, such as **Capital One Financial** Corp., are already significant cloud customers. Capital One began working with Amazon in 2013 and made AWS its predominant cloud provider in 2016.

The bank's deal has incen-

tives for it to spend at least \$150 million a year on the service, people familiar with the agreement said. A spokesman for the bank declined to comment.

The upshot is that while big tech firms continue to dabble in banking services, they tend to do so almost entirely through banking partners.

For example, Amazon, Google and Microsoft offer digital wallets that allow users to link their bank-issued credit and debit cards.

"We see ourselves as an enabler and platform for many of those institutions, as opposed to in any way trying to compete with them in their core businesses," he said. "We start cloud conversations with an ironclad rule: A customer's data is a customer's data."

Tariq Shaukat, president for global alliances and industry platforms at Google Cloud, said Google begins meetings with banks by assuring them they aren't interested in gathering banking data for its own sake.

"We see ourselves as an enabler and platform for many of those institutions, as opposed to in any way trying to compete with them in their core businesses," he said. "We start cloud conversations with an ironclad rule: A customer's data is a customer's data."

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## CLOUD

Continued from page B1  
clude Amazon's AWS, Alphabet's Google Cloud and Microsoft's Azure.

For years, banks had resisted moving sensitive data or processes to the cloud, citing the security concerns of allowing data outside of their leased or owned data centers. Financial firms also had already invested billions into their own internal data platforms, including private clouds.

But recently, momentum shifted after regulators began using the cloud for data storage and reporting, including the Financial Industry Regulatory Authority, which works with Amazon's AWS. That has led many banks to start doing the same.

Moving from traditional mainframes to the cloud also makes it easier for banks to use artificial intelligence and other new technologies that consume huge computing resources. This is used to create better mobile products and trading tools.

The ability of the banks to get out from under their leg-

## MARKETS

# Higher Yields Attract Investors

BY DANIEL KRUGER

U.S. government bonds advanced Thursday as yields at multiyear highs lured back buyers.

The yield on the benchmark 10-year Treasury note snapped a streak of six consecutive gains, falling to 2.990% from 3.026% Wednesday. Wednesday's level represented the highest closing yield on the security since Dec. 31, 2013. Yields fall as bond prices rise.

The higher yield "does all of a sudden help to spur incremental demand" from investors who wait for higher yields, said Mark Heppenstall, chief investment officer at Penn Mutual Asset Management.

Yields remained lower after European Central Bank President Mario Draghi said policy makers needed to better understand what has caused a moderation in economic growth in the region before they can decide on the future of the bank's bond-buying program. In a news conference Thursday, Mr. Draghi said that while signs of a slowdown in the first three months of the year were partly due to temporary factors, more long-lasting headwinds may also have been at play.

It will be difficult for Treasury yields to continue to rise should yields in Germany and the rest of Europe remain low, said Mr. Heppenstall. Yields for 10-year government debt are about 2.4 percentage

## 2.990%

Thursday's settlement yield on the 10-year U.S. Treasury note

points higher in the U.S., which could lead overseas investors to buy higher-yielding Treasury securities, helping to hold their interest rates down, he said.

Yields moved lower even as economic data released Thursday were broadly positive. Orders for durable goods—manufactured products intended to last at least three years, such as stoves and industrial robots—increased a seasonally adjusted 2.6% in March from the prior month, the Commerce Department said Thursday. Economists surveyed by The Wall Street Journal had expected a 1.8% increase.

The number of Americans applying for unemployment benefits fell to the lowest level since 1969, the latest sign the labor market is firming after years of steady job growth, the Labor Department said Thursday. The four-week moving average of claims, which reduces volatility in the data, fell 2,250 last week to 229,250.

The Treasury Department's auction of \$29 billion of seven-year notes Thursday met with solid demand.

### AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

#### SEVEN-YEAR NOTES

Applications	\$77,950,249,600
Accepted bids	\$32,701,509,600
"noncompetitive"	\$14,103,600
"foreign noncompetitive"	\$10,000,000
Auction price (rate)	99.516250 (2.952%)
Interest rate	2.875%
Bids at clearing yield accepted	9128284M9
Cusip number	

The notes, dated April 30, 2018, mature on April 30, 2030.

### Treasury Auctions

The U.S. Treasury Department will auction \$90 billion in securities next week. Details of the offerings (all with minimum denominations of \$100):

♦ Monday: \$48 billion in 13-week bills, a reopening of an issue first sold on Feb. 1, 2018, maturing Aug. 2, 2018. Cusip number: 912796PS2.

Also, \$42 billion in 26-week bills, dated May 3, 2018, maturing Nov. 1, 2018. Cusip number: 912796QF9.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.



Sheryl Sandberg has seen no 'meaningful trend' of advertisers leaving Facebook, helping its shares surge.

SONGJUN CHO/BLOOMBERG NEWS

# Nasdaq Ends Its Losing Streak

BY MIKE BIRD  
AND GUNJAN BANERJI

The Nasdaq Composite snapped a five-session losing streak, powered higher by a strong round of corporate-earnings reports in the technology sector.

Solid quarterly results helped overcame shadow concerns that the recent selloff in bond markets will trickle down into equities, analysts said, lifting all three major U.S. stock indexes on the day.

"The earnings season in general...it's really been outstanding," said Jacob Johnston, vice president at Advisors Asset Management. Although a jump in the yield on the 10-year U.S. Treasury note has spurred swings in the stock market in recent months, Mr. Johnston said he still thinks yields are far from being a real threat to strong equity returns.

The tech-heavy Nasdaq Composite jumped 114.94, or 1.6%, to 7118.68. The S&P 500 added 27.54, or 1%, to 2666.94. The Dow Jones Industrial Av-

erage rose 238.51 points, or 1%, to 24322.34.

Technology stocks led the way after Facebook reported a 63% increase in earnings and Chief Operating Officer Sheryl Sandberg said the company hadn't seen a "meaningful trend" of advertisers leaving the social-media platform following its data-privacy scandal. Its shares jumped \$14.47, or 9.1%, to \$174.16, their best day in more than two years.

Advanced Micro Devices surged 1.33, or 14%, to 11.04, after the chip maker reported higher-than-expected quarterly profit.

The jump in those two stocks helped pull the S&P 500's technology sector up 2.3% after a six-session string of losses.

Shares of Chipotle Mexican Grill were the biggest gainers in the S&P 500, rising 82.98, or 24%, to 422.50, its largest percentage increase ever, after the burrito maker posted stronger-than-expected profit and sales for the first quarter.

Elsewhere, shares of Wells Fargo slipped 67 cents, or 0.7%, to 52.44, after The Wall Street Journal reported that

### Friended

Facebook shares notched their biggest increase on a percentage basis in two years, spurring a rally in Amazon, Netflix and Google-parent Alphabet.



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

the Labor Department is examining whether Wells has been pushing people in low-cost corporate 401(k) plans to roll holdings into more expensive individual retirement accounts at the bank.

The yield on the 10-year Treasury note fell to 2.990% from 3.026% on Wednesday, after rising for six straight sessions. The yield closed

above 3% this week for the first time since 2013.

Some analysts said the prospect of higher yields will continue to sway markets. Higher yields can make it more attractive for investors to leave assets such as stocks and put cash toward traditionally safer assets like government bonds.

There is a "tug of war between bond yields and risky

assets," said Bruno Braizinha, senior global asset allocation and rates strategist at Société Générale.

In Europe, the Stoxx Europe 600 edged up 0.9%. The European Central Bank's governing council, as expected, left interest rates and its bond-buying program unchanged after a meeting Thursday.

"The [ECB] governing council may want to wait for more economic data and the June economic projections before taking a clearer stance on the direction of monetary policy going forward," analysts at ABN Amro said in a research note.

Stocks in Asia were mixed, with Japan's Nikkei 225 closing up 0.5%, while indexes in China sold off. The declines follow a Wall Street Journal report that the Justice Department is investigating whether Huawei Technologies violated U.S. sanctions related to Iran. Early Friday, the Shanghai index was up less than 0.1%, while the Hang Seng Index was up 0.6%. At same time, Japan's Nikkei Stock Average was up 0.5%.

—James Glynn

contributed to this article.

# STREET

*Continued from page B1*  
housing market and worrying in public about the strength of its banks. It is in the unusual position among central banks of not having powers to limit lending—such macro-prudential rules are set by the government. Canada has repeatedly tightened rules on banks, only for borrowers to turn to nonbanks. And a high-profile investigation is showing up problems in Australia. None of this has fed through into higher rates or investors demanding significant action from banks, though.

**S**weden offers a case study in financial crises. In the early 1990s its banking system had a catastrophe on the scale of Lehman Brothers when a housing bubble burst. All deposits were guaranteed by the government at a cost of about 4% of GDP—in return for which Sweden demanded stock in the banks, later sold.

The lesson of 1992 kept the banks in check during the global boom of the 2000s and allowed Sweden to weather the crisis. Yet, an early-warning indicator of financial vulnerability developed by the Riksbank is now higher than it was before the early-1990s crash or in 2008.

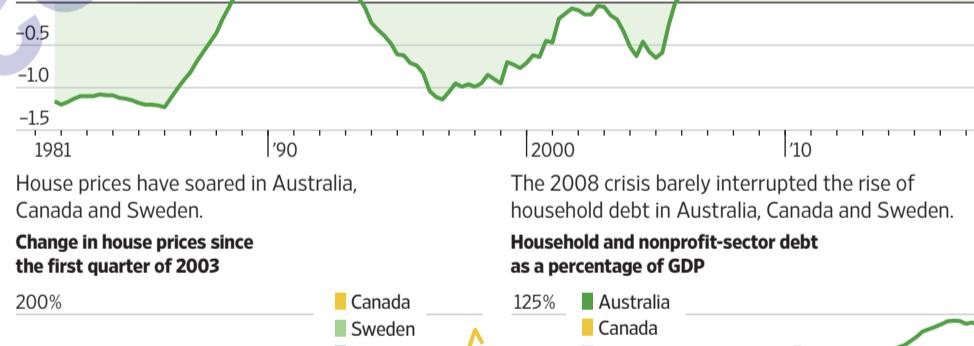
Lots of lending, even into a rapidly rising housing market, doesn't mean disaster is inevitable. If loans are used productively, they can boost economic growth and be easily repaid, while a strong economy can cope with bad loans.

But rising private debt in general and mortgage debt in particular is one of the most reliable indicators of trouble ahead because it makes a country more vulnerable to economic or financial shocks.

Look at house price-to-income ratios: In 2007, the housing bubbles of Ireland

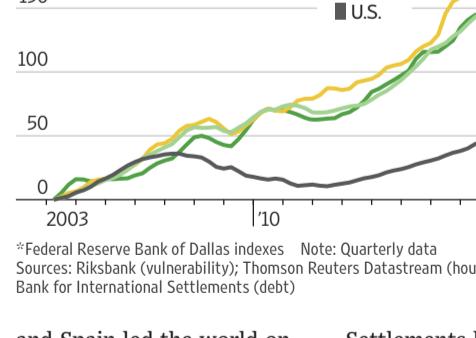
### Piling on Debt

Sweden's indicator of financial vulnerability is higher than ahead of its 1992 crisis.



House prices have soared in Australia, Canada and Sweden.

#### Change in house prices since the first quarter of 2003



\*Federal Reserve Bank of Dallas indexes Note: Quarterly data

Sources: Riksbank (vulnerability); Thomson Reuters Datastream (house prices); Bank for International Settlements (debt)

THE WALL STREET JOURNAL.

and Spain led the world on this measure, according to OECD data. Now Canada, Australia and Sweden, along with New Zealand and Norway, are well ahead of other developed countries—and close to the Irish and Spanish 2007 levels.

Sweden, Australia and Canada have a multiplying factor if trouble hits: Banks are financing themselves abroad, often on a fairly short-term basis. This exposes them to any tightening of global funding conditions.

Foreign financing creates a dilemma for central banks when a disaster hits. If they cut rates to help domestic borrowers, the currency will weaken and banks will pay more for foreign funding. But if they raise rates to support the currency, domestic borrowers are more likely to default on the banks.

The Bank for International

Settlements last month put Australia and Canada on amber alert for their banks' reliance on foreign financing in a set of early-warning indicators of a financial crisis. Norway is the only country on a red warning for foreign financing.

Australia and Canada also fare poorly on three other BIS debt signals. Canada is the only country in trouble on all four, flashing red on two and amber on two. Sweden has an amber warning for the amount households pay to service debt.

**H**ousing markets tend to slow down some time before a financial crisis hits, and a slowdown seems already to have begun in some of the frothiest markets. In Sweden the price of apartments has plummeted, down more than 10% in the past 12 months in Stockholm,

# Funds Log Big Drop In Fees, Largest Since 2000

BY SARAH KROUSE

It has never been cheaper to invest in stock and bond funds.

The asset-weighted average fee for U.S. mutual and exchange-traded funds fell 8% to 0.52% in 2017, Morningstar Inc. said Thursday.

Despite a steady decline in fund fees for more than a decade, this past year's decline is the largest year-over-year fall since at least 2000.

These tumbling fees over the past 10 years have amounted to about \$21 billion in savings for investors, Morningstar estimates.

Funds with lower fees also captured the lion's share of net new investor cash last year. The 20% of funds with the lowest fees pulled in nearly \$1 trillion, the highest amount of inflows ever recorded in one year for the group.

Vanguard Group, which continues to have the lowest asset-weighted average fee in the industry, has been a pioneer of many of these low-cost funds in part because its funds are owned by their shareholders and fees fall as assets rise.

But in recent years, money managers including Fidelity Investments, American Funds and T. Rowe Price Group Inc. have all increasingly lowered fees or offered new, cheaper share classes of their funds to compete.

"To reduce your own income is hard for anyone to do," said Patricia Oey, an analyst at Morningstar.

## MARKETS

## U.S. Stock Funds Are Losing Investors

Flood of cash taken out reflects worries about rising inflation and market volatility

By ASJYLYN LODER

Investors are dumping U.S. stock funds at one of the fastest paces in a decade as rising market turbulence erodes confidence in the nine-year-old bull market.

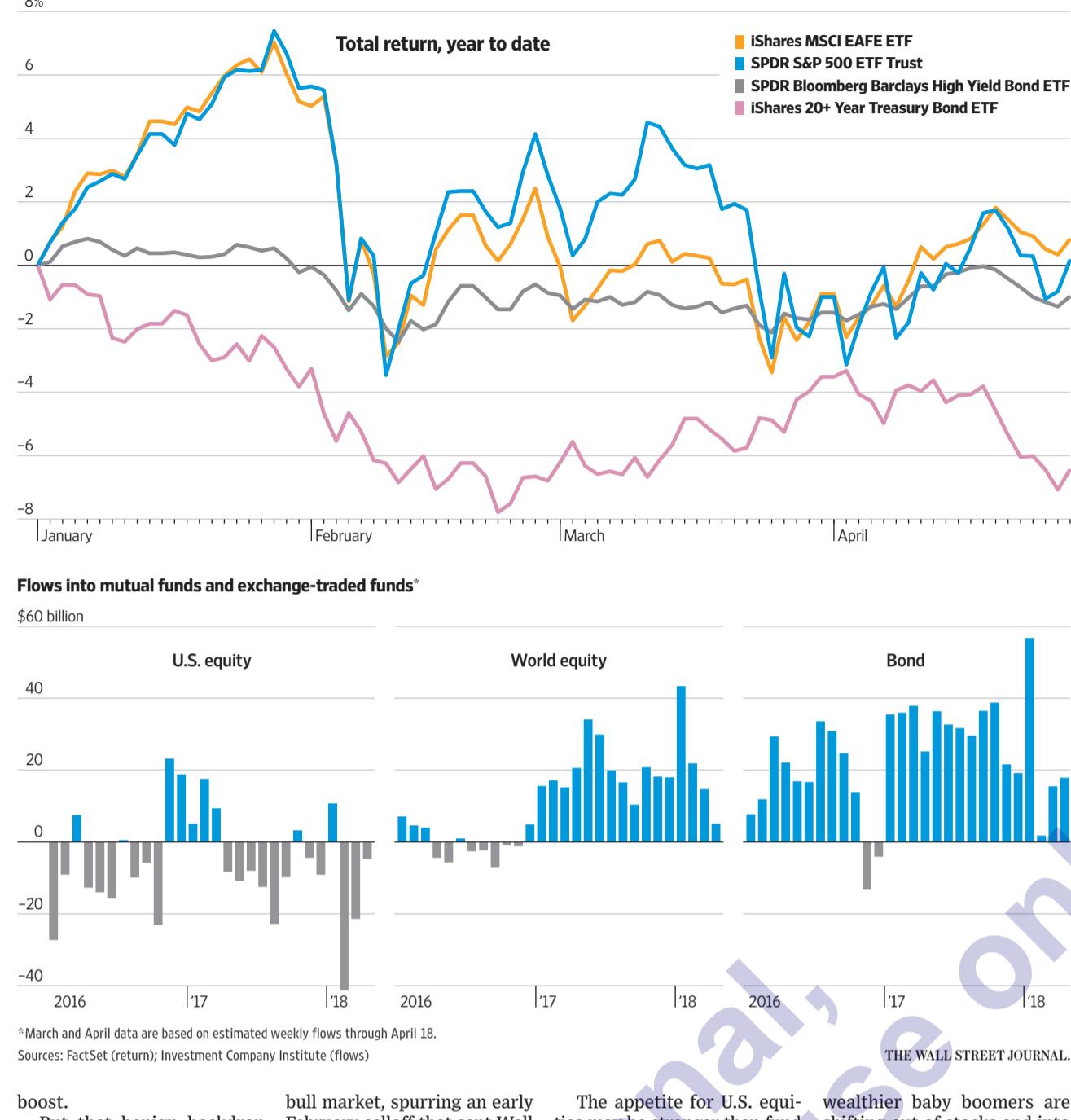
U.S. equity mutual funds and exchange-traded funds recorded \$2.4 billion in outflows for the week ended April 18, according to the Investment Company Institute. That followed \$41 billion in outflows from these funds in February—the biggest monthly exodus since January 2008, ICI data show. Overall, investors have yanked \$67 billion out of these stock funds since the start of February.

That rush for the exits marked a sharp reversal from January, when investors poured \$10.8 billion into U.S. equity funds, helping propel major indexes to records.

"Suddenly it's changed, and everyone is trying to get out of the crowded theater first," said Darren Pollock, a portfolio manager for Cheviot Value Management, a Beverly Hills asset manager. "There was an opportunity to lock in gains from what had been such a strong rally, then step aside and see what happens next."

While the outflows account for less than 1% of assets in U.S. equity funds, the flood of cash leaving stock funds marks a shift from the buy-the-dip mentality that characterized much of last year.

Back then, markets were calmer, and nearly every decline was seized as an opportunity for bargain buying. Solid corporate earnings, the slow advance of interest rates and a pickup in global growth forecasts gave stocks an added



\*March and April data are based on estimated weekly flows through April 18.

Sources: FactSet (return); Investment Company Institute (flows)

boost.

But that benign backdrop for stocks began to crumble this year amid signs that the economic expansion is driving up prices of goods and services. Inflation has become the biggest hazard for the aging

bull market, spurring an early February selloff that sent Wall Street's fear gauge soaring and shattered a prolonged period of market calm. The S&P 500 stock index has fallen 7.2% from the all-time high reached in January.

The appetite for U.S. equities may be stronger than fund flows indicate, said Shelly Antoniewicz, senior director of industry and financial analysis at ICI. Younger investors are buying U.S. stocks but have less money saved, while

wealthier baby boomers are shifting out of stocks and into bonds as they near retirement. And some mutual-fund managers used February's selloff as a chance to buy \$8.6 billion in U.S. stocks despite investors' withdrawals of \$19.6 billion,

she said.

The recent market tumult shows how inflation has made a liability out of good news, such as wage gains and a strengthening economy, since it could prompt the Federal Reserve to accelerate interest-rate increases. The prospect of rising rates has weakened a key justification for the sky-high corporate valuations, and has made stocks less appealing by offering higher returns on risk-free savings.

Inflation fears got an added jolt this week as oil prices rose to a three-year high and the yield on the 10-year U.S. Treasury note topped 3% for the first time since 2014.

"A lot of investors are really primed to see inflation coming in, and that freaks them out," said Megan Greene, chief economist at Manulife Asset Management. It is the biggest concern she hears from the firm's clients.

Rising volatility also has made investors skittish as markets have been whipsawed by the threat of a trade war, political upheaval and a technology-stock rout. After spending most of 2017 near historic lows, the Cboe Volatility Index, a measure of traders' expectations for market moves, has risen 50% since the start of the year, according to FactSet.

Some say investors may be overreacting to headlines, ignoring the health of the U.S. economy and the strength of corporate earnings, when there is little to suggest that a recession is near.

"People overly focus on news flow, like trade concerns or geopolitical issues," said Jonathan Golub, chief U.S. equity strategist for Credit Suisse AG. "As long as the economy stays away from a recession, stocks are way more likely to surprise to the upside."

—Daniel Kruger contributed to this article.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

## Murky Path at Barclays, Deutsche

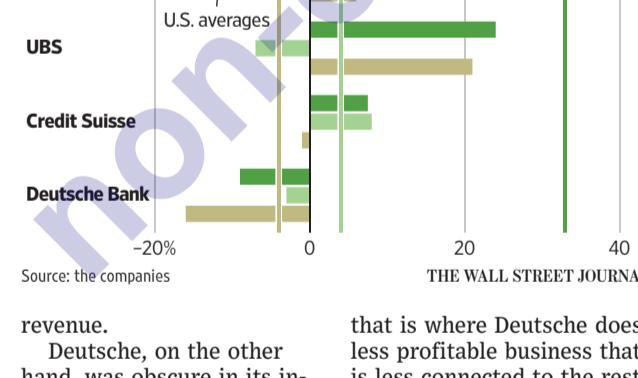
Investment banking yielded surprises at Deutsche Bank and Barclays in the first quarter of 2018: The former's revenue looked as horrible as the latter's looked outstanding.

However, neither of Thursday's earnings reports gave much clarity to investors. It isn't clear that Deutsche can stop losing market share, or that Barclays is really regaining much. Big questions remain about where they go next—and at Deutsche whether the new chief executive, Christian Sewing, really can make any big changes.

Barclays saw some of the best first-quarter revenue gains of any bank in equity and bond trading, but its true performance was somewhat obscured. The U.K. bank might look good partly because it did much worse than rivals in the comparable period of 2017. But there is another tricky element: It moved some funding and hedging costs to its head office from the investment bank and that may have flattened the latest quarter's

## Market Movers

Change in revenue for first-quarter 2018 over the same period in 2017



Source: the companies

Revenue.

Deutsche, on the other hand, was obscure in its intentions more than its numbers. Mr. Sewing, just two weeks into his new role, brought a sterner, sharper tone to match his pledges of speed and clarity in making changes. However, the detail was absent.

The investment bank will make "material" cuts to staffing—the numbers aren't clear—and the U.S. and Asia will bear the burden because

that is where Deutsche does less profitable business that is less connected to the rest of the bank.

Deutsche's first-quarter numbers underlined the need to act. The bank suffered its familiar problem: Revenue fell across the group and costs rose. This isn't the way to boost returns.

The investment bank led the declines with an even worse performance than had been feared. Bond trading did worse than rivals and

current fleet, the company expects to take delivery of a further 60 aircraft in 2019 and 2020 and will likely lease back enough of the planes it sells not to disrupt operations. Crucially, however, disposals release cash.

The airline has grown rapidly by piling on debt to buy new jets and offering cheap trans-Atlantic flights. But now it desperately needs to shore up its balance sheet.

Even after a roughly \$165 million private placement in March, Norwegian finished the first quarter with just \$260 million of equity, supporting total assets of \$6.3 billion. If equity falls below

Deutsche suffered the ignominy of being the only bank to have lost revenue in equities trading at a time when heightened volatility gave almost everyone else a major boost.

The fear for investors is that as managers take their scythes through the investment bank again, more front-line bankers and traders will walk away and take revenue with them. And Deutsche won't be able to cut other people and costs rapidly enough in response.

The bank has little financial room for maneuver. Its profitability is thin, limiting the extra costs it can bear for restructuring. Radical change might just be unaffordable, whether it is wanted or not.

The biggest problem for Deutsche, Barclays and other European banks is that they are still trying to sort out their investment divisions, while their U.S. rivals enjoy higher profits and perhaps regulatory easing. It is tough to make repairs when the race is under way.

—Paul J. Davies

## OVERHEARD

Coming soon to Alaska

Airlines: A boarding pass with the name Mr. Ed?

The airline, which recently was rated No. 1 in the country by J.D. Power, scoring high for customer satisfaction, has its limits.

The rash of passengers bringing potentially disruptive emotional-support animals on board has forced the airline to tighten its policy.

Passengers will require a note and the furry, feathered or scaly companions will get their very own boarding passes.

There also are limits on what type of beasts one can lean on for support.

The airline will no longer allow "hedgehogs, ferrets, insects, rodents, snakes, spiders, amphibians, goats and animals with tusks, horns or hooves," according to the Fairbanks Daily News-Miner.

One exception: Miniature trained horses.

There was no word from the TSA on whether they would have to remove their shoes at the security checkpoint.

## The Biggest Delivery Yet For Amazon

Investors have come to expect big things from Amazon.com. Profits haven't always been among them.

That is quickly changing, as shown Thursday with solid first-quarter results. Operating income surged 93% to \$1.9 billion. That was more than double the company's growth in sales, which jumped 43% to \$51 billion.

Amazon is steadily making more of its money from businesses that are more profitable than shipping boxes of goods to consumers.

Chief among those is its AWS cloud unit, which generated \$5.4 billion in revenue during the quarter. That was up 49% year over year. Operating profit at AWS surged by 57% to \$1.4 billion.

AWS now comprises about 11% of Amazon's total revenue, but it makes 22% more in profit than Amazon's North American retail arm, which generates nearly six times the revenue. It also doesn't hurt that Amazon now owns a high-margin grocer in Whole Foods. Operating profit for the company's North American retail unit nearly doubled to \$1.1 billion.

Those numbers will be a relief to investors who already sent Amazon's stock up 30% this year. And it is worth remembering that Amazon's growth never comes cheap. Capital spending, which includes its outlay for equipment acquired under capital leases, jumped 33% to nearly \$5.4 billion.

Another risk Amazon is facing is that Washington is taking more notice of the company's success. That could grow even sharper in light of the company's plans to boost its Prime membership fee to \$119. That price increase may ultimately prove costly. —Dan Gallagher

## Norwegian Air's Days as a Disrupter Appear Numbered

## Staying Aloft

Norwegian Air Shuttle share price



Note: 100 Norwegian krone = \$12.52

Source: FactSet

visitors to review the situation.

Norwegian also said it would sell up to 140 aircraft. Although this figure amounts to the vast majority of its

roughly \$190 million, the company is in breach of its bond covenants.

Selling planes eases the pain, but the only long-term cure is to improve margins. Rising fuel prices are a headwind. The company's first-quarter unit costs fell 2% on the year, but only because of the weak dollar. At constant currencies they would have risen.

Norwegian's focus on new, fuel-efficient planes should eventually put it at a competitive advantage if fuel costs continue to rise—but only if it survives the short-term margin squeeze.

Little wonder vultures are circling. German flag carrier

Lufthansa and low-cost leader Ryanair also have the heft to contemplate buying Norwegian, even if IAG is probably the most natural acquirer,

given its experience with Iberia and Aer Lingus, and holding company structure.

One question concerns antitrust scrutiny: Adding Norwegian's base at London Gatwick Airport to IAG's home at Heathrow could be seen as an attempt to quell competition on the busy and lucrative London-New York route.

However this plays out, Norwegian looks set to be a less disruptive force.

—Stephen Wilmot

Why John Mellencamp  
was almost  
Slate Mellencamp  
**M6**



# MANSION

*The best part of a holiday  
is perhaps not so much to be  
resting yourself, as to see all the  
other fellows busy working.'*

—Kenneth Grahame

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

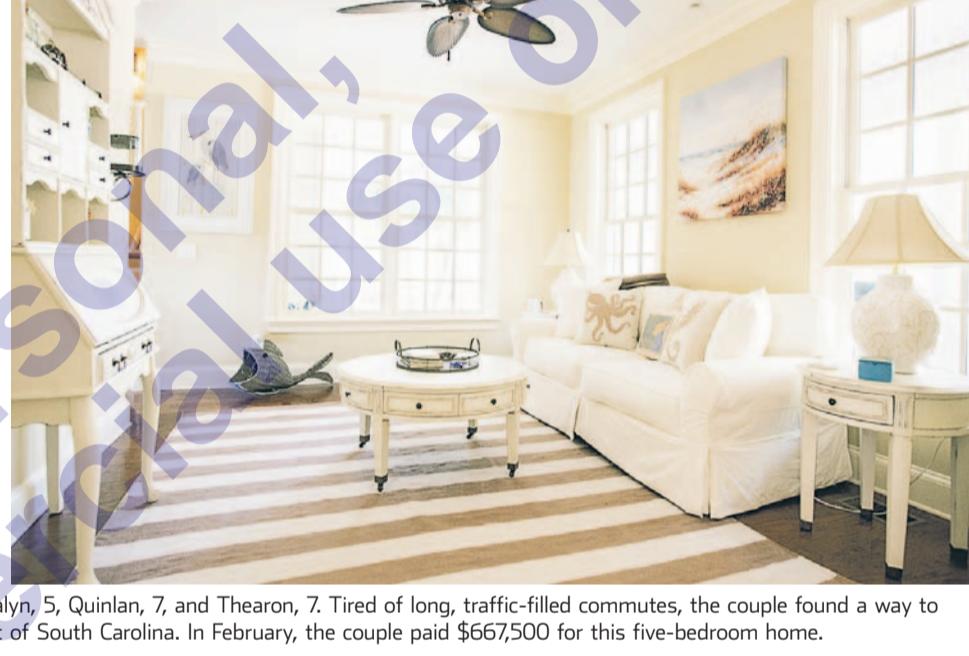
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THE WALL STREET JOURNAL.

Friday, April 27, 2018 | M1

## When a 9-to-5 Job Meets Paradise

An intrepid minority of professionals are finding ways to relocate to locales traditionally viewed as vacation destinations; the 'save the family' effect.



**NO MORE COMMUTE** Francesca High on Daufuskie Island with her husband, Andy, and children Aarlyn, 5, Quinlan, 7, and Thearon, 7. Tired of long, traffic-filled commutes, the couple found a way to work remotely and moved their family to this tiny barrier island with about 400 residents off the coast of South Carolina. In February, the couple paid \$667,500 for this five-bedroom home.

BY CANDACE TAYLOR

**ONE NIGHT IN HER HOME** outside Charlotte, N.C., Francesca High woke up in a panic. "We've got to move," she said to herself.

Ms. High, a 41-year-old health-care consultant, and her husband both had long, traffic-filled daily commutes. With three young chil-

dren, "we really just didn't have the family life that we fantasized about," she says.

Fast-forward a year, and the family is living on Daufuskie Island, a tiny barrier island with about 400 residents off the coast of South Carolina. The area is only reachable by boat, and Ms. High's children are now among the 26 students at the local school. The commute is over: Both she and her husband, Andy, who works in bank-

ing, now work remotely from the ground floor of their house, where they can watch the school bus come and go.

Fed up with congestion, stress and high housing prices in major metropolitan areas, a small but determined group of professionals is decamping for locales traditionally viewed as vacation or retirement destinations. And thanks in

Please turn to page M12

## EASTERN GERMANY'S LUXURY SURGE

Home buyers from East and West boost cities beyond the booming Berlin market, creating new mansions and restoring old ones; locally made luxury cars fill driveways; a former coal-mine area is now a villa enclave.

BY J.S. MARCUS

**CHRISTIAN FUNKE** is looking past the rooftop pool of his Leipzig-area home toward Markkleeberger See, a deep freshwater lake that has become a magnet for new villa construction in the heart of former communist East Germany.

"All this is brand new," says the 39-year-old oil and gas entrepreneur and Leipzig native, whose career has taken him from a North Sea oil rig to the Persian Gulf and many places in-between.

By "new," he means homes like his: a white-and-gray geometric mansion completed in 2013. But he also means the lake itself. A generation ago, it was an open-pit coal mine. Now, after an environmental cleanup, the lake, south of the city, is a symbol of the good life and of a vibrant housing market.

Germany is in the midst of a full-fledged real-estate boom, according to the most recent Global Residential Cities Index, compiled by Knight Frank, the U.K.-based real-estate company. Berlin is the fastest growing major



with a wave of recently constructed, high-end homes and renovations of existing mansions and manor houses.

Mr. Funke shares his 3,500-square-foot villa with his partner, tax professional Sandra Richter, 36, and their 7-year-old twins, Quentin and Mika. The home, on a 1/6-acre lot, makes up for the lack of a yard with built-in amenities, including an outdoor sauna and a rooftop patio surrounding a pool.

Still, the couple has decided to trade in their prime setting for a larger local lot farther from the lake. Their home has an asking price of \$2.6 million.

These days, Leipzig is known as the success story of the former GDR, with a growing population of Eastern natives and new Western arrivals. The price of single-family homes surged more than 65% between 2012 and 2017, according to the city's Gutachterausschuss, which tracks all real-estate transactions.

In Dresden, known for its concentration of prewar villas, sales of homes and apartments over \$1.2 million

Please turn to page M7



**UPSIZING** The Funke-Richter family listed their Leipzig home, above, for \$2.6 million, seeking a bigger lot. Left, Sandra Richter with Mika, top, and Quentin.

market in the world, with prices jumping more than 20% in 2017. Meanwhile, Hamburg, Munich and Frankfurt place in the top 10, according to the report.

That rise is heading eastward, where luxury living is making headway in revitalized cities beyond Berlin,



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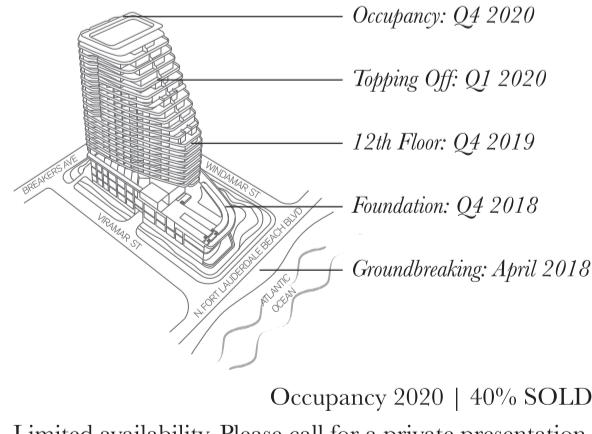
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## MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

## A Renzo Piano Penthouse Lists for \$40.5 Million



A penthouse in a Soho building designed by Pritzker Prize-winning Italian architect Renzo Piano is slated to go on the market for \$40.5 million.

On New York's Broome Street, the 112-unit development is Mr. Piano's first residential project in New York. The architect is known for designing buildings such as The Shard, an office and residential skyscraper in London, the Centre Georges Pompidou in Paris and New York's Whitney Museum of American Art. When it is completed at the end of

2018, the 290-foot building will be one of the tallest residential buildings in the neighborhood, according to Andrew Anderson of Douglas Elliman, one of the listing agents.

The 6,655-square-foot apartment, seen in a rendering here, will have four bedrooms and 4½ bathrooms. A private elevator opens into the unit, which has floor-to-ceiling windows and two terraces leading from the entertaining spaces. There will also be a rooftop terrace with a 20-foot heated outdoor pool and an outdoor kitchen.

The building will have 17,000 square feet of amenities, including a 55-foot indoor pool, a fitness center, a spa and a library. Prices start at \$2,075 million, Mr. Anderson said. Tennis pro Novak Djokovic is in contract to buy two separate two-bedroom units, each measuring over 2,000 square feet.

Italian real estate firm Bizzelli & Partners Development is developing the project in partnership with Aronov Development and Halpern Real Estate Ventures. They declined to say how many units in the building have sold.

## MALIBU'S SUNDANCE RANCH SEEKS \$18 MILLION

Sundance Ranch, a Malibu, Calif. equestrian property once owned by George Roy Hill, director of "Butch Cassidy and the Sundance Kid," is coming on the market for \$18 million.

Mr. Hill, who also directed the movies like "Thoroughly Modern Millie" and "The Sting," owned the property in the 1970s, public records show. He died in 2002.

About 15 miles from Santa Monica, the nearly 11-acre ranch overlooks the ocean and includes the original 1953 ranch house owned by Mr. Hill. The 2,139-square-foot house has four bedrooms, three bathrooms, an office and an outdoor dining area with views of the ocean. It also has rustic exposed wood beam ceilings, a pool, a fire pit and an outdoor shower. There is space to expand and build additional structures, pending approvals, according to the listing.

There are also two horse

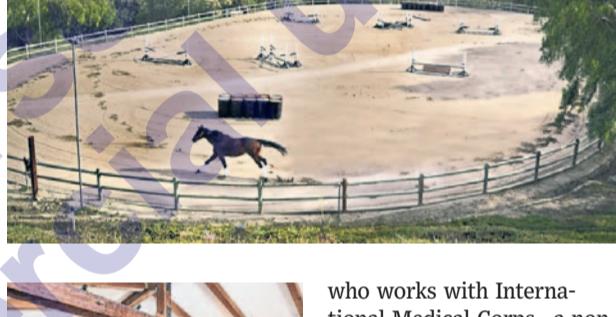
barns with 24 new stalls and a riding arena. Kumquat, pomegranate, lemon and lime trees grow on the land.

The sellers are Damon Fisher, 49, a co-founder of EdgeLine Capital Partners, a financial advisory firm, and his wife Debbie Fisher, 50,

who works with International Medical Corps., a non-profit humanitarian aid organization. They bought the main home and surrounding horse barns for about \$2.3 million in 2001, public records show, and later added an adjacent parcel of land for about \$1.5 million.

Ms. Fisher said she and her husband are selling the property because their two sons prefer to spend their time in the mountains.

Denise Snaoudji and Craig Knizek of the Agency have the listing.



CLOCKWISE FROM TOP LEFT: THE BOUNDARY WITH NOE & ASSOCIATES (RENDERING); LENI YARAHENKO (2); JAMES MOSS (2)



## HAMPTONS HOME SELLS FOR \$40 MILLION

An East Hampton home has sold for \$40 million in what real-estate agents describe as the most expensive single-family Hamptons deal since 2016.

The seller is Ellen Marcus, wife of the late Goldman Sachs partner and former Metropolitan Opera Chairman James Marcus. Mr. Marcus died in 2015 at age 85, and the home was simply "too much house" for his wife, according to Frank Newbold of Sotheby's International Realty, one of the listing agents. Ms. Marcus couldn't be reached for comment.

Mr. Newbold declined to comment on the identity of the buyer.

The home sits on more than 6 waterfront acres with 300 feet of ocean frontage on Further Lane. "Lasata," where Jackie Kennedy Onassis spent her childhood summers, is on Further Lane, as is comedian Jerry Seinfeld's Hamptons house, public records show.

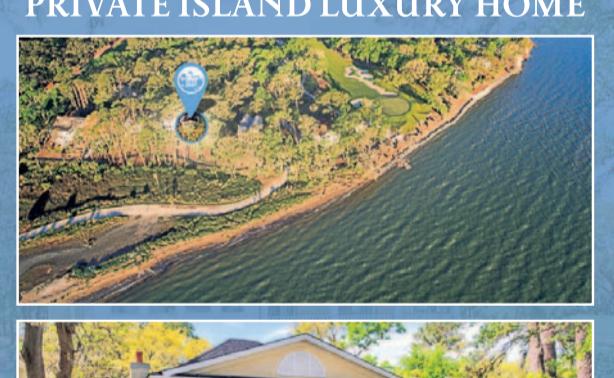
Completed in 1995, the 10,000-square-foot ocean-front shingle-style home has seven bedrooms, 9½ bathrooms and an attached three-car garage. There is also a rooftop-viewing deck, a heated oceanfront pool and a spa wing with a whirlpool and an exercise pool.

Mr. Newbold said he hopes the sale signals a reawakening of the Hamptons luxury market, which has been sluggish over the past year.

Mr. Newbold represented the seller alongside Ed Petrie of Compass. Brothers Cody and Zach Vichinsky of Bespoke Real Estate represented the buyer.



Entertainer Michael Feinstein lists his L.A. home for \$26 million M10



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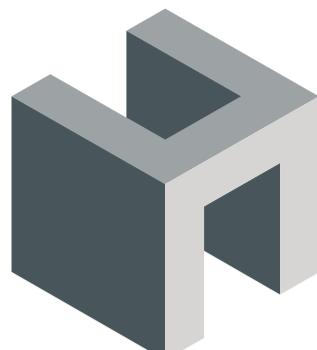


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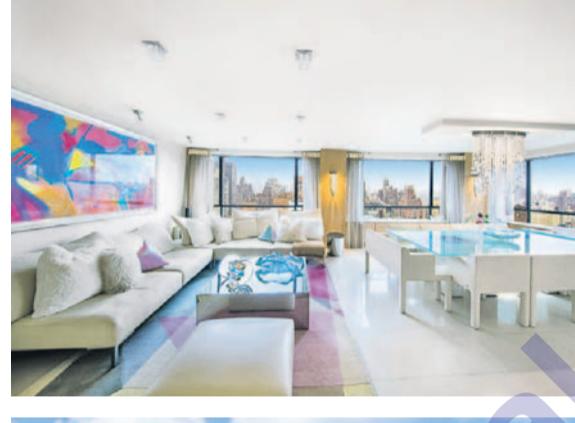
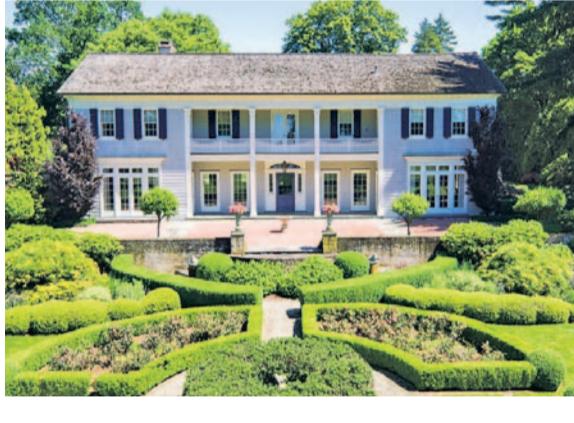
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## MANSION

## INSIDE STORY

# A Yankee Chef's Southern Habitat

Bruce Moffett's North Carolina home successfully merges North with South

BY CANDACE TAYLOR

**THE COMMINGLING** North and South "seems to be my whole theme in life," says Bruce Moffett, a Rhode Island-born chef now based in Charlotte, N.C.

His flagship restaurant, Barrington's, pays homage to his New England roots while relying on local ingredients. His forthcoming cookbook is entitled "South by North."

A similar theme emerged when Mr. Moffett, 52, and his wife Katrina set out to renovate their redbrick 1960s ranch in Charlotte's Barclay Downs neighborhood. They expanded the house to create a four-bedroom, roughly 3,200-square-foot space, Ms. Moffett said, large enough to accommodate both antiques from her husband's "old-school Rhode Island" family and work by Southern artists.

The family's northern provenance is apparent in the home's entryway, where an antique New England cane chair stands next to a wicker basket of shells and stones the Moffetts collected at Rhode Island's Matunuck Beach. On a doorknob hangs an antique buoy from Boston, where both Moffetts lived before Charlotte.

Originally from Montreal, Ms. Moffett, 46, lived in Boston while working as an executive at Laura Ashley, the British fashion and home furnishings company. She relocated to Charlotte in 2001 when the company moved its Americas headquarters to Fort Mill, S.C. Mr. Moffett, meanwhile, cooked in Boston before moving in 2000 to Charlotte, opening Barrington's shortly thereafter.

Seated in their home's sunny living room, the effervescent Ms. Moffett describes meeting her dark-haired husband for the first time by the pool at her Charlotte apartment complex, where she noticed that a "really cute guy who looked like John Kerry" had a towel from the venerable New England retailer L.L. Bean. "I said, 'who in the South would have an L.L. Bean towel?'"

They've been married 15 years, and Mr. Moffett has since opened two more restaurants: the tapas-style Good Food on Montford and



Italian bistro Stagioni.

Four years ago, they paid \$555,000 for the one-story house in Barclay Downs, an area minutes from all three restaurants. "It was a dump," Mr. Moffett remembers, but "I could envision what I wanted to do with the house."

They spent about \$500,000 to change virtually everything, adding about 1,000 square feet and building a large cedar deck, outdoor kitchen and a two-car garage with an apartment above it. They converted the formal living room into a dining room big enough for a 12-foot long wood-and-steel table. Mr. Moffett had bought it for Stagioni, but it didn't fit.

A 6-foot-tall portrait of Mary Morris Brush, Mr. Moffett's great-great-grandmother, hangs in the dining room. On the opposite wall the Moffetts built floor-to-ceiling bookshelves where antique duck decoys intermingle with New England and North Carolina pottery and a cookbook that belonged to Mr. Moffett's grandmother. "Our memories are in here," Ms. Moffett said.

Also in the dining room there is a sketch by Pablo Picasso, and the home contains paintings by Charlotte artist Michele Harvey Collins. Both Moffetts come from art-loving families: Mr. Moffett said his grandmother bought a nude painted by the artist Henri Matisse off the street in Paris, then sold it decades later to send her grandchildren to college. A copy now hangs in the Moffetts' bedroom.

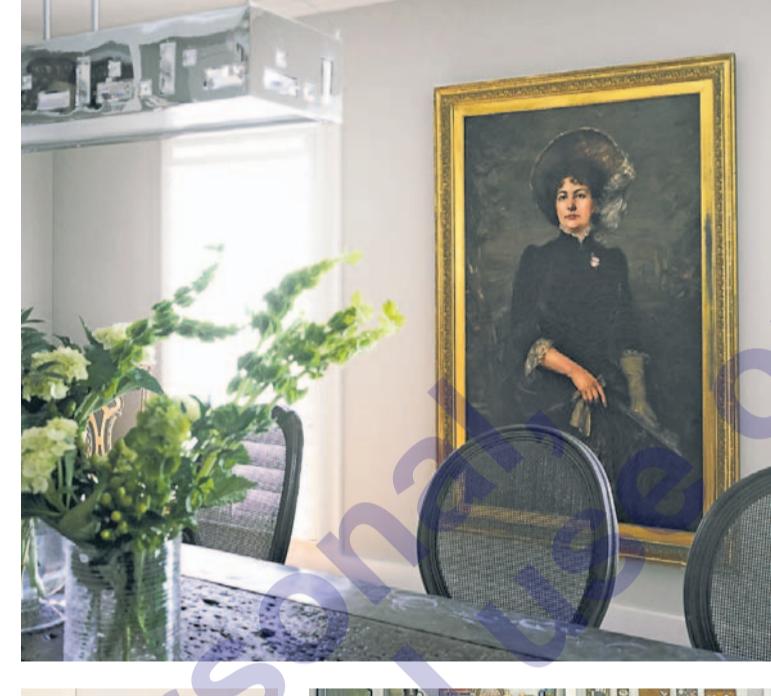
Laura Ashley designs were used throughout the home, but "I didn't want this to be a showroom," said Ms. Moffett, who is Laura Ashley's creative manager. The floral wallpaper in the powder room is one of the company's iconic patterns, "Summer Palace," and the Laura Ashley pillows outside are emblazoned with hedgehogs.

In the kitchen, Mr. Moffett chose a galley-style design, which he finds more efficient for cooking than a center island. In the breakfast area, friends' children fight over a wooden high chair that belonged to Bruce's grandfather.

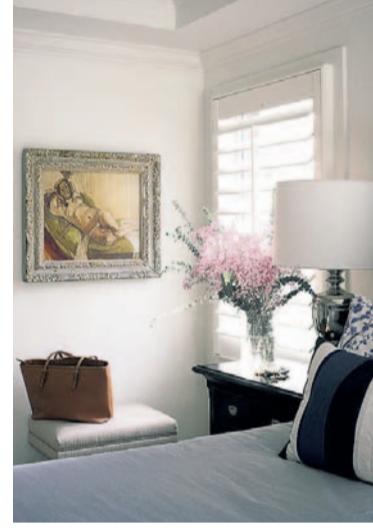
Much of the family's cooking



**NORTHERN EXPOSURE** The entryway includes an antique New England chair and shells from Rhode Island.



**MERGERS AND ACQUISITIONS**  
Bruce and Katrina Moffett with Daniel, far left. Clockwise from left: an ancestor of Mr. Moffett; exterior; a copy of a Matisse with a story in the bedroom; Posey with shelves of antiques and mementos; the kitchen.



the s'more chef," Ms. Moffett said.

Even the family's s'mores hark back to their Northern roots: Ms. Moffett's father handpicked the extra-long, maple marshmallow sticks in Montreal and drove them 16 hours to Charlotte.

"My parents were like, 'they have to be from Canada,'" she said.

occurs outside. The outdoor kitchen has running hot and cold water, and on the lawn a few feet away, Mr. Moffett grows tomatoes, cucumbers and peppers in raised vegetable beds, often bringing the produce to Barrington's.

For the apartment above the garage, they commissioned Charlotte

artist Randall Kane to paint a mural depicting the scoreboard from the night the Boston Red Sox broke "the curse of the Bambino" in 2004.

An outdoor fireplace was requested by the Moffetts' 8-year-old son, Daniel, who meticulously prepares the s'mores. "Our son's

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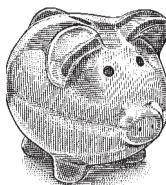
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## THE BENEFITS OF A LOCAL MORTGAGE LENDER

Home purchasers seeking to stand out in competitive housing markets should consider a mortgage professional based in the area



**DON'T** discount the benefits of shopping local—even for a mortgage professional.

In tight housing markets where bidding wars are common, buyers who need financing can strengthen their offers by working with a locally based mortgage broker or loan officer, real-estate agents and lenders say. "Getting a local person helps you over certain humps—it just really does," said Andrea Gordon, a real-estate agent at Red Oak Realty, who works in Oakland and Berkeley, Calif., and keeps a list of trusted mortgage pros on her website.

Agents want to work with buyers whose lenders know the local market and have a record of getting deals done. That reassures the listing agent and the seller that a sale will close. In markets like San Francisco, Seattle and Boston, where buyers frequently go up against multiple offers and all-cash bids, confidence that a sale will happen can separate a winning bid from the rest.

Online lenders can offer convenience, and it is still useful for borrowers to shop around for the best rates and terms. But lenders in hot markets caution that a small difference in rates isn't the most decisive factor in choosing a lender. "Ability to close is even more important," said Alber Saleh, a sales manager at Wells Fargo Private Mortgage Banking in Corte Madera, Calif., near San Francisco.

Reputation matters. "Find-



"You can send this person a text message at 9 o'clock at night," Mr. Manni said.

Some other tips to consider:

- **See double.** Ms. Gordon said she sometimes advises borrowers to "double-app"—that is, to apply for a mortgage from the lender with the best rates and from the lender with the local relationships. The latter provides the additional security of getting a loan quickly, and may be able to match the other firm's rates.

- **Vet your cousin.** "Just because your cousin does loans doesn't mean that your cousin is a good loan officer," Mr. Davis said. If you want to work with someone you know personally or someone from your bank, have them speak with your agent first, and reassure them of their reputation and relevant experience, Ms. Gordon said. "I'm going to try to find out—if I don't know them—if they have the chops, basically," she added. The buyer's agent can then communicate their bona fides to the listing agent.

- **Shop around.** You don't have to work with the local person your agent suggests, Mr. Manni said. Compare rates and terms among local lenders.

- **Home(town) appraisal.** Even if you work with a national firm, it is important to make sure the company uses local appraisers who know the difference in value between Manhattan's Central Park West and Columbus Avenue a block away. That is especially true when a bidding war might mean the property sells for a significant premium over the asking price.

ing someone you can do business with, communicate with and enjoy speaking with, is also important," said Tim Manni, a mortgage expert with NerdWallet, a San Francisco-based personal-finance company.

Another factor is speed: Often sellers fielding multiple offers will choose the

buyer who can close quickly, making it difficult for buyers who need the typical 30- to 45-day window to get a loan. Mortgage lenders in fast-paced markets are tuned to quicker closings.

Stuart Davis, a senior loan officer and branch manager at Oakland, Calif.-based Movement Mortgage, which

focuses on loans in the area, said his firm aims to arrange loans in 15 to 18 days—a duration that he said is competitive with the typical 10- to 14-day closing for an all-cash deal. Mr. Saleh said that he offers a 21-day close on almost every transaction.

Some lenders will also underwrite buyers—essentially

offering a full credit approval, rather than just a preapproval—before the offer.

Working with a mortgage professional who has an existing relationship with a buyer's agent also tends to mean more personal contact, and the ability to get questions answered promptly.

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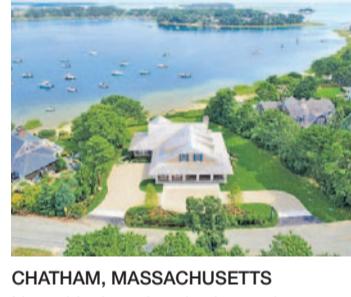


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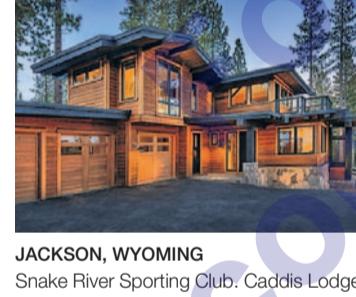


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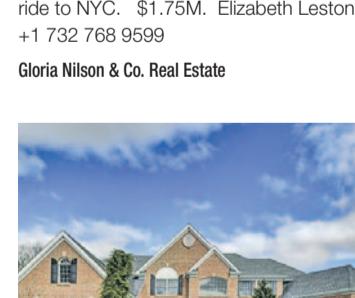


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## MANSION

HOUSE CALL | JOHN MELLENCAMP

# Big Dreams in Small-Town Indiana

The singer-songwriter-painter grew up an anxious but happy kid; today, two art studios in three homes

**I was supposed to be named Slate. My dad's older brother, Joe, picked it out. He was a college football star and a handsome guy. He thought it would be cool.**

But immediately after I was born, the doctor saw I had spina bifida. It's a birth defect where the spinal cord has a hole in it. In 1951, most babies with the defect didn't have much of a chance.

My parents renamed me John, after my great-great grandfather. This way, if I died, there would be some sort of lineage.

The hospital's neurological surgeon operated on me successfully. After, he told my parents, "You can take him home, but he'll likely die."

My parents never talked about my operation or spina bifida. I found out in school when I was 12. In class, the kid behind me asked about the big scar across my neck. When I looked in the mirror at home, there it was. My parents only told me it was an operation. I finally met the surgeon who operated on me in 2014.

I grew up in Seymour, Ind. The first place we lived was on Fifth Street. It was nothing special—just a small one-story home they built for vets returning from World War II. My two brothers and I lived in the basement. My father, Richard, fixed up a section for us with wood paneling and ugly linoleum on the concrete floor.

We had triple bunk beds. I was the middle kid, so I got the middle bunk. There was a TV, and the windows were at ceiling level.

My mother, Marilyn, was a



**HURTS SO GOOD** John Mellencamp in North Carolina in June, and his 2017 canvas, 'Salome.'

homemaker. Later, she delivered mail to keep busy. She was very pretty, and had been a runner-up in the Miss Indiana pageant in '46. She loved to paint and did so each day, in-between dealing with us. My dad created a studio space for her in the basement, too. When I was little, I'd paint on top of her work. That pissed her off.

When I was 12, we moved to the Rapp house. It was about 6 miles north in a small town called Rockford, home of the nation's first train robbery in 1866.

The Rapps were a wealthy family who moved out years earlier.

Their grandmother stayed, so the house was dilapidated when my father bought it. I spent my teenage years as cheap labor for my father, fixing up the place. My two brothers and I worked hard and fast so we'd have time for ourselves.

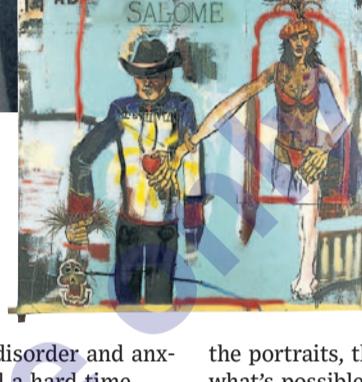
The house was 2½ stories and had a porch on two sides. There were stables and an asphalt tennis court. We had to play. My father insisted. I hated it. We'd play doubles and invariably a fight would break out over a missed shot.

My father was one of five regional vice presidents at Robbins Electrical, an industrial and com-

mercial company. He was hard on me but not harder than most dads of that era.

I'm dyslexic and have a panic disorder and anxiety. Because I had a hard time reading, I learned to listen. I'd also spend more time watching people and viewing life. That struck a creative chord. I started singing in bands at age 12. My first guitar belonged to my brother Joe, who lost interest. I taught myself to play from his books.

I was happy growing up in and



When I look at the portraits, they remind me of what's possible with hard work.

*—As told to Marc Myers*

**John Mellencamp**, 66, is a Grammy-winning singer-songwriter who recorded 23 albums, including his latest, "Sad Clowns & Hillbillies" (Republic). His solo art exhibit at New York's ACA Galleries opens April 26.



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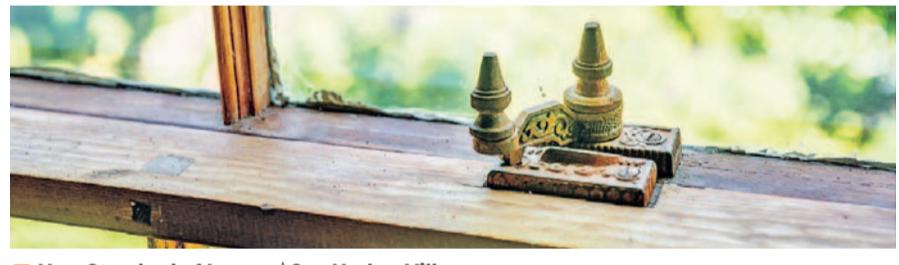
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## Special Advertising Feature

HAMPTONS, NORTH FORK  
& EAST END PROPERTIES

# Waterfront Properties: Worth the Search

## THERE'S A WIDE CHOICE OF HOUSING STOCK, BUT OCEAN PROXIMITY IS THE REAL PRIZE

By Joseph Dobrian

The market for high-end waterfront properties remains robust in the Hamptons. The stock market's strong performance, coupled with tax reforms that are favorable to most affluent families, are helping to drive sales at a point that many observers say is still not the top of the cycle.

**VARIETY OF PROPERTIES**

Judi Desiderio, chief executive officer of Town & Country Real Estate in East Hampton, N.Y., says her eight offices on Long Island's North and South Forks can offer a wide variety of properties, but wherever you go, the nearer to water—and the larger the body of water—the higher the price tag.

"An oceanfront property in one of the villages is your golden ring," she reports. "The market is still strong, especially in the \$5 million to \$8 million range, and there's no land left for development. We'll pierce the 'glass ceiling' again in 2021 if we run in seven-year cycles."

"We find that some buyers prefer bayfront to oceanfront, because they like to watch the boats, and they want to avoid the continuous pounding of the ocean. Many of the bayfront properties have deeded ocean access."

Scott Strough, associate broker at Compass Real Estate in Sag Harbor, N.Y., notes that the house-hunter can choose from properties near the ocean, bays and ponds. Inventory is tight, but he insists that it's not prohibitively so.

"There are so many beautiful locations to choose from," he says, "whether it's a waterfront property around Sag Harbor with boating

on the Peconic Estuary, or a property on Shinnecock Bay with access to the ocean. Throughout these bodies of water are various creeks and inlets that all provide views, navigable water and protected homesites."

**"OWNERS CAN LAUNCH PROJECTS THAT MIGHT BENEFIT THE ENVIRONMENT WHILE THEY INCREASE THE VALUE OF THE PROPERTY."**

Directly on the ocean, Mr. Strough says, properties start at about \$10 million and can go up to \$100 million. Waterfront properties in Sag Harbor can range from \$3 million to \$60 million depending on size of the property, location, views, and depth of water. Properties along Mecox Bay start at \$10 million, and on Shinnecock Bay they start at \$2.5 million.

"The caveats on any project along the water are the municipal regulations and requirements. Both state and local regulations are in place for environmental

protection and conservation protocols. Wetland conservation and water-quality protections are often triggered in the proposal of projects—which could lead to a permit application process that is both time-consuming and expensive. Due diligence is a must when you're considering a waterfront property."

**BENEFICIAL PROJECTS**

Owners can also launch projects that might benefit the environment while they increase the value of the property, Mr. Strough adds.

Cynthia Beck, Bridgehampton, N.Y.-based agent for Douglas Elliman Real Estate, says buyers can expect to find waterfront properties for sale in a wide range of prices and locations, from bayfronts to spectacular oceanfronts, across the Hamptons.

"Prices will vary greatly by location. If you're buying a fixer-upper on the water, you need to really do your homework. Be patient, have experts working with you, know your FEMA [Federal Emergency Management Agency] flood zones, determine a realistic building envelope, allow extra time for permits and approvals, set a credible budget—and most importantly, work with a knowledgeable agent."



High-end homes look over the water at Westhampton Beach, N.Y.



Ocean proximity and an inlet make Southampton, N.Y., a desirable location.



l-r: Nicole B. Brewer, Theresa Eurell, Gene Stilwell, Chris DiPetta, Laura Mott, Judi A. Desiderio, Patrick Galway, Janet A. Hummel, Joan Bischoff van Heemskerck, Kimberley Terry and Nancy McGann.

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: skill or knowledge that you get by doing something

: the length of time that you have spent doing something

**Full definition of Experience**

: practical knowledge, skill, or practice derived from direct observation of, or participation in, events or in a particular activity

: direct observation of, or participation in, events as a basis of knowledge and time

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## Special Advertising Feature

HAMPTONS, NORTH FORK  
& EAST END PROPERTIES

# When Size Matters—A Buyer's Guide

CHANGES TO BUILDING CODES COULD HELP TO DRIVE SALES OF LARGER PLOTS

By Joseph Dobrian

**B**uyers looking for a home in the Hamptons will find lots of options in or near the area's many villages, and larger lots are available. Changes in building codes have made smaller lots less desirable for new construction, although they don't affect existing properties. Desire for proximity to retail and entertainment is growing—and so, consequently, is the demand for commercial space—especially for restaurants.

**HOME SALES**

John Kean, president of Kean Development in Cold Spring Harbor, N.Y., says that a surprising number of home sales took place over this past winter, including several properties that had languished on the market.

"Southampton is likely to change its building codes to restrict the size of new homes," he explains. "The allowable size on a particular lot will be reduced, even though people want larger homes."

"On lots of two acres or less, you'll be able to build substantially less than before. We build on four-acre lots, where the change will be minimal, allowing us to build larger homes with all the amenities that smaller lots won't be able to accommodate. These new codes are endemic throughout the Hamptons and are moving westward."

"It's the developer's problem for now," he continues. "But homeowners who may be unaware of the new codes will be adversely affected as well. If you sell your home to a developer or end-user, you may get less because of the restrictions on what can actually be done with the property."



KEAN DEVELOPMENT



Hamptons homeowners want to live by the water if they can afford it.



KEAN DEVELOPMENT



Big properties are desirable, but the new rules may restrict house sizes.

**"SOUTHAMPTON IS LIKELY TO CHANGE ITS BUILDING CODES TO RESTRICT THE SIZE OF NEW HOMES."**

At the moment, Mr. Kean says, sales have slowed due to the late spring, but he expects demand to increase dramatically when spring finally happens. Waterfront property is "incredibly overpriced," he says, but also notes that near-water properties have gained popularity and are much more obtainable.

**OUTDOOR ACTIVITIES**

Mr. Kean says that, in general, buyers want a large number of bedrooms, to accommodate an extended family, plus plenty of space for outdoor activities. Below-ground space is becoming more important, too.

"Lower levels have turned into activity centers; that's a trend that's not going to change," he remarks. "If it's nighttime but not time for bed, going down to that lower-level entertainment area is perfect."

As for architecture, most buyers still want the old-fashioned Shingle style, but with a more youthful interior. The contemporary style with flat roofs and glass walls is only slowly catching on.

Hal Zwick, director of commercial real estate at Town & Country Real Estate in East Hampton, N.Y. agrees that while homebuyers want to live by water if they can afford it, proximity to retail and restaurants is important too.

He says demand for retail space has picked up, although brick-and-mortar retail has suffered recently due to competition from online sales. Stores are staying open for more of the year as residents extend their stays into the shoulder seasons.

"We see few national chains; more independents who have one to 20 stores," he says. "Out here it's clothing, home furnishings, maybe more wellness and health-oriented operations, plus a great variety of restaurants."

"Landlords here have been realistic: they understand what a retailer's overhead needs to be, to be profitable out here. Retailers are looking for seasonal space, but there's not much left."

*Joseph Dobrian is a freelance writer specializing in real estate.*

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Corcoran's Susan Breitenbach, who is exclusively representing Barn & Vine, said, "We have seen an incredible response to Barn & Vine both from long-time Hamptons residents as well as first-time home buyers; the collection as a whole appeals to a wide range of buyers who are looking for an unmatched value in a brand new home." She continued, "The development has filled a sought-after niche in the Hamptons market, giving buyers the ability to customize their interiors or simply move right in, furniture included, for the 2018 season."

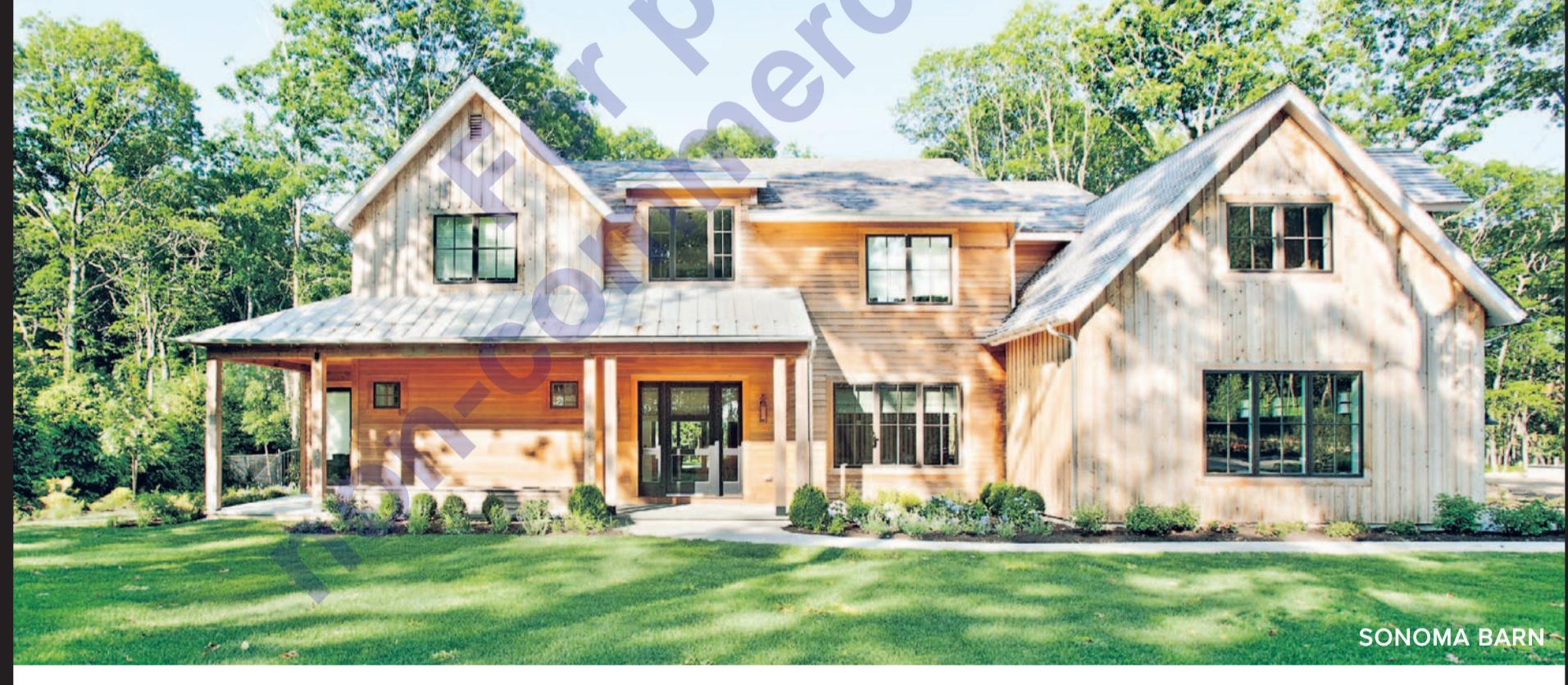
Barn & Vine also offers homeowners access to a concierge service that makes Hamptons living even more relaxed. Individual service packages are provided through membership with Chaloners of the Hamptons, an integrated concierge service providing a full range of conveniences including shopping, house cleaning, landscaping, pet care, concierge services, pool care and event planning.

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## MANSION

## EASTERN GERMANY'S LUXURY SURGE

*Continued from page M1*

have doubled in the past five years, according to an analysis by Von Poll Immobilien, the Frankfurt-based real-estate agency.

The wider boom reflects an attempt to recapture pre-Communist splendor from the 19th and early 20th centuries, while incorporating efforts to break entirely with the past.

Leipzig was the logistical and geographical heart of Imperial Germany. In the years before World War I, the city commissioned the country's most imposing public buildings, including its largest train station and town hall.

In the decades since the collapse of the Berlin Wall, it has become a linchpin in the country's high-speed train network and largely incorporated into Western Germany's industrial network, with major production facilities for both Porsche and BMW.

Pre-WWI apartment buildings have been painstakingly restored, and rising prices mean even an ordinary home is approaching the \$900,000 threshold, says Mr. Funke's real-estate agent, Lukas Hoepke of Engel and Völkers. And in a turn that would have been unimaginable a few decades ago, many of the area's most expensive villas cluster around Markkleeberger See.

Leipzig and Dresden are in Saxony, once an independent state on the eastern edges of German-speaking Europe. Farther north, in the old Prussian heartland around Berlin, some noble manor houses survived both WWII and the Communist regime, and once again offer country-house living.

In Golssen, a village about halfway between Berlin and Dresden, a fully restored, early-20th-century manor house has come on the market. The 12,500-square-foot

mansion on a 3.8-acre lot, is listed at \$1.2 million.

Even the grandest Prussian manor house can pale beside a hillside villa in Dresden. By the late 19th century, large, fanciful villas began to spring up on former wine terraces above the Elbe River.

The historic heart of Dresden was largely destroyed during Allied air raids in February 1945, but the villas outside the center often survived with little more than blown-out windows. Many villas that were later converted into apartment buildings under communism have reverted to single-family homes.

The most prized Dresden villas traditionally have been in Weisser Hirsch, a hilltop area that first gained cachet as a spa. Villas here were meant to recall Florentine palaces and Swiss mountain lodges. Closer to the center of the city, retired German entrepreneur Rolf Suplicki decided to create a contemporary villa in the so-called Prussian Quarter, a late-19th-century neighborhood that mixed army officers' mansions with high-end, multifamily residences.

Mr. Suplicki, a West German who moved east in the early 1990s, and his wife, a professor, converted a two-family built in the 1930s in a villa style into a one-bedroom luxury home. They paid \$737,000 for the property in 2005, then did an \$800,000 gut renovation. Much of the ground floor is now a huge open-plan kitchen, and the second floor contains a master suite. The 3,350-square-foot home, on a landscaped 3/5-acre lot, has an asking price of \$2.7 million.

## MANSION

## ANNOTATED ROOM

# This May Be the World's Most Organized Kitchen

Linda London helped a Connecticut homeowner store a huge number of dining and cooking sets

**WHEN SPECIALTY DESIGNER** Linda London mapped out the interiors of her client's 18,000-square-foot, seven-bedroom contemporary home in Greenwich, Conn., she focused on two things: function and beauty.

"She is very organized and very stylish," Ms. London said about her client, a mother and grandmother whose husband works in finance and who loves to entertain. Their weekend compound regularly hosts the entire extended family as well as many friends, and has a multitude of areas in which to congregate: terraces, the pool, the beach, the 400-square-foot kitchen and an adjoining breakfast nook. Those areas hold more than 25 cabinets in all.

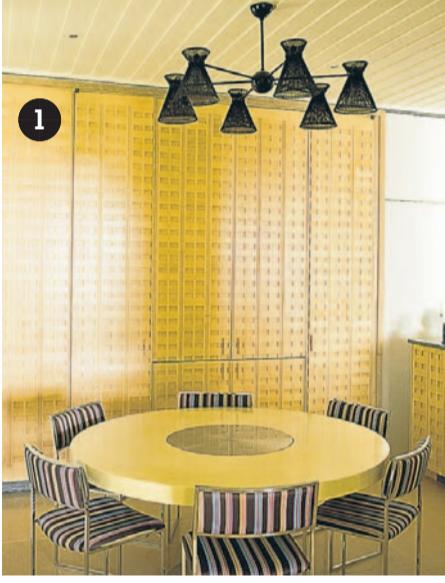
Each area has custom cabinets to store contrasting and complementary sets of dishes, glassware, linens and flatware, which is as attractive as it is effective. "You can set up a buffet for 25 people in seconds," Ms. London says.

—Lisa Selin Davis



NEIL LANDINO (5)

**1.** The breakfast nook is awash in cabinets custom-crafted of sycamore wood with glass shelves whose natural green tint provides contrast. "We loved the juxtaposition of tinted green glass against the white and the sycamore," Ms. London says. The lattice doors slide open and fold away so that the shelves can remain exposed and guests have easy access to the toaster, kettle and coffee maker.  
**Price:** \$21,000



**2.** The client has numerous sets of dishes, organized by type and color, in the various entertaining areas. In the breakfast nook, a white milk-glass cabinet holds 36-piece dinnerware sets and sets of 20 bowls. "The glass cabinets look very open and you can see everything," says Ms. London. "And it's truly easy to clean." The open cabinets hold linens and candles.  
**Price:** \$4,500



**3.** Ms. London starts with function, then considers beauty when approaching a design. Each section of the kitchen is organized to match the activity, and the many sets of flatware are arranged by color and type with light hardwood dividers. The milk-glass drawer fronts have polished nickel handles and custom-fit glass inserts  
**Price:** each drawer about \$1,200

**4.** The kitchen is set up to make cooking for two dozen people a snap. "We have every facility you would need to cook large dinners and breakfasts," Ms. London says. Drawers full of Le Creuset cast-iron pots and pans are below the ovens, organized by size and color; the tops are in a separate drawer. Red silicone pads line the drawer bottoms to prevent scratches on the glass. Each drawer is 30 inches wide. The kitchen walls behind shelves are painted red for a pop of color.  
**Price:** \$1,200 a drawer

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[peter@wileyproperty.com](mailto:peter@wileyproperty.com)  
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Charlottesville, VA 22903



Justin H. Wiley  
434.981.5528  
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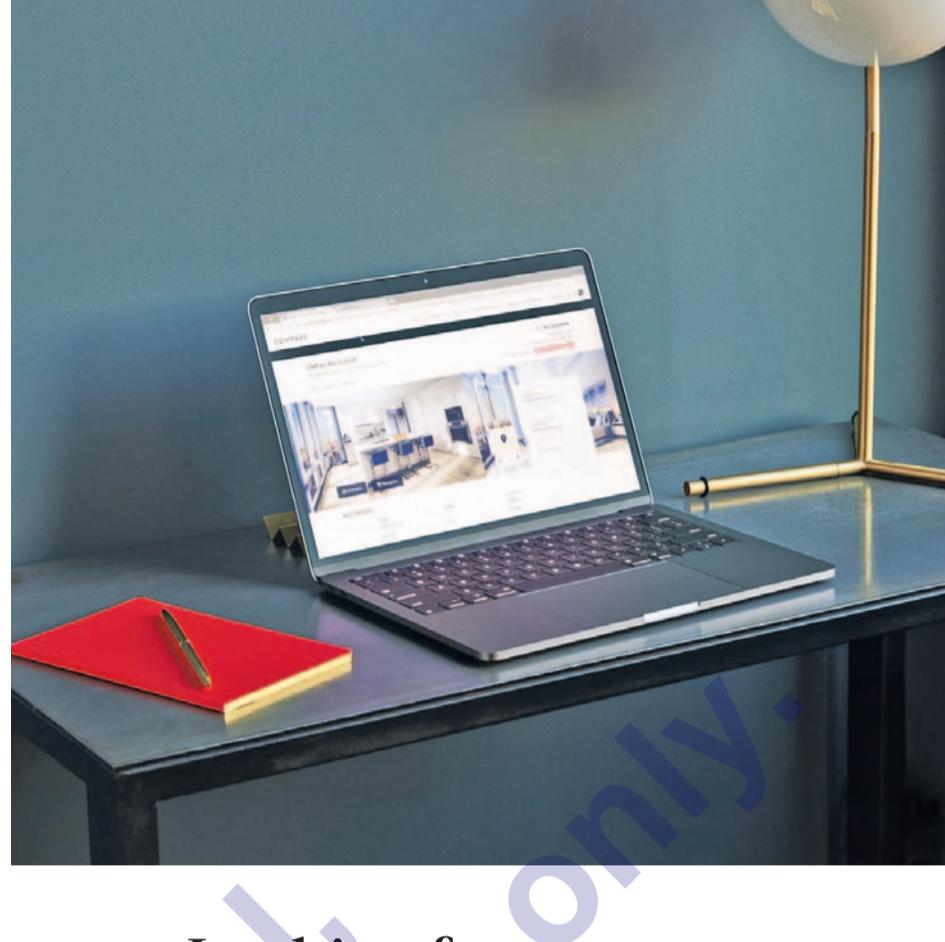
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## MANSION



PRIVATE PROPERTIES | KATHERINE CLARKE

## Michael Feinstein Lists L.A. Mansion

Michael Feinstein, an entertainer and a longtime proponent of American standard songs, is listing his Tudor Revival-style mansion in Los Angeles's Los Feliz area for \$26 million.

The singer said he has hosted numerous parties at the property, and guests have included actors Warren Beatty and Joan Collins.

Mr. Feinstein recalled an instance when actor Gregory Peck, who was there for a party thrown

for Liza Minnelli, communed with a 12-foot-tall Ming Dynasty Buddha made of camphor wood in the conservatory, above right. The Buddha isn't included in the sale.

Completed in 1926, the approximately 15,227-square-foot building has a double-height entrance gallery, arched doorways and a staircase with carved wood banisters. Amenities include a movie theater, archival-grade storage space for keeping manuscripts and a covered

outdoor terrace, according to the listing. There is also a guesthouse and a swimming pool.

Mr. Feinstein and his husband, Terrence Flannery, bought the home in 1998, records show. They married there in 2008, with Judge Judy Sheindlin officiating. Ms. Minnelli and singer Barry Manilow performed, Mr. Feinstein said.

Mr. Feinstein said he is selling because he and Mr. Flannery recently bought a larger estate—a

1930s-era mansion on Pasadena's Millionaire's Row for \$7 million. Mr. Feinstein said he wasn't initially eager to sell the Los Feliz home, but his husband has a passion for renovating the new project.

Earlier this year, the couple sold their 18-room New York townhouse for \$15.22 million. Their primary home is in Carmel, Ind., where Mr. Feinstein serves as artistic director for the Center for

the Performing Arts.

Los Angeles real-estate agent Ernie Carswell of Douglas Elliman is listing the property in association with Tom Postilio and Mickey Conlon of Elliman's New York office. Mr. Carswell is co-listing the property with Dorothy Carter and Michael Orland of Keller Williams.

► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion). Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)



ANTHONY BARCELLO (2)

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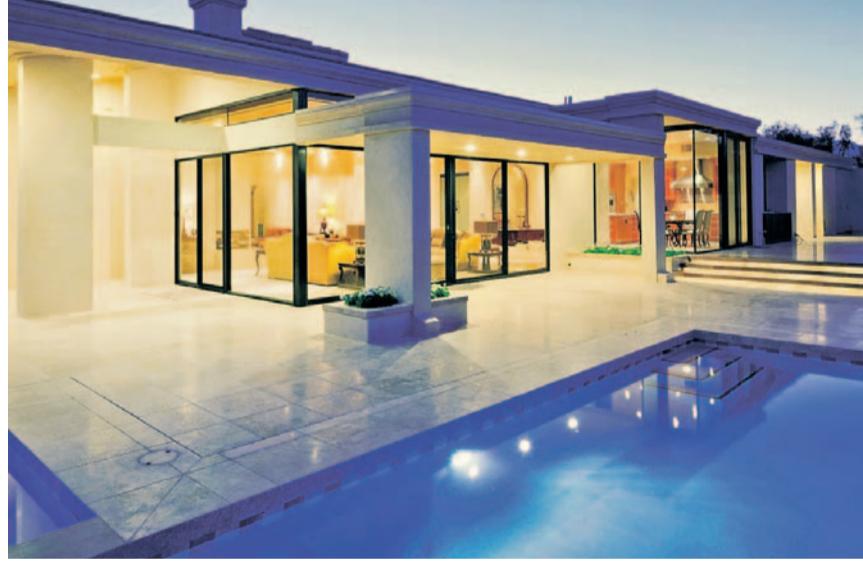
NEW YORK

**Harrison, New York** | \$3,195,000  
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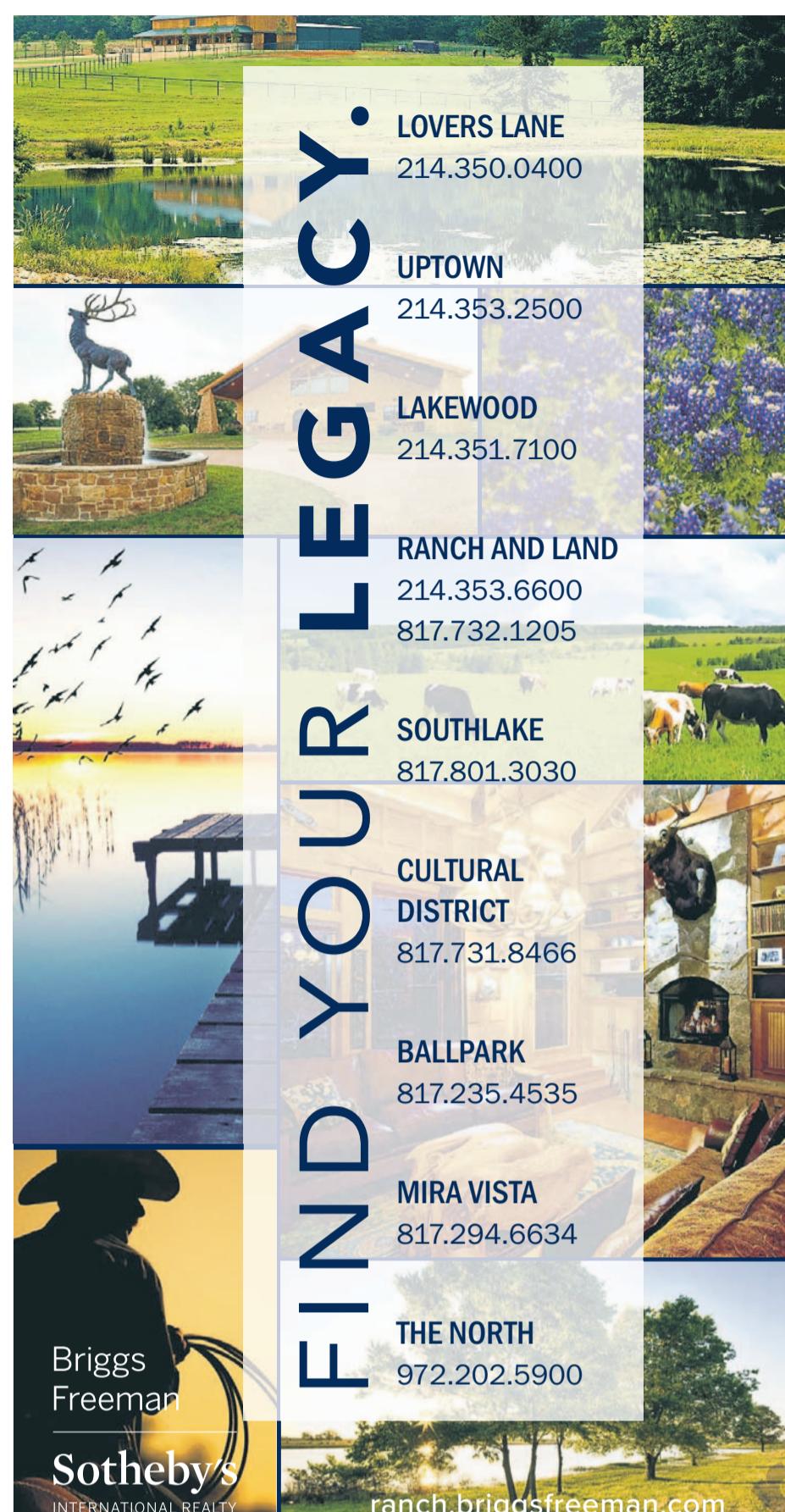
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## MANSION | THE WALL STREET JOURNAL.

Source: 2015 Ipsos Affluent Survey; Total Brand Footprint: Past 30 days, WSJ print, WSJDN website, mobile app, digital edition/issue, social media websites and other electronic media.

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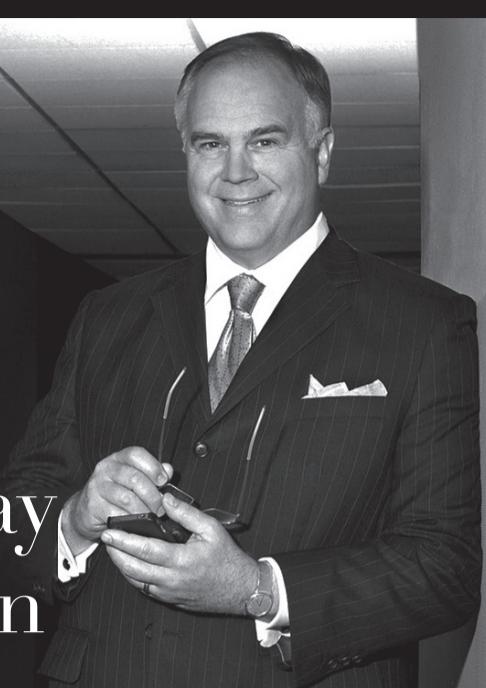
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## Real Estate Trends



### If Every Day Were Green

Each April since 1970, the world has observed Earth Day. On April 22 around the globe, events are held in nearly 200 countries, which validates mankind's support for environmental protection.

Last Sunday was that day — and what you may not know is that the largest Earth Day celebration in the world occurs in historic Fair Park, on the edge of downtown Dallas. It's an annual conference and expo called EarthX, founded in 2011 by Dallas native, businessman and environmentalist Trammell S. Crow. The inaugural event, then called Earth Day Texas, spanned several blocks along the Arts District. Over time, it has morphed dramatically, into three whole days and about a million square feet — indoors and out — with more than 800 exhibitors and 250 speakers. Just last year, more than 130,000 people came.

"The very first time we did this," said Crow in a 2015 magazine interview, "we realized we had thrown the largest Earth Day event in the world that year. That's how we knew we were on to something that wasn't being done. And we were going to do it in Dallas."

From green cars and electric vehicles

to fresh ideas on conservation and sustainability, EarthX has become the place to explore and learn — and modify behavior — through environmental education. It is the world's largest annual forum for sharing the latest initiatives, discoveries, research, innovations, policies and corporate practices designed to reshape our planet.

If it sounds like a bright green future, that's what EarthX is after — and not just for three days. Going green should be a way of life, every day. We are all accountable for environmental problems, and we are all capable of taking real and effective action. It's exciting to think that a gathering in our own backyard is having such significant implications, locally and globally. We've got about 350 days before the next EarthX: Think about what we could do if we got a little greener on every one of those.

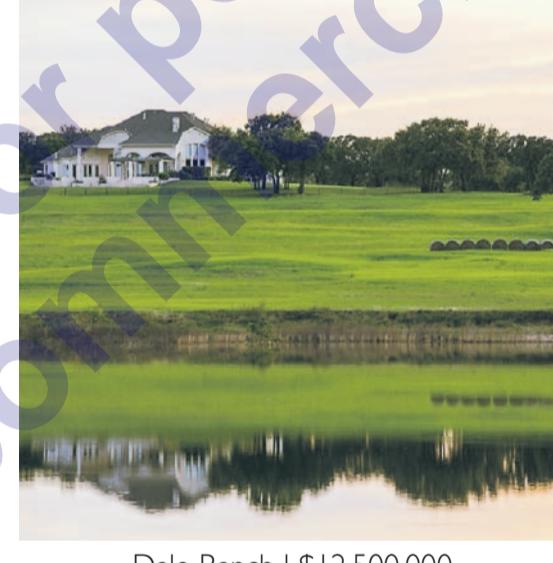
  
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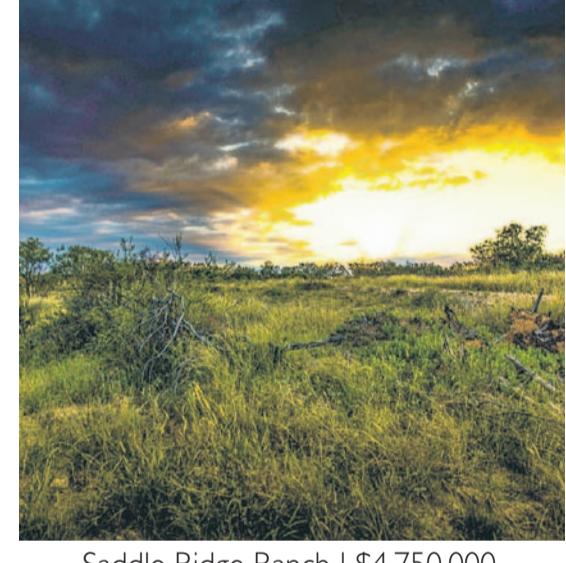
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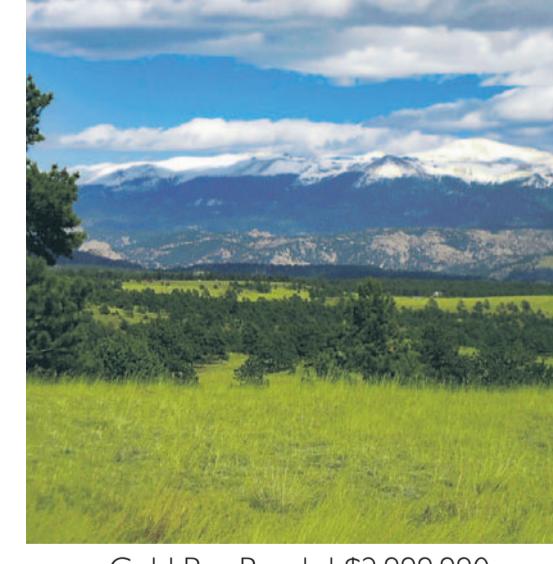
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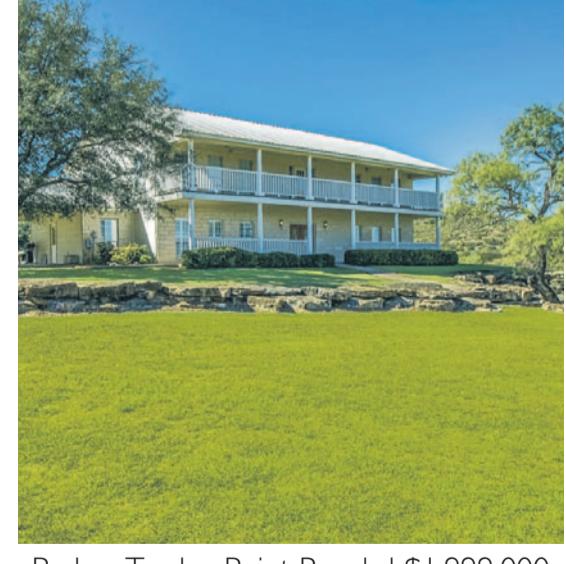
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## MANSION

## WHEN A 9-TO-5 JOB MEETS PARADISE

*Continued from page M1*

part to technology, they're doing it without interrupting their careers.

Paul Benson, an agent at Engel & Völkers in the popular ski resort town of Park City, Utah, says professionals from New York, Miami and San Francisco have relocated there over the past decade, either by working remotely, by opening an office in the area or by finding local opportunities. The goal: to "slow their lifestyle down enough to have more family time." "I call it the 'save-the-family' effect," he adds.

Before 2010, the vast majority of Park City's sales over \$5 million were ski homes located near the slopes and used as vacation properties, Mr. Benson says. Now, he estimates that three out of four high-end buyers are looking to live in Park City year-round.

The mountain resort town of Aspen, Colo., has seen a similar influx. Urgent care doctor Joshua Seymour recently moved his family to Basalt, Colo., about 20 miles from Aspen, after growing dissatisfied with escalating home prices, traffic and crime in his native Los Angeles. In the Aspen area, "the lifestyle and the family's well-being comes first," he says. "The stress is gone."

As idyllic as it may sound, forging a career outside a major metropolitan area still takes considerable effort, especially in families with two working parents. For the Highs, it took a year to iron out the logistics of moving to Daufuskie. Ms. High had worked from home in the past so it wasn't a big change for her, but she says it took months for her husband to transfer to a department at his bank with remote workers.

In February, the couple paid \$667,500 for a five-bedroom house with a "Gone With the Wind"-style front porch," she says. Their house in Charlotte sold "in the high 5s," she says, but the move cut their property taxes in half. Plus, the Haig Point gated community where they purchased a home has high-speed internet—some parts of the island don't.

In the couple's home office, the desks are divided by a shoji screen. Mr. High wears noise-cancelling headphones so his wife's phone calls don't distract him.

When Jeffry Weisman, 58, and his husband Andrew Fisher, 61, purchased an 18th-century home in San Miguel de Allende, Mexico, they planned to spend vacations there. But by the time they finished renovating the former tannery and building a new two-story pool house with a roof terrace, "we knew we were not going to be content with the occasional visit," says Mr. Weisman, who declined to disclose how much was spent at the house.

The only problem: their jobs. Their interior-design firm, Fisher Weisman, was based in San Francisco, and "it was not obvious how we could do that business or come up with another business that would make sense for us living there," says Mr. Weisman.

Mr. Fisher, an artist, ended up expanding his studio practice. Now he lives primarily in Mexico, working out of a roughly 4,000-square-foot studio a 10-minute walk from their home. And the couple launched a collection of lighting and furniture handmade by San Miguel craftsmen. That business "gave me a solid reason to be there much of the time as well," says Mr. Weisman, who still spends about half of his time in San Francisco working with design clients.

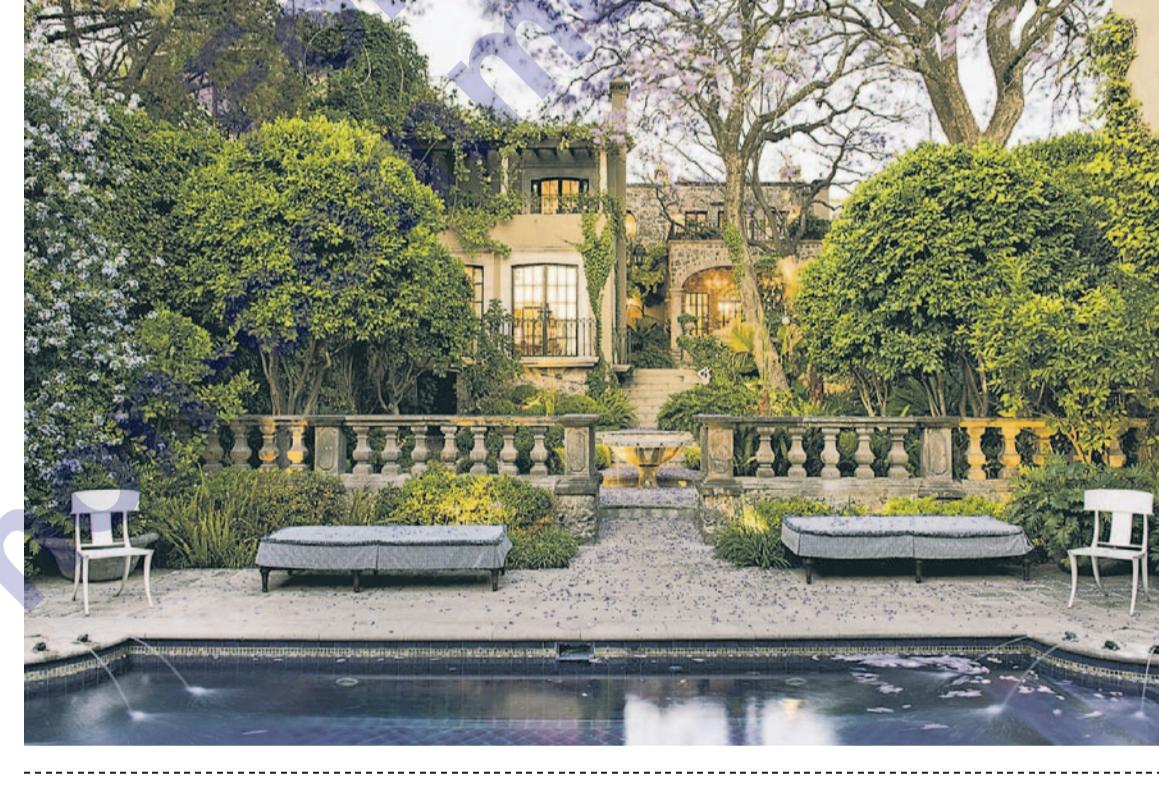
In 2015, Drew Aaron moved his family from the affluent New York City suburb of Greenwich, Conn., to Mallorca, a Spanish island in the Mediterranean known for its beach resorts. On the island, "the culture and the environment lend itself to slowing down a little bit," says Mr. Aaron, 40. "It's family first."

The couple was logically lucky. As CEO of the Aaron Group, a global paper and packaging distributor, Mr. Aaron often traveled to Europe and Asia before the move, so Mallorca proved convenient. His wife, Hana Soukupová, frequents European cities for her work as a model. After moving to Mallorca, Mr. Aaron also launched Lionsgate Capital, a mortgage and insurance advisory firm based on the island.

The Aarons sold their house in Greenwich for \$22 million. They paid roughly \$6 million for a farm house on 20 acres near the small town of Alaró, then spent about \$2 million renovating it. With Mr. Aaron's parents, they also bought

**THE SLOW ROAD**

Andy High, right, behind his family's home with Thearon (pink pants), Aaralyn and Quinlan. Tired of long daily commutes, the couple moved their family from the Charlotte, N.C., area to Daufuskie Island, a tiny barrier island off the South Carolina coast. The lack of cars on the island was 'a huge motivating factor,' behind the move, said wife Francesca High. The family sometimes uses an electric vehicle, below left, to get around. The children, below middle; the island can only be reached by boat, below right.



**STAYING PUT** Jeffry Weisman and his husband, Andrew Fisher, initially planned to vacation in San Miguel de Allende, Mexico, but after renovating the home 'we knew we were not going to be content with the occasional visit,' says Mr. Weisman. Mr. Fisher on his rooftop veranda, below.



**CHANGE OF PACE** The Seymour family relocated to Basalt, Colo., outside Aspen, from Los Angeles.

a waterfront home about 20 minutes away for visiting friends and family, paying about \$7 million and putting another \$3 million into a revamp.

Mr. Aaron says he misses New

York, and he's found building a business in Spain more challenging than in the United States. The pool for potential employees is much smaller, for example, and he's had to learn to navigate paperwork

and other obstacles. "It's been a learning curve," he says.

Mr. Aaron says the downsides are eclipsed by the family's newfound quality of life. At the farm, they have donkeys and sheep and

grow citrus, almonds and enough olives to produce about 500 bottles of olive oil every year. "Our kids pick strawberries 11 months of the year," he says. "It's beautiful to see."



KELLY BOYD FOR THE WALL STREET JOURNAL (4)

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