

# THE WALL STREET JOURNAL.

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

FRIDAY, JUNE 9, 2017 ~ VOL. CCLXIX NO. 133

WSJ.com

★★★★ \$3.00

DJIA 21182.53 ▲ 8.84 0.04% NASDAQ 6321.76 ▲ 0.4% STOXX 600 389.15 ▼ 0.01% 10-YR. TREAS. ▼ 5/32, yield 2.195% OIL \$45.64 ▼ \$0.08 GOLD \$1,276.30 ▼ \$13.80 EURO \$1.1216 YEN 110.01

## What's News

### Business & Finance

The Nordstrom family is exploring the possibility of taking the namesake retailer private, even as many investors see a bleak future for department stores. **A1, B12**

◆ Many stock pickers who have beaten the market this year have relied on Facebook, Amazon, Apple, Alphabet and Microsoft. **A1**

◆ J.P. Morgan's Zames, the chief operating officer once viewed as a possible successor to CEO Dimon, is leaving the bank. **B1**

◆ The House voted 233-186 for an overhaul of financial rules, but the GOP bill is unlikely to win enough Senate support to become law. **B1**

◆ Verizon's deal for Yahoo, which was approved by Yahoo shareholders Thursday, will result in about 2,100 jobs lost at Yahoo and AOL. **B1**

◆ Boeing is moving some work completing aircraft to China and other overseas markets but doesn't expect the shift to affect U.S. jobs. **B3**

◆ The British pound slumped as results rolled in from the U.K. general election and signaled the setback for Conservatives. **B11**

◆ The ECB took a tiny step toward unwinding its stimulus, but indicated any action is some way off. **A7**

◆ Alibaba shares jumped 13% after the Chinese e-commerce giant told investors revenue is on course to grow by nearly half this year. **B1**

◆ Teva will seek to overhaul its board by nominating four new directors, the latest step toward remaking the firm. **B3**

### World-Wide

◆ British voters delivered a stinging rebuke to Prime Minister May and her ruling Conservative party, depriving her of a majority in Parliament and thrusting the U.K. back into a new period of uncertainty. **A1, A6, A7**

◆ Comey told senators that he felt Trump had directed him to drop the Flynn probe, and that he leaked accounts of his conversations with the president in hopes of sparking the appointment of a special counsel. **A1, A4, A5**

◆ Iranian officials blamed Islamic State for attacks that killed 17 people in Tehran this week and said the attackers had been recruited within Iran. **A9**

◆ An American pilot shot down an armed drone that fired on U.S.-led forces in Syria in an escalating fight with Assad and his allies. **A9**

◆ French President Macron's quest to win a parliamentary majority and pass labor overhauls hinges on untested candidates. **A7**

◆ A South Korean court convicted two former officials in a case involving the contentious merger of two Samsung affiliates. **A8**

◆ North Korea claimed a test launch it conducted Thursday was of a new type of antiship cruise missile. **A8**

◆ The federal prison population is expected to grow next year due to drug and immigration prosecutions. **A3**

◆ New York gangs are buying illegal opioids directly from China online, according to investigators. **A3**

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Former FBI Director James Comey appeared before the Senate Intelligence Committee in a highly anticipated hearing on Thursday.

## Comey Says He Felt Trump Directed Him to End Probe

By DEL QUENTIN WILBER AND BYRON TAU

WASHINGTON—Former FBI

Director James Comey told senators Thursday that he felt President Donald Trump had directed him to drop an investigation into a former adviser, and that after his firing he

leaked accounts of his conversations with the president in hopes of sparking the appointment of a special counsel.

His comments came in a highly anticipated hearing before the Senate Intelligence Committee that included testimony that Mr. Comey believed he was receiving an order when

Mr. Trump said he "hoped" he would be able to end the Federal Bureau of Investigation's inquiry into former national security adviser Mike Flynn.

Mr. Comey declined to offer his opinion on whether he thought Mr. Trump was trying to obstruct justice, but he said that issue is something that the

recently appointed special counsel would examine. He also confirmed he told Mr. Trump that he wasn't under investigation as part of the FBI's probe into Russia.

Please see COMEY page A4

◆ Comey's Clinton decision..... A4

◆ 'Friend' behind memo leak.... A4

◆ President stays on script.... A5

## Hearing Highlights Capital Culture Clash

By GERALD F. SEIB

Being an outsider has its advantages in today's political climate, and last year President Donald Trump made the most of them.

Thursday, though, the world saw the downsides of coming from so far outside the system.

A basic set of rules for surviving and thriving in the nation's capital—well understood by Washington veterans—would include: Don't make an enemy

of the Federal Bureau of Investigation, keep potential enemies inside the tent and, above

all, remember that it usually isn't the action but the appearance of a coverup that brings real trouble.

A compelling morning of congressional testimony by fired FBI director James Comey illustrated that Mr. Trump, deliberately or unwittingly, violated each of those maxims. In

the process, he appears to have made a problem that always was going to be difficult for him—assertions that Russia intervened in the 2016 election, ultimately to benefit the Trump campaign—considerably worse. The Russia question is a minefield, and Mr. Trump has

Please see SEIB page A5

### Powering Returns

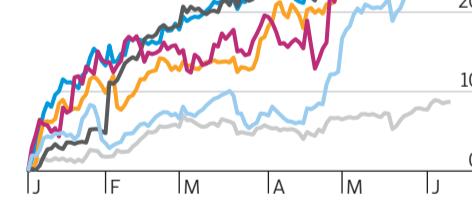
Average performance of the 10 largest S&P 500 companies in the first five months of the year\*



\*Ranked by largest market cap as of the previous year-end; includes only companies that are currently listed

Source: WSJ Market Data Group analysis of FactSet data (average performance); WSJ Market Data Group (stocks)

Percentage change in stock price



## Tech Giants Bolster Stock Pickers

By CHRIS DIETERICH AND SARAH KROUSE

It is one of the least creative trades of the year—and one of the most profitable.

Many stock pickers who have beaten the market in the early months of the year have five of the best-known technology companies to thank: Facebook Inc., Amazon.com Inc., Apple Inc., Google parent Alphabet

Inc. and Microsoft Corp.

Those five stocks have accounted for 41% of the S&P 500's market-capitalization advance this year through Thursday. Of the 101 top-performing actively managed U.S. stock funds this year, 84 count two or more of those technology firms in their top five holdings, according to Morningstar Inc.

The best-performing funds by definition pick the best-per-

forming stocks. While funds in the past have had large holdings of big tech firms, what is unusual about 2017 is that the biggest stocks are doing particularly well. Larger companies carry greater heft in indexes, meaning investors must make more outsized bets to beat these benchmarks.

The average price gain for the S&P 500's 10 largest U.S. funds in the first five months of the year was 10.4%, according to Morningstar.

Please see ACTIVE page A2

## Nordstrom Family Mulls Plan to Take Retailer Private

By SUZANNE KAPNER AND EZEQUIEL MINAYA

Members of the family that founded Nordstrom Inc. are exploring the possibility of taking the retailer private, signaling they are ready to double down on the business at a time when many investors see a bleak future for the American department store.

The luxury department store operator said Thursday that six Nordstrom heirs are considering acquiring the 70% of the company they don't already own. Assuming a typical take-over premium and including the company's debt, such a deal could approach \$10 billion.

The wealthy family, whose members still run the Seattle-based business, is seeking to take over a company whose shares have taken a beating even though it has fared better than many of its peers. Online sales account for about 20% of Nordstrom's revenue and

growth at the discount Nordstrom Rack chain has cushioned declines at the full-price stores.

The Nordstrom family would be making a long-term bet on the future of retailing, said Allen Questrom, former CEO of Neiman Marcus Group Inc., Macy's Inc. and J.C. Penney Co. "Sometimes you can't make your numbers in the short term, but you want your brand to be around in 50 years," he said.

Shares in the company, which had slid 16% this year through Wednesday's close, rose 10% to \$44.63 on Thursday. As recently as 2015, the stock traded above \$80 a share.

Investors have shown little faith in the health of department stores, as fewer shoppers visit malls and online rivals squeeze traditional retailers' profits. Some chains such as Macy's, J.C. Penney

Please see RETAIL page A2

◆ Surge in retailer's shares exposes short sellers..... B12

### How Low Has the Dollar Sunk? Rappers Prefer Euros

\* \* \*

Artists are snubbing 'Benjamins' to rhapsodize about foreign bills

By CHELSEY DULANEY

It's been a humbling year for the almighty U.S. dollar. Investors, concerned about political instability in Washington and signs of an economic slowdown, have driven its value down to pre-election levels.

More dispiriting, however, is the greenback's deflated reputation among its most historically devoted support

group.

Like a lot of hip-hop artists, Remy Banks is more obsessed lately with amassing foreign currencies. In "Cold World," Mr. Banks raps of "diving in the deep end of a pool full of euros, pounds, and yen."

That's not just showboating, he explained.

"I'm not going to stop working hard until I get to this point where I can travel around the world, until I can

jump into a pool with all these different currencies like Scrooge McDuck," the Queens, N.Y.-born rapper said.

Rapper Remy Ma made one of the first hip-hop references to the United Arab Emirates currency, the dirham, in her 2016 hit with Fat Joe, "All The Way Up."

"I'm talkin' color money, purple yen and blue dirham," she rapped about the aqua-

Please see MONEY page A8

'THE MUMMY': SAND TRAP FOR CRUISE

LIFE & ARTS, A10

### INSIDE



A MORE  
SEDUCTIVE  
SPAIN

MANSION, M1

# U.S. NEWS

## Infrastructure Runs Into a Divide

BY TED MANN

WASHINGTON—President Donald Trump's plan to tap the private sector to rebuild \$1 trillion worth of roads, bridges and rails has encountered an early problem: geography.

The administration says it will rely on private investors to supply the vast majority of cash to support a decadelong infrastructure-rebuilding effort. But members of Congress from rural areas are wary.

That is because private investors are looking for infrastructure projects that throw off steady streams of revenue, from which they derive their profits, and those tend to be found near population centers.

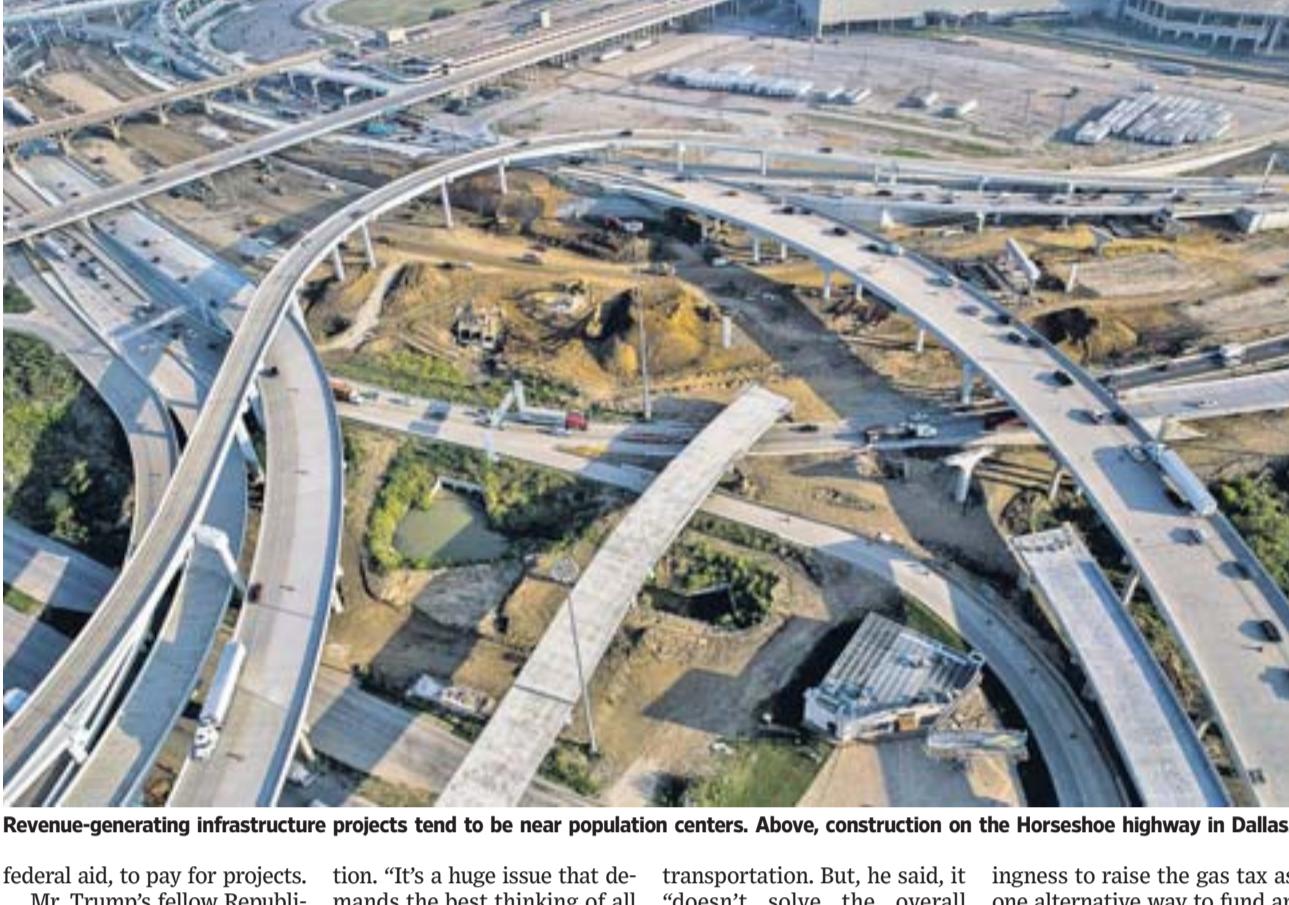
Some rural lawmakers have already begun to raise doubts about the few specific infrastructure proposals Mr. Trump has made.

Republicans such as Sen. Jerry Moran of Kansas have questioned Mr. Trump's endorsement of a plan to privatize the air-traffic-control system, saying private ownership could give short shrift to small rural airports.

Sen. John Barrasso, (R., Wyo.), chairman of the Senate's environment and public-works committee, has told local media outlets that an infrastructure package shouldn't require tolls on the lightly traveled highways in his state, the least populous in the country.

Support from Republicans, many who represent rural areas, will be crucial in getting a large infrastructure package through the GOP-led Congress, since many Democrats have said they would oppose efforts to rely on tolls, rather than

ASHLEY LANDIS/THE DALLAS MORNING NEWS/ASSOCIATED PRESS



Revenue-generating infrastructure projects tend to be near population centers. Above, construction on the Horseshoe highway in Dallas.

federal aid, to pay for projects.

Mr. Trump's fellow Republicans have expressed concern about his proposals to rely on private investors to fulfill his \$1 trillion promise since the administration's first days.

Sen. Shelley Moore Capito (R., W.Va.) quizzed Transportation Secretary Elaine Chao during her confirmation hearing in January about how the administration would apply its plan in rural states, which can lack the traffic necessary to raise funds for investors through tolls and user fees.

Ms. Chao avoided the ques-

tion. "It's a huge issue that demands the best thinking of all of us," she said.

That question looms large now that the administration has said it will shift more responsibilities to pay for infrastructure to cities and states, in some cases providing incentives to local governments that are willing to raise fees and tolls on residents to do so.

Incentives to bring in private investment will be beneficial, said Ananth Prasad, a senior vice president at infrastructure firm HNTB and former Florida secretary of

transportation. But, he said, it "doesn't solve the overall problem" of finding the revenue to pay for investments.

The administration has signaled its openness to rural concerns.

The White House on Wednesday said the president's program would include federal grants for bridges, roads and waterways in rural areas. Because the administration hasn't released a concrete plan, it isn't clear whether similar grants will be offered to urban areas.

Mr. Trump hinted at a will-

ingness to raise the gas tax as one alternative way to fund an infrastructure package in an interview with Bloomberg last month. But White House press secretary Sean Spicer walked that back within hours, telling reporters Mr. Trump hadn't endorsed the idea.

Mr. Prasad said a gas-tax increase could be beneficial and that Congress should take its lead from Republican-leaning states—including Tennessee, Utah, Georgia and South Carolina—that have raised their own gas taxes to fund highway repairs.

## ACTIVE

Continued from Page One

stocks was 12% through the first five months of this year, the second-highest mark for that group over the past two decades, according to WSJ Market Data Group. The S&P 500's tech sector had gained 20% this year through May, compared with the broader index's 7.7% advance.

Yet gains by big tech companies have left some investors uneasy, concerned that prices have run up too far too fast but also reluctant to pare holdings of the market's strongest performers. Facebook, Apple and Amazon all climbed at least 32% this year through May; Alphabet was up 25%, while Microsoft had tacked on 12%.

A survey of nearly 200 fund managers last month by Bank of America Merrill Lynch found that money managers view the tech-oriented Nasdaq Composite Index as the world's "most

crowded trade."

"These stocks are up 30% [this year], and so are they getting pricey? Yeah," said Michael Lippert of Baron Opportunity Fund, which owns big slugs of Amazon, Alphabet, Facebook and Netflix Inc. and is up 29% this year through Tuesday. "But ask yourself: What else do you want to own five years from now?"

The rally in technology and internet stocks is in some ways reminiscent of the dot-com bubble in the late 1990s, when the promise of the information superhighway translated into bullishness that ultimately imploded with excess.

In the dot-com boom, as now, there was pressure on fund managers to place large bets in the technology sector to keep up.

Fund managers say one difference between then and now is that firms like Amazon and Alphabet are more deeply entwined in the day-to-day lives of their customers, enjoy more

of an edge over competitors and are expanding into more industries.

"The reality is there are relatively few winners in the U.S. economy now," said Justin White, manager of the T. Rowe Price New America Growth Fund, which is up 21% this year, according to Morningstar. It has large holdings of Ama-

zon and Facebook shares.

The boost from big technology companies is helping stock pickers achieve one of their best starts to a year since the end of the financial crisis. Nearly half of all actively managed U.S. stock funds, about 49%, beat their benchmark through May. That is the highest percentage of those funds outperforming in that period since 2009, when 56% did so.

The firms that try to beat the market have faced pressure in recent years from funds that aim to mimic the performance of broad market indexes, often at a much lower cost.

The best-performing large-cap growth stock fund this year tracked by Morningstar is the \$4.7 million Zevenbergen Genea Fund, which was up 40% through Tuesday. Amazon by itself represented nearly 10% of the fund's portfolio holdings as of the end of March. The fund, launched in 2015, is a new entrant from **Zevenbergen Capital Investments**, a \$1.2 billion Seattle-based asset manager that has focused on growth stocks for three decades.

"The strong keep getting stronger. We don't see that theme changing any time soon," said Anthony Zackery, a portfolio manager at Zevenbergen. "Recent performance

is a manifestation of the scale these companies have built out in recent years."

Some fund managers say they are wary of how fast tech shares are accelerating. Mr. White of T. Rowe Price said he dialed back some of his bets on technology firms because their shares have risen so much this year. He said, however, that he is reluctant to hold less of the sector than his fund's benchmark because there is still potential for further gains.

Tech stocks were an even bigger proportion of the S&P 500 in 2000, representing 34.5% of the overall index compared with 23% today, according to S&P Dow Jones Indices. Valuations were higher then. The average stock price of S&P 500 tech shares trades at 19 times the earnings that analysts expect over the next year, according to FactSet. That is above the S&P 500 index's price/earnings ratio of 17.7, but is far below the P/E of 53.4 that the tech sector traded at in March 2000.

## ECONOMY

### Jobless Claims Fall By 10,000 Last Week

The number of Americans applying for first-time unemployment benefits fell last week, the latest sign of steady job creation.

Initial jobless claims, a proxy for layoffs across the U.S., fell 10,000 to a seasonally adjusted 245,000 in the week ended June 3, the Labor Department said Thursday.

Estimates of jobless claims can be volatile from week to week but generally have hovered near four-decade lows in recent months, suggesting employers are holding on to workers.

The four-week moving average of initial claims, which evens out weekly volatility, increased by 2,250 last week to 242,000.

—Sarah Chaney and Jeffrey Sparshott

## CORRECTIONS & AMPLIFICATIONS

In Monday's Investing in Funds & ETFs report, the table "Category Kings in 16 Realms," which ranked top-performing mutual funds in various categories by year-to-date total returns as of May 31, contained incorrect total-return performances for many of the funds because Lipper supplied incorrect data. A corrected table is available at [WSJ.com/Corrections](http://WSJ.com/Corrections).

The EMBI Global Index on Monday closed at 790.93 and yielded 5.385%. The tables titled "Tracking Bond Benchmarks" and "Corporate Borrowing Rates and Yields" in Tuesday's Business & Finance section incorrectly said the index closed at 829.08 and yielded 5.499%. Also, the index

on Monday had a year-to-date return of 7.0%. Tuesday's "Tracking Bond Benchmarks" table incorrectly said it had a year-to-date return of 12.2%.

Classical-language instructors teach noun declensions. A Life & Arts article on Thursday about students learning Latin and Greek incorrectly said they teach verb declensions. Also, in the "Aeneid," Aeneas spoke to his shipwrecked followers. The article incorrectly said he spoke to them when they were about to be shipwrecked.

In some editions Thursday, the Moskovich automobile was misspelled as Moskovich in a Page One caption with an article about Cubans traveling to Russia.

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.

## RETAIL

Continued from Page One and Sears Holdings Corp. together are closing hundreds of locations to stem losses.

But Nordstrom, which has fewer locations and is mostly in higher-end malls, is better positioned than others, analysts and investors say. It operates about 120 full-line stores and about 215 off-price Nordstrom Rack locations. Last year, a third of its \$14.5 billion in revenue came from the discount business.

"Everyone is trying to determine who will be the survivors of the Amazon.com-led nuclear winter and I think Nordstrom is one of those survivors," said Maxim Group analyst Tom Forte, adding that shares of the company are undervalued by investors scared away by the sector's wider woes.

Bill Smead, whose Smead Capital Management owns nearly half a million Nordstrom shares, said the company has been making all the right moves but the market isn't giving it credit. "It's not doing them any good to be a public company at the moment," he said. Mr. Smead, whose firm has roughly \$2 billion under management, said Nordstrom "will gain share as their competitors close stores."

The company had a market value of \$7.5 billion as of Thursday's close and around \$2 billion of net debt. Bankers said Thursday that given the family's large stake, real-estate

holdings and relative health of the business, it wouldn't be difficult to find a financing partner for a buyout.

At \$46 a share, the family would need to raise around \$5.5 billion to fund a buyout, estimates Chuck Grom, analyst at Gordon Haskett Research.

Privately held retailers haven't been spared the pain that has hit those in the public market. Nordstrom rival Neiman Marcus Group Ltd. is struggling with falling sales and more than \$5 billion in debt from a leveraged buyout. J. Crew Group Inc. has posted 10 straight quarters of lower same-store sales.

Some analysts were skeptical of the idea of adding debt to a retailer given the underlying pressures. "We do not see the merits," wrote Citi's Paul Lejeune.

But Mr. Questrom drew a

distinction between a founding family taking a company private and leveraged buyouts done by private-equity firms that typically pile on debt to juice returns and have a time horizon of five to seven years.

The Nordstrom family group includes the company's biggest shareholder, Chairman Emeritus and former CEO Bruce Nordstrom, who owns 15.4% of the company and is a grandson of the founder. It also includes his sister, Anne Gittinger, who owns 9.2%, co-presidents Blake, Peter and Erik Nordstrom, and president of stores James Nordstrom.

The group said in a regulatory filing that it was exploring taking the company private "because of the changing dynamics in the retail environment." It hasn't made a proposal, though Nordstrom said its board has formed a special committee of

independent directors and hired financial advisers to consider any offer. The company gave no further comment.

"They have always wanted to run this as a family business," said Kathy Gersch, a former Nordstrom executive who now works at management firm Kotter International. She said such a takeover would "not be a standard leveraged buyout. It's really the family buying back their company. It allows for a level of alignment that you don't get in a standard buyout."

Nordstrom was co-founded in 1901 by John W. Nordstrom, a Swedish immigrant who had joined the Klondike gold rush, and a local shoe salesman. The founders retired in the late 1920s and sold the business to Mr. Nordstrom's sons. It sold only shoes until the 1960s and didn't have a location on the East Coast until 1988.

A third generation took over in the 1960s. The company added women's apparel, sold shares to the public in 1971 and expanded nationally.

Nordstrom has fended off threats to its business in part by moving quickly to expand its off-price chain and buying digital startups such as menswear site Trunk Club and flash-sales site HauteLook, which have helped boost e-commerce sales.

Nordstrom's profits tumbled 41% to \$354 million for its fiscal year ended in January, while sales inched up. Comparable sales fell 6.4% at physical full-line stores.

—Khadeeja Safdar contributed to this article.

## U.S. WATCH

### MAINE

#### Lawmakers Tighten Mining Regulations

Maine lawmakers toughened the state's mining regulations, overriding a veto from Republican Gov. Paul LePage.

The new rules, sponsored by a Democratic state senator, require mining companies to set aside money for at least a century to cover cleanup after a mine closes to limit future taxpayer liability. They also include strict rules for handling waste and ban open-pit mining.

The restrictions passed with bipartisan support, but the governor has said they will put the state at a competitive disadvantage.

"This bill will deter any company from mining in Maine, and it will discourage exploration of our mineral deposits because this bill would make them undevelopable," Mr. LePage said in his June 2 veto message.

—Jon Kamp

### FINANCES

#### Household Net Worth Climbs to a Record

The total net worth of U.S. households climbed by \$2.3 trillion in the first quarter, reaching a record \$94.8 trillion as the stock market soared and home prices climbed in many areas.

Household wealth in the stock market rose \$1.3 trillion in the quarter, helping to underpin consumer confidence. The figures are from a quarterly Federal Reserve report, known as the Flow of Funds, that tracks the aggregate wealth of all U.S. households and nonprofit organizations.

The report showed the value of household real estate rose by about \$500 billion in the quarter. The sum Americans held in savings accounts rose by about \$100 billion, while household debts increased by about \$46 billion.

—Josh Zumbrun

### ECONOMY

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—Sarah Chaney and Jeffrey Sparshott



BEN NELMS/BLOOMBERG NEWS

Nordstrom, a luxury department store, started as a seller of shoes.

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## U.S. NEWS

# Gangs Cut Out Middleman

Opioid dealers open a Chinese connection for supplies; dark web adds hurdle for police

BY ZOLAN KANNO-YOUNGS  
AND JEANNE WHALEN

New York City gang members are increasingly bypassing their usual sources for drugs and buying powerful illicit opioids directly from China online, according to investigators, who say the trend poses tough new challenges for law enforcement trying to crack down on the addiction epidemic.

The latest clue came in a package seized after a search warrant was executed in November, investigators say. It contained a kilogram of the opioid drug furanyl fentanyl—and the name of an obscure Chinese company called Shenzhen Unique-Peptide Biotechnology Co.

The DHL package, with the firm's return address, was delivered to one of several alleged New York Bloods gang members who were indicted in March for drug trafficking, according to Paul Molinaro, a New York Police Department detective.

Reached by phone, the Chinese firm, which isn't named in the March indictment and hasn't been named publicly until now, denied sending the packages, saying it doesn't sell fentanyl compounds. The defendants who allegedly received the furanyl fentanyl have pleaded not guilty.

Direct purchases from China are part of a migration of gang activity away from the street and toward the internet, which gangs see as less risky terrain. Law-enforcement officials say gangs are using the web to recruit members, steal credit information and contact drug suppliers.

The Drug Enforcement Administration says it is involved in multiple investigations in New York involving various gangs using the web to purchase fentanyl from China. The practice may also have surfaced in Chicago, where the DEA office says it is investigating a member of the Latin



Prosecutors allege 34 defendants were part of a ring that sold heroin, cocaine and furanyl fentanyl.

### China Firms Supply Fentanyl, DEA Says

The Drug Enforcement Administration says much of the illicit fentanyl hitting the U.S. originates in China, often with a stop first in Mexico, where drug cartels mix it into heroin to stretch their supply. The manufacturers are often small companies operating in China's lightly regulated chemicals market, it says.

The name of one Chinese company, Shenzhen Unique-Peptide Biotechnology Co., was on an illegal drug shipment

mailed to the U.S., said Det. Paul Molinaro of Brooklyn's gang major case unit.

The firm's corporate registry filing in China says it was incorporated in August 2016 and lists the owner as Tang Li. The filing says the company is a biotechnology firm involved in everything from researching pharmaceuticals to selling compounds for making cosmetics.

Ms. Tang couldn't be reached for comment. Zhang Xueyou, who identified himself as a manager at the firm and friend of Ms. Tang, described the biotech firm as a tiny operation that has never dealt in fentanyl or related compounds,

known as analogues.

"I have never heard of these products, and don't even know what they are," Mr. Zhang said, adding that the company had had no contact with New York police over the case. "We are doing legal business," he said.

Until very recently, the firm, based in Shenzhen, had an English-language Facebook page where it promised seamless delivery. "No custom problem, promise reship for any package held by customs," said one December post. The firm's Facebook page went offline late last month.

—Kersten Zhang  
and Jeanne Whalen

Kings gang.

The charges against the alleged New York Bloods members are among the first high-profile indictments illustrating the trend. The alleged gang members started out buying many of their narcotics from a trafficking source in Phoenix, investigators say. But over time, some began buying directly from Chinese suppliers online, eliminating middlemen that can make drugs more expensive, according to Det. Molinaro.

James Hunt, special agent in charge of the New York of-

fice of the DEA, said more gangs are using encrypted networks known as the dark web to make these purchases from China. He added that cutting out intermediaries makes the purchases harder to investigate because it deprives law-enforcement officials of human sources of intelligence.

"It makes our job a lot harder. It's not the traditional narcotics investigation," he said. "With this dark web...you pay for it on PayPal, you never have to meet the person or see the person and it's anonymous," Mr. Hunt said. "This is

tough to penetrate."

The indictment in Brooklyn alleges that 34 defendants sold heroin, cocaine and furanyl fentanyl, a relatively new form of fentanyl to surface on the black market.

Various types of fentanyl have helped drive U.S. overdose death rates to records. Like heroin, fentanyl is an opioid, but it is many times more potent and is also cheaper and easier to produce, made from chemicals instead of poppies.

—Kersten Zhang  
and Thomas MacMillan  
contributed to this article.

# Growth in Federal Prisoners Expected

BY BETH REINHARD

The federal prison population is expected to grow next year as the Trump administration steps up prosecutions of illegal immigrants and drug offenders, reversing the trend established under former President Barack Obama.

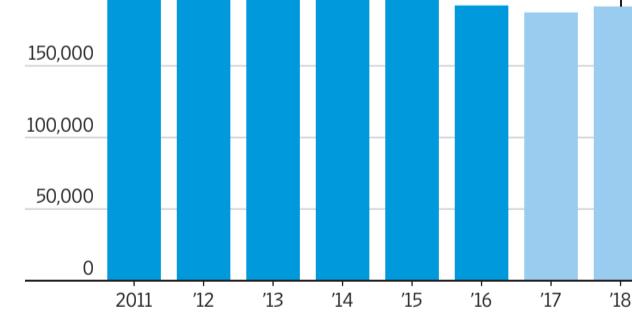
That estimate of 2% growth in fiscal 2018—an increase of 4,171, to a total of 191,493—was tucked into in a Justice Department budget proposal posted online after the Trump administration's broader spending plan was released two weeks ago. The proposed budget also calls for 300 new federal prosecutors and 75 new immigration judges.

The budget doesn't detail the costs of the prison growth, but it is expected to be a boon to private prison companies.

Attorney General Jeff Sessions this year overturned an Obama administration decision to phase out contracts with for-profit prison operators, after the Justice Department concluded private prisons were more dangerous than government-run facilities. Private prison companies disputed the

### Full House

After years of a decline in the average annual population of U.S. federal prisons, the Bureau of Prisons is projecting a reversal by 2018.



Note: Fiscal year ends Sept. 30. 2017-2018 are forecasts.  
Source: Federal Bureau of Prisons

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findings, and federal officials say they have improved oversight of the facilities.

About 19% of federal inmates are in private prisons or re-entry centers, a proportion industry analysts say will increase because contractors have more beds available than federal facilities. Government-run prisons are running 14% above their

official capacity, according to the Federal Bureau of Prisons.

"This is an opportunity for private prisons, absolutely," said Michael Kodesch, an analyst with Canaccord Genuity, a financial-services firm.

The anticipated increase in the federal-prison population contrasts with a growing bipartisan movement to reduce the

number of people behind bars.

In Louisiana, which imprisons more residents per capita than any other state, the Republican-led Legislature this week approved an overhaul that will reduce sentences for a range of crimes and expand parole, probation and other alternatives for nonviolent offenders.

Mr. Sessions argues that long sentences helped cut crime and that Mr. Obama's policies are in part responsible for the recent increase in violent crime in some cities.

Mr. Obama was the first president in decades to leave office with a smaller prison population than when he arrived. Thousands of prisoners were released following a 2014 decision by the U.S. Sentencing Commission, an independent body, to reduce most drug-related sentences.

Those trends have been widely expected to reverse under President Donald Trump. Share prices for the two biggest private prison companies, Geo Group Inc. and CoreCivic Inc., formerly known as Corrections Corp. of America, have roughly doubled since the election.

# Another Area Loses Last ACA Insurer

BY ANNA WILDE MATHEWS

Washington state has no insurer willing to offer Affordable Care Act plans next year in two of its 39 counties, opening up a third U.S. region that is poised to be without coverage through the health law's marketplaces.

The announcement from Washington's state insurance regulator is likely to add to the political pressure over the status of the ACA's marketplaces, which are showing signs of strain in the country.

The insurer pulling out of the ACA exchange in the two counties, Premera Blue Cross, said its decision to stop offering marketplace plans there

"will help us keep cost increases lower for customers in other counties." The insurer said it will pull out of a total of four of the 27 Washington counties where it currently sells ACA exchange plans.

Washington's Grays Harbor and Klickitat counties now join a swath of 18 counties in Ohio that have no exchange insurer signed up for next year in the wake of Anthem Inc.'s decision to pull out of that state's marketplace. Blue Cross and Blue Shield of Kansas City's planned exit from the ACA exchanges is leaving 25 counties in western Missouri in the same position for 2018, if no other insurer steps in.

Washington's insurance reg-

ulator said that no insurer has so far indicated an intent to sell plans to consumers either on the ACA exchange or outside it in the two counties,

which together had about 3,350 people enrolled in individual plans this year.

When there are no ACA exchange plans in a region, consumers are stranded because

the situation essentially short-circuits the way the existing health law is supposed to function. The law, often called Obamacare, mandates that most people acquire health coverage and offers government subsidies to help lower-income consumers buy plans. To obtain the subsidies, though, people are supposed to buy their insurance through the health law's exchanges.

Republicans have pointed to insurers' marketplace withdrawals and rate increases as signs of trouble with the ACA.

Democrats have countered that insurers are reacting to uncertainty created by GOP lawmakers and the Trump administration.

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## THE COMEY TESTIMONY

# Clinton Meeting Sparked Decision

BY REBECCA BALLHAUS

Former FBI Director James Comey said on Thursday his decision to speak publicly about the Hillary Clinton email probe last summer was directly motivated by a meeting on an airport tarmac between then-Attorney General Loretta Lynch and former President Bill Clinton.

In testimony before the Senate Intelligence Committee, Mr. Comey also said he was concerned by a request made by Ms. Lynch that he refer to the Clinton probe as a "matter" not an "investigation."

Mr. Comey ultimately criticized Mrs. Clinton's handling of classified information but said the FBI had recommended against pursuing charges.

Mr. Comey said the meeting between Ms. Lynch and Mr. Clinton—whose wife was under investigation at the time—created a significant appearance problem for Ms. Lynch

and her role in the case.

Asked by Sen. John Cornyn (R., Texas) whether Ms. Lynch had the "appearance of a conflict of interest" in the email probe following her June 2016 meeting with Mr. Clinton, Mr. Comey said, "I think that's fair."

That meeting, Mr. Comey said, is what convinced him that he had to "do something separately to protect the credibility of the investigation."

Ms. Lynch said at the time that she and Mr. Clinton didn't discuss "any matter pending before the department" and talked about their grandchildren and golf. Under pressure, she later said in July 2016 that she would accept whatever recommendations career prosecutors and the FBI director made about whether to bring charges against Mrs. Clinton.

Ms. Lynch didn't respond to requests to comment on Mr. Comey's testimony.

The request about treating



ELISE AMENDOLA/ASSOCIATED PRESS

James Comey said former Attorney General Loretta Lynch's 2016 meeting with Bill Clinton led him to speak about Hillary Clinton.

the inquiry as a "matter" from Ms. Lynch came as Mr. Comey was asking whether she would authorize the FBI to confirm that there was a continuing investigation, which Ms. Lynch said she would. He called that move "one of the bricks in the

load" that convinced him he had to "step away from the [Justice] Department if we're to close this case credibly."

"Why would I do that?" he recalled asking Ms. Lynch when she made the request. "Just call it a matter" was her

response, he recounted.

Mr. Comey said he thought to himself that it wasn't a "hill worth dying on" and that the news media would ignore his choice of wording anyway. He said that proved to be correct.

In his news conference in July, Mr. Comey said, "We are glad that this matter is now resolved."

A person familiar with Ms. Lynch's thinking said the then-attorney general told Mr. Comey that she had previously used the term "matter" in response to reporter inquiries to avoid confirming or denying the existence of an investigation, per department policy. She then suggested they continue to use the term for consistency's sake, and asked if Mr. Comey and other Justice Department officials were "comfortable" with the term. No one contested it, the person said.

—Aruna Viswanatha contributed to this article.

## The 'Close Friend' Behind Memo Leak

BY ERICA ORDEN AND ELI STOKOLS

Former FBI Director James Comey disclosed Thursday that he leaked the content of memos he wrote about his interactions with President Donald Trump to the media through a "close friend" to prompt the appointment of a special counsel.

Minutes following Mr. Comey's disclosure, Daniel Richman, a Columbia Law School professor and former federal prosecutor confirmed to media outlets that he was the individual to whom Mr. Comey alluded.

Mr. Richman declined to respond to additional questions.

Mr. Comey said his sharing of the memos' information with Mr. Richman was triggered by a tweet from Mr. Trump in the days after his unexpected dismissal on May 9, in which the president said, "James Comey better hope that there are no 'tapes' of our conversations before he starts leaking to the press!"

Days after that, Mr. Comey said Thursday, "I asked a friend of mine to share the content of the memo with a reporter...I asked him to because I thought that might prompt the appointment of a special counsel."

Mr. Richman was the chief appellate attorney in the Manhattan U.S. attorney's office, where Mr. Comey was at one point the top federal prosecutor.

# FBI Probed Whether Flynn Lied to Investigators

BY PAUL SONNE

WASHINGTON—The Federal Bureau of Investigation has probed whether former White House national security adviser Mike Flynn lied to federal investigators about his communications with the Russian ambassador, former FBI Director James Comey said Thursday, without specifying the status of the inquiry or whether it is still open.

Mr. Comey's confirmation in testimony before the Senate

Intelligence Committee that the FBI suspected Mr. Flynn of lying to government agents, in addition to fellow administration officials, could significantly raise the stakes for the retired three-star Army general, who resigned as President Donald Trump's national security adviser in February after misrepresenting his conversations with the Russian ambassador to Vice President Mike Pence and others.

The existence of the probe

means Mr. Flynn likely was in legal jeopardy when Mr. Comey met Mr. Trump alone in the Oval Office on Feb. 14, the day after Mr. Flynn's firing. During that meeting, according to Mr. Comey, the president mentioned the probe into Mr. Flynn and expressed hope the FBI director could "let this go."

"I understood him to be saying that what he wanted to do was drop any investigation connected to Flynn's account of his conversation with the

Russians," Mr. Comey said. The former FBI director said he would leave it to special counsel Robert Mueller to determine whether the exchange amounted to obstruction of justice by the president.

Mr. Trump's personal lawyer, Marc Kasowitz, said the president never suggested Mr. Comey stop investigating anyone, including Mr. Flynn. Mr. Kasowitz said in a statement that the president "never pressured Mr. Comey."

Mr. Pence, relying on Mr. Flynn's assertions, said on television Jan. 15 that Mr. Flynn hadn't discussed sanctions during conversations with Russian Ambassador Sergei Kislyak during the transition when, in fact, he had done so, according to law enforcement and intelligence officials.

Robert Kelner, Mr. Flynn's lawyer, didn't respond to requests to comment.

—Byron Tau contributed to this article.



MARY ALTAFFER/ASSOCIATED PRESS  
People at a restaurant in Brooklyn, N.Y., watch former FBI Director James Comey testify Thursday.

# COMEY

Continued from Page One  
sia's alleged interference in the 2016 presidential election.

Mr. Comey's public testimony lasted more than 2 1/2 hours and allowed the former FBI chief to speak publicly on a range of topics surrounding his interactions with the president, including his decision to document all conversations they had because he believed Mr. Trump "might lie" about them later.

Mr. Comey began his testimony by saying the president initially lied and defamed him when he discussed his reasons for firing the FBI chief.

"Although the law required no reason at all to fire an FBI director, the administration

then chose to defame me, and more importantly by the FBI, by saying the organization was in disarray, that it was poorly led, that the workforce had lost confidence in its leader," Mr. Comey said. "Those were lies, plain and simple."

He later said investigators are looking at whether Mr. Flynn lied to the FBI and suggested that they had additional information on Attorney General Jeff Sessions and his dealings with Russia.

After the hearing, the president's personal attorney, Marc Kasowitz, said Mr. Trump was pleased that Mr. Comey said publicly that the president wasn't personally under investigation. But he disputed much of Mr. Comey's testimony about his private conversations with Mr. Trump and pointed out that

Mr. Comey "unilaterally and surreptitiously" released "privileged communications with the president" to the media.

Thursday's hearing made it clear Mr. Comey believed the president had actively tried to influence the course of the FBI's investigation into Mr. Flynn, who was forced to resign after making false statements about his conversations with a Russian diplomat. But because the most damning accounts involved one-on-one encounters with the president—and Mr. Trump disputes Mr. Comey's version—investigators face a challenge as they examine the matter.

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

Mr. Comey said he understood the president to be urging him to move quickly to conclude

the investigation, which he felt would clear his name. "I interpreted that as he was frustrated that the Russia investigation was taking up so much time and energy...and it was making it difficult for him to focus on other priorities of his," he said.

In his testimony Thursday,

Mr. Comey described Mr. Trump's conversation with him about the Flynn investigation as "very disturbing." Mr. Kasowitz denied the president asked Mr. Comey to drop the probe.

As to whether the president's alleged statements amounted to obstruction of justice, Mr. Comey said, that was "a conclusion I'm sure the special counsel will work towards, to try and understand what the intention was there and whether that's an offense."

Mr. Comey also suggested investigators are pursuing several

lines of inquiry, including Mr. Flynn's statements to investigators and Mr. Trump's behavior. He later spoke to lawmakers in closed session.

In his remarks, Mr. Kasowitz criticized government officials who he said "are actively attempting to undermine this administration with selective and illegal leaks of classified information and privileged communications." He added: "Mr. Comey has now admitted that he is one of these leakers."

After Mr. Trump tweeted on May 12 that Mr. Comey "better hope that there are no 'tapes' of our conversations before he starts leaking to the press," Mr. Comey testified Thursday that he decided to provide information to the media.

Mr. Comey said he asked a friend to provide to the media the contents of memos he had written on his discussions with Mr. Trump, including one in

Committee is conducting an investigation into whether Russia intervened in the 2016 election and whether anyone from Mr. Trump's campaign colluded with Russia. But the panel is also investigating separate questions about whether handling of sensitive intelligence involving Trump associates by Obama administration officials was improper. Mr. Nunes, the committee's chairman, stepped aside as leader of the Russian investigation in April in favor of Mr. Conaway.

## FEDERAL BUREAU OF INVESTIGATION

**Leader:** Special counsel Robert Mueller

**Scope:** Mr. Mueller is leading a counterintelligence investigation into whether there was any collusion between Mr. Trump or his associates and Russian officials. He has also taken over separate investigations of whether any of Mr. Trump's associates committed crimes unrelated to Russian coordination. Mr. Mueller will also need to decide whether to investigate thorny questions about Mr. Trump's dismissal of James Comey as FBI director.

## SENATE INTELLIGENCE COMMITTEE

**Leader:** Sen. Richard Burr (R., N.C.)

**Scope:** The Senate Intelligence Committee is conducting an investigation into whether Russia intervened in the 2016 election and whether anyone from Mr. Trump's campaign colluded with Russia.

## HOUSE INTELLIGENCE COMMITTEE

**Leaders:** Rep. Mike Conaway (R., Texas) and Rep. Devin Nunes (R., Calif.)

**Scope:** Like its Senate counterpart, the House Intelligence

Committee is conducting an investigation into whether Russia intervened in the 2016 election and whether anyone from Mr. Trump's campaign colluded with Russia. But the panel is also investigating separate questions about whether handling of sensitive intelligence involving Trump associates by Obama administration officials was improper. Mr. Nunes, the committee's chairman, stepped aside as leader of the Russian investigation in April in favor of Mr. Conaway.

## SENATE JUDICIARY COMMITTEE

**Leader:** Sen. Chuck Grassley (R., Iowa)

**Scope:** The committee has jurisdiction over federal law enforcement. A subcommittee has held a public hearing on the matter of Russian interference, inviting Obama administration officials to testify publicly. And the panel's bipartisan leadership has been pressing the FBI for more information about Mr. Comey's firing.

## HOUSE OVERSIGHT AND GOVERNMENT REFORM COMMITTEE

**Leader:** Rep. Jason Chaffetz (R., Utah)

**New development:** A panel of House Republicans has selected Rep. Trey Gowdy (R., S.C.) to be the next chairman of the committee. Mr. Chaffetz has said he would leave Congress at the end of this month.

**Scope:** The committee has wide-ranging jurisdiction over waste, fraud and abuse within the federal government. It has been probing several issues related to Mr. Trump—including questions about whether his business empire poses conflicts of interest.

—Byron Tau contributed to this article.

to the appointment of Robert Mueller as special counsel to oversee the Russia probe.

Senators of both parties asked Mr. Comey why he didn't raise the alarm or confront Mr. Trump. "It's a great question. Maybe if I were stronger I would have," Mr. Comey said.

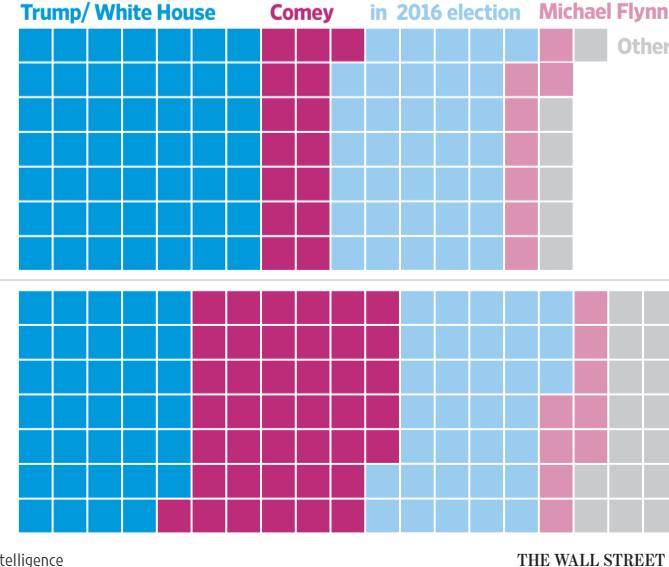
Mr. Comey added that his previous boss, former Attorney General Loretta Lynch, asked him last year to call the FBI's probe of Democrat Hillary Clinton's use of a private email server a "matter" rather than an "investigation."

And he said he wasn't able to discuss the Russia investigation with Mr. Sessions because he was "aware of facts that I can't discuss in an open setting that would make his continued engagement in a Russia-related investigation problematic."

—Rebecca Ballhaus, Kristina Peterson and Erica Orden contributed to this article.

## Lines of Questioning

Most questions posed to Mr. Comey centered on the relationship between himself and the Trump administration, much of which was detailed in Mr. Comey's statement. What the committee asked about:



Source: Senate Committee on Intelligence

THE WALL STREET JOURNAL.

## THE COMEY TESTIMONY

### WASHINGTON WIRE

REGULATOR

#### Lawmakers Signal Flat Budget for CFTC

Congressional Republicans expressed misgivings about increased funding for the Commodity Futures Trading Commission at a Thursday hearing, signaling they favor the Trump administration's request to hold its budget steady at \$250 million.

CFTC acting Chairman J. Christopher Giancarlo, a Republican, submitted a budget request of \$281.5 million to the House Appropriations Committee. He said the amount reflected the agency's need for more economists, examination resources and funding for its financial-technology initiatives.

The CFTC is the top regulator of swaps, or contracts in which two parties agree to exchange payments based on fluctuations in certain benchmarks. Swaps were targeted by lawmakers for greater oversight and transparency after they played a central role in the financial crisis.

—Gabriel T. Rubin

NATURAL DISASTERS

#### Lawmakers Review Flood Insurance

House lawmakers aim to pass legislation by July addressing how the nation handles flood insurance, a senior Republican said, setting up a regional battle in the Senate over how the federal government covers property damage after natural disasters.

The program has about five million policies nationwide, but it is running a deficit and is \$25 billion in debt from large storm-damage payouts in recent years. Lawmakers face a dilemma in restoring the program's solvency without creating sticker shock to homeowners who have been paying artificially low rates, leading to competing proposals over how to restore the financially broken National Flood Insurance Program.

—Rachel Witkowsky

RESEARCH

#### Younger Scientists To Get Grant Money

The National Institutes of Health said it would begin redirecting up to about \$1.1 billion in research-grant money a year to early- and midcareer scientists to help boost their careers and preserve U.S. science.

The agency said it would begin the redistribution immediately with about \$210 million annually, but that the amount would steadily increase.

The federal medical-research agency said it is taking the steps to encourage younger researchers to stay in science and in the U.S.

—Thomas M. Burton

# Trump Stays on Script, Tweet-Free

By PETER NICHOLAS  
AND MICHAEL C. BENDER

President Donald Trump spent one of the most consequential days of his young administration doing something he rarely does: sticking to script.

He delivered a speech highlighting religious freedom without straying from the teleprompter. He met with top aides and local leaders to discuss his plan to improve the nation's bridges and roads.

And he left to his lawyer the job of rebutting former FBI Director James Comey's testimony that Mr. Trump tried to derail an investigation into former national security adviser Mike Flynn.

In her press briefing, spokeswoman Sarah Huckabee Sanders said: "We're carrying on as we normally would."

The orderly day at the White House came as Mr. Comey spent three hours before the Senate Intelligence Committee, testifying that he believed Mr. Trump directed him to drop the probe into Mr. Flynn's interactions with Russian officials during the presidential transition.

The former FBI director opened with a sharp rebuttal to the president's initial explanation for his termination. "Although the law required no reason at all to fire an FBI director, the administration then chose to defame me and, more importantly, the FBI by saying that the organization was in disarray, that it was poorly led, that the workforce had lost confidence in its leader," Mr. Comey said. "Those were lies, plain and simple, and I am so sorry that the FBI workforce had to hear them and I'm



President Donald Trump arrives at an infrastructure summit with governors and mayors at the White House on Thursday.

so sorry that the American people were told them."

Privately, Mr. Trump's aides said they were thrilled the president didn't take to Twitter to offer a response. It's a rare day that Mr. Trump doesn't tweet—but he is under pressure from staff and his lawyers not to say anything about the Russia investigation to avoid a legal backlash.

His outside attorney, Marc Kasowitz, speaking at the National Press Club, denied Mr. Comey's account of the conversations and urged federal investigators to go after the former FBI director, who said

he leaked his own memos about conversations with the president for one news story.

"The president never, in form or substance, directed or suggested that Mr. Comey stop investigating anyone, including suggesting that Mr. Comey 'let Flynn go,'" Mr. Kasowitz said.

Despite the White House choreography, West Wing aides could be seen stealing glances at the flat-screen TVs airing above their desks.

With Mr. Comey testifying that he worried about Mr. Trump's veracity, a reporter at the briefing asked Ms. Sanders if the president was a "liar."

"No, I can definitively say the president is not a liar," Ms. Sanders said.

An issue in the Comey-Trump meetings is whether the president recorded the conversations.

Does the White House have such a taping system, Ms. Sanders was asked. She said she didn't know and then quipped she would "look under the couches" to check.

Mr. Trump, meanwhile, stayed busy, meeting with national security advisers and later giving a speech to the Faith and Freedom Coalition. He avoided any temptation to

strike back at Mr. Comey.

Not far away at the Eisenhower Executive Office Building, Vice President Mike Pence took part in a luncheon with state and local officials about the president's \$1 trillion infrastructure plan.

Mr. Trump met with many of the same officials later. He promised to "move quickly" to improve roads and bridges, and ignored shouted questions from reporters about Mr. Comey's testimony. "Thank you all," Mr. Trump responded. "Thank you very much."

—Louise Radnofsky contributed to this article.

## SEIB

Continued from Page One  
stepped directly on many of the mines.

The irony is that this all came into focus on a day in which the dramatic congressional hearing before the Senate Intelligence Committee also produced revelations that actually are helpful to the president's cause. Most notably, those include the fact that Mr. Trump himself was never the subject of Mr. Comey's inquiries on the Russia connection.

Instead, though, the focus was on Mr. Comey's description of a series of private conversations in which he said the president tried to coerce him into becoming a loyalist and sought to squelch a continuing criminal investigation of former national security adviser Michael Flynn, then seemed to fire Mr. Comey because he wouldn't cooperate, and subsequently lied about the origin

and details of their conversations.

Those are serious assertions and have the potential to create significant legal problems—perhaps even a case for obstruction of justice—for the president, in addition to the potential problems for those around him.

In each of those cases, though, it was clear that the way Mr. Trump handled his relationship with the nation's top criminal investigator made the situation more dangerous. In Mr. Comey's telling, the president attempted to use meetings and phone calls to extract a pledge of "loyalty" and a "patronage relationship" from the FBI chief, and to pressure him into declaring publicly that the president himself wasn't a target of FBI investigation.

Mr. Trump's supporters love

the fact that he is the outsider willing to shatter the rules and norms that seem to govern life in Washington, so they likely aren't troubled—in fact, they likely will cheer. Still, officials

from both parties question the propriety of such overtures in private settings, and they carry the potential to backfire on the president, which they did Thursday. Indeed, once the president decided to fire Mr. Comey, it was nearly inevitable that they would blow up into a public problem. A more seasoned political leader likely

*A more seasoned politician likely would have steered a different course.*

would have sensed that danger and steered a different course.

"The president's new at this; he's new to government, and he probably wasn't steeped in the long-running protocols that establish the relationships" between the White House and the FBI and Justice Department, said House Speaker Paul Ryan.

Mr. Ryan, who has been around the capital for a while, said that "of course there needs to be a degree of independence" from the White House for the FBI and Justice.

Mr. Trump's critics will charge that those questionable actions weren't merely rookie mistakes but signs that the president was eager to bottle up an investigation before it got to darker deeds by his campaign, his team or even himself.

Yet there were aspects of the Comey testimony that actually buttressed the president's case and opened the door for his attorney, Marc Kasowitz, to criticize Mr. Comey. Mr. Comey repeatedly said that Mr. Trump himself wasn't, in his time in office, the subject of an FBI inquiry, either a criminal probe or a counterintelligence probe.

Mr. Comey also acknowledged that he personally arranged the leaking of a memo of one of his conversations with the president to the press because he wanted to get his

version on the public record before Mr. Trump could provide a contrary one—and because he calculated, correctly, that public attention to his memo might help prompt the appointment of a special counsel to investigate the Russia connection.

He also said that he felt seemingly improper pressure from the Obama administration. He testified that former Attorney General Loretta Lynch urged him to characterize the FBI's inquiry into Democratic presidential candidate Hillary Clinton's handling of classified material in her email system as a "matter" instead of an "investigation."

There was one other silver lining for Mr. Trump. In their questioning of Mr. Comey, Republican senators generally appeared cautious, neutral and occasionally defensive of the president. There was no sign that any were seeking a clean break. Moving forward, whether it stays that way will be critical for the White House.

A painting of a group of people in a studio setting. In the foreground, a man sits on the floor surrounded by art supplies like paint cans and brushes. Behind him, a woman stands. To the right, another woman stands with her hands on her hips. In the background, two more people are standing. The scene is set in a room with brick walls and scaffolding. Overlaid on the bottom left of the painting is the text "HOUSTON is inspired".

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L to R: Houston artists Patrick Renner, GONZO247, Theresa Escobedo, JooYoung Choi, Nathaniel Donnett, Trenton Doyle Hancock, Susannah Mira

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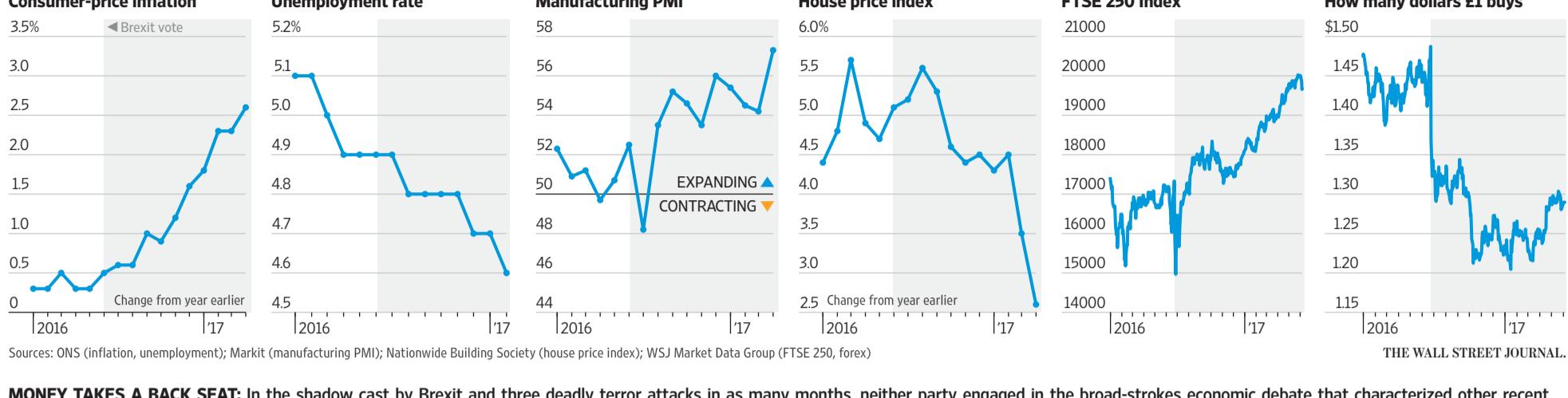
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Location: 2017 Preslon St. (Formerly Cheek-Neal Coffee Building)

## THE U.K. ELECTION

### Economy Scorecard

The British economy is sending mixed signals in the wake of last year's Brexit vote. Consumers are feeling the pinch from higher prices but stock markets are rising.



Sources: ONS (inflation, unemployment); Markit (manufacturing PMI); Nationwide Building Society (house price index); WSJ Market Data Group (FTSE 250, forex)

**MONEY TAKES A BACK SEAT:** In the shadow cast by Brexit and three deadly terror attacks in as many months, neither party engaged in the broad-strokes economic debate that characterized other recent national polls. And corporate chiefs and economists have struggled to make forecasts on issues that could affect voters most—the long-term path for inflation, interest rates, housing prices and the pound.

# Corbyn Appears to Defy Expectations



BY JENNY GROSS

LONDON—Two months ago, Jeremy Corbyn was ridiculed as one of the weakest candidates for prime minister in British political history, a sure bet to steer his opposition Labour Party to humiliating defeat and diminished influence.

Yet if the exit poll prediction is confirmed by the vote count, Mr. Corbyn's party confounded expectations by gaining significant clout in Parliament, not losing it. The humiliation was on the other side of the contest, as Prime Minister Theresa May's ruling Conservatives were likely to lose their majority, leaving no party clearly in command.

Labour was projected to win 266 seats in the U.K.'s 650-seat Parliament—a defeat compared with 314 seats for Mrs. May's Conservatives, the television exit poll said. If the exit poll prediction is confirmed by the vote count, Labour would gain 37 seats. The final tally is expected to be announced Friday.

Later, the British Broadcasting Corporation said it saw the Conservatives winning 318 seats. Sky News said its analysis suggested between 315 and 325.

"If there is a message from tonight's results, it's this: The Prime Minister called this election because she wanted a mandate," Mr. Corbyn said.

*Some saw the Labour leader's showing as vindication of his leftist platform.*

"Well the mandate she's got is lost Conservative seats, lost votes, lost support and lost confidence."

Supporters saw his better-than-expected performance as a powerful vindication of his leftist platform. Tony Travers, politics professor at the London School of Economics, said the results will spur Mr. Corbyn's supporters to say his

model, as opposed to the more centrist ideology of former Prime Minister Tony Blair, will win in the next election.

"He will have won it while losing," Mr. Travers said. "The expectations for her were too high at the beginning of the election, and for him the expectations were so low that he could never have done much worse than those expectations."

More moderate Labour voters and members of Parliament, however, were likely to view the party's third straight failure to win an election as proof that it needs a fresh strategy.

Mrs. May's decision to call snap elections seven weeks ago reflected her confidence that she could expand her party's majority in Parliament and strengthen her government's mandate in what are expected to be arduous and contentious talks over Brexit, which begin later this month.

Instead, her showing, if confirmed, marks a significant blow to Mrs. May and raises questions about her grip on the party and her ability to

stay on as leader.

Having run an effective campaign, Mr. Corbyn faces no such predicament.

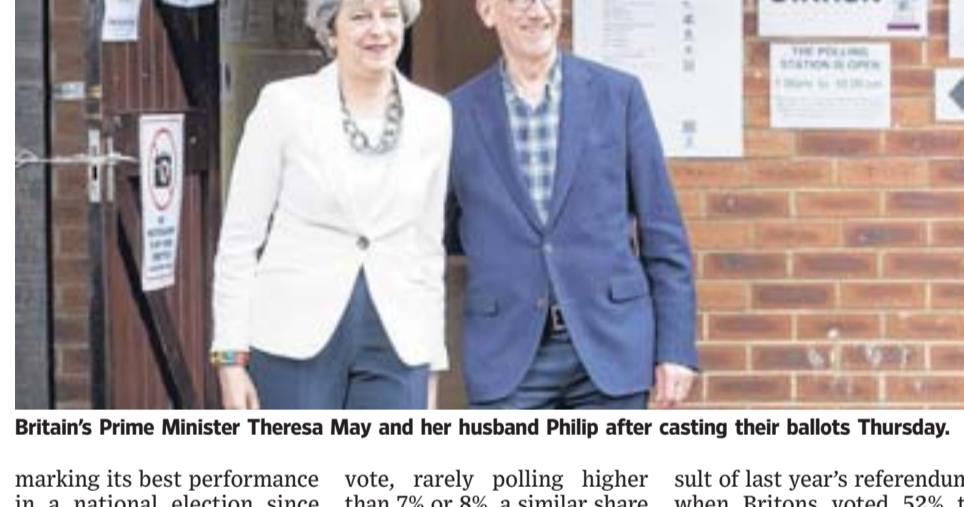
From a low of 15% in March, the percentage of people who thought Mr. Corbyn was doing well rose to 34% this week, according to a poll by YouGov PLC. Meanwhile, Mrs. May, 60, saw her rating slide from 53% to 46% during the period.

Mr. Corbyn's smooth campaign burned his image. His antiwar, antiausterity message, which has remained mostly unchanged during his 34 years in Parliament, tapped the frustration of voters with centrist politics.

As voters cast their ballots in Islington in north London, some said Mr. Corbyn's well-run campaign had improved their opinions of him. "He [used to] look a bit disheveled and didn't come across like a credible leader but he definitely upped his game," said Catherine Shipley, a 38-year-old mother of two.

—Denise Roland contributed to this article.

# Some Pro-EU Voters Make Their Voices Heard



Britain's Prime Minister Theresa May and her husband Philip after casting their ballots Thursday.

Brexit-supporting British tabloids dubbed them "Remainers"—supporters of staying in the European Union who had struggled to come to terms with the result of last year's Brexit referendum.

By Jason Douglas in London and Simon Clark in Lewes, England

An exit poll following Thursday's national election suggested there might be more of them than pollsters thought.

The Liberal Democrats, the only party in Britain's national election to suggest the country would be better off if it remained within the EU, were projected to win 14 seats, according to an exit poll sponsored by British broadcasters. If that prediction was borne out in the final results, the party would add six seats to its existing tally of eight,

marking its best performance in a national election since 2010.

The potential gain is larger than many pollsters predicted. The party had been struggling in opinion polls before the

vote, rarely polling higher than 7% or 8%, a similar share to what it picked up in the previous election in 2015.

Surveys had suggested that opponents of Brexit had resigned themselves to the re-

sult of last year's referendum, when Britons voted 52% to 48% to leave the EU. A May survey of more than 5,000 voters by polling firm YouGov PLC found that about half of those who voted to remain in

In the event of a hung parliament in the U.K., the incumbent government gets first shot at crafting an administration. The Conservatives may be able to turn to longtime allies in Northern Ireland to support their policy program.

The result marks a startling gain for Mr. Corbyn, a veteran left-winger. He squeaked onto a Labour Party leadership ballot in 2015 and was expected to come in a distant last in a field of four. Instead, Mr. Corbyn galvanized young backers to win that contest. Support

June 2016 believed the government had a duty to implement the public's decision.

YouGov's research suggested the main beneficiaries of this trend appeared to be the ruling Conservatives, who were picking up many of this new group as well as hardcore Brexit voters who had previously been drawn to the anti-EU UK Independence Party.

Thursday's exit poll suggests pro-EU voters may have reconsidered. The pro-Brexit Conservatives of Prime Minister Theresa May were projected to fall short of an overall majority in Britain's 650-seat Parliament, with around 314 seats.

Later, the British Broadcasting Corporation said it saw the Conservatives winning 318 seats, compared with 330 in the outgoing parliament. Sky News, meanwhile, said its analysis suggested between 315 and 325.

If in the coming days the Conservatives can't build a majority large enough to govern, Mr. Corbyn may get a chance. He can potentially draw on a broader range of center-left parties to build a looser parliamentary alliance, including the SNP, Liberal Democrats and Greens.

Either outcome leaves the path to Brexit more unclear.

To the surprise of most observers—and likely to Mrs. May's detriment—the campaign wasn't dominated by Brexit. Voters paid more heed to bread-and-butter issues such as health care and pensions.

It was on one of those issues that Mrs. May appears to have made a damaging judgment, presenting a complex plan to finance elderly care that bombed with graying voters and their likely heirs.

The campaign was twice suspended in response to terror attacks, allowing the Labour Party to focus on cuts to police numbers during Mrs. May's six years as the minister responsible for security.

# How Hung Parliament May Affect The U.K.

BY JASON DOUGLAS

Exit polls for Britain's national election suggested that no single party would secure a parliamentary majority. That would lead to a so-called hung parliament. Here's what this means:

## What Is a Hung Parliament?

A hung parliament occurs when no single party wins a majority of seats in the U.K.'s 650-seat House of Commons.

The incumbent government gets first crack at forming a new administration. It can try to put together a formal coalition or try to rule as a minority government by winning smaller parties' backing for individual pieces of its platform.

If the ruling party can't form a workable administration, the second-largest party gets a shot.

## Has It Happened Before?

Yes. In 2010, the Conservatives under former Prime Minister David Cameron emerged as the largest party but failed to win an outright majority. They eventually went into coalition with the Liberal Democrats, an administration that survived for five years.

## What Could Happen This Time?

Prime Minister Theresa May will get first shot at forming a working majority. If she falls only a few seats short of the 326 seats needed to govern alone, she will likely turn to Northern Irish unionists in the Democratic Unionist Party and the Ulster Unionist Party.

If Mrs. May falls so far short that she can't govern even with potential Northern Irish allies, Labour under Jeremy Corbyn may get a chance. Labour can potentially draw on a broader range of center-left parties for support.

versity of Nottingham, said Mrs. May's future as prime minister was at risk.

"The capital she had with her own party—that's been spent, that's all gone," he said. "If you call an election to reinforce your authority, to reinforce your negotiation hand and you don't get that endorsement, clearly people are going to ask questions about you."

Projections early Friday suggested a Labour gain of 27 seats. In other surprises, the Scottish Nationalist Party was down 21 seats to 34 and the Liberal Democrats appeared to have gained 5 seats to 12.

In a major win in London, the Labour Party gained Battersea from the Conservatives, a sign that anti-Brexit sentiment may have hurt the Conservatives in areas where a majority of people voted to stay in the EU. In another significant result, Labour Party held on to Bridgend in Wales, a key Conservative target that Mrs. May visited near the start of the campaign.

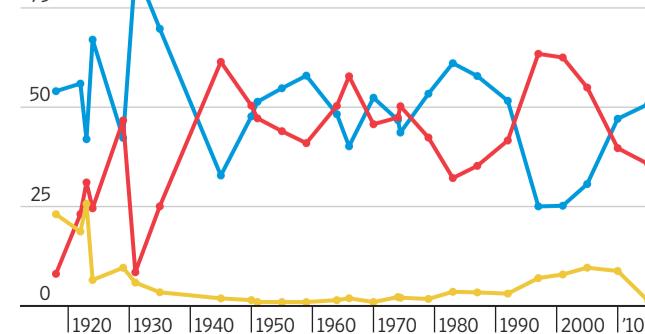
The political uncertainty comes as Britain prepares to begin talks on June 19 on extricating itself from the EU after 44 years. The two sides already face a tight timetable to agree on a host of complex issues. Depending on the elec-

tion's final results, forming a working government could turn out to be a drawn-out process that would threaten to leave Brexit negotiations on hold.

The prospect of a stable coalition similar to the one formed quickly in 2010 between the Conservatives and the smaller Liberal Democrats seems distant. The Liberal Democrats and the Scottish National Party have ruled out joining a coalition, though leaders have said they would consider a looser alliance.

### U.K. Voting History

Share of seats won by party in general elections



Source: U.K. Parliament

from younger voters during the recent seven-week campaign—and a manifesto that struck a chord with the wider public—helped Labour close a yawning polling gap with the Conservatives.

If in the coming days the Conservatives can't build a majority large enough to govern, Mr. Corbyn may get a chance. He can potentially draw on a broader range of center-left parties to build a looser parliamentary alliance, including the SNP, Liberal Democrats and Greens.

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The campaign was twice suspended in response to terror attacks, allowing the Labour Party to focus on cuts to police numbers during Mrs. May's six years as the minister responsible for security.

## THE U.K. ELECTION

### Potential Leaders Emerge

By JENNY GROSS

LONDON—The Conservatives' stunning setback in Thursday's national elections has weakened Prime Minister Theresa May and raises the possibility that she may not be able to continue as her party's leader.

Should she decide to resign or be forced out, there are several candidates her party could put forward to replace her.

Betting companies immediately offered odds on her potential replacements. Irish bookmaker Paddy Power PLC had Britain's Foreign Secretary Boris Johnson in the lead, followed by Brexit minister David Davis and then Treasury chief Philip Hammond.

Mr. Johnson was one of the highest-profile campaigners for Britain's exit from the European Union. After Britons voted to leave the bloc, he sought to become prime minister but dropped out of the race after his close ally Michael Gove withdrew his support.

Mr. Davis, who is overseeing the country's exit negotiations with the European Union, ran an unsuccessful leadership campaign against former Prime Minister David Cameron in 2005. One of a handful of government ministers who supported Brexit during the referendum campaign, he is a longtime campaigner against EU membership.

Mr. Hammond, the Treasury chief, would be seen as an experienced hand that could steer the country through thorny negotiations. But given his support for staying in the EU and apparent rifts with the prime minister over economic policy, it may be difficult for him to command authority within the party.

Another possible contender is Amber Rudd, the minister overseeing Britain's security and policing brief and an ally to Mrs. May. Ms. Rudd shone throughout the campaign, representing the Conservatives during the general election debate.

# Theresa May Loses Her Gamble

Prime minister's political future in jeopardy after falling short at the polls

By STEPHEN FIDLER

After uncertainty, yet more uncertainty.

Prime Minister Theresa May gambled for a larger majority to bolster her position in coming Brexit negotiations and lost. In the end, her Conservative Party was left with fewer seats and failed to hold on to its majority.

**ANALYSIS** She will be blamed in her party and in the country at large for adding to the already substantial turmoil generated by last year's vote to leave the European Union.

Mrs. May's political future is in jeopardy. Her party may unseat her and choose another leader or she may fail to get the support needed to form a government. If she goes, she would be the shortest-serving prime minister since Andrew Bonar Law in 1922-23. Another general election could well be in the cards before the end of the year.

If she chooses not to resign and survives—perhaps just because her party colleagues will be squeamish about generating more uncertainty with a leadership contest—her standing with her opposite numbers in Europe in EU negotiations will be seriously diminished.

Iain Duncan Smith, a senior Tory lawmaker, said he thought it would be a "great mistake" to generate further uncertainty with a leadership election.

An electoral system praised by the British for delivering strong governments failed to do so. With no party gaining the 326 seats needed to form a majority, the next few days and even weeks could be filled with horse trading as the Conservatives and the main oppo-



MATTHEW HORWOOD/GETTY IMAGES

position Labour Party seek to muster allies to form a government.

Some 83% of the electorate voted for the two main parties—43% for the Conservatives and 40% for Labour—the highest proportion in decades. Ironically, this return to two-party voting patterns didn't produce a clear result.

The most likely outcome depended on exactly how many seats the Conservatives win. If they get 318 seats—the exact projection of the BBC—they would likely seek to govern with the help of the pro-U.K. Democratic Unionist Party in Northern Ireland, which won 10 seats.

The DUP supported Brexit—but will extract concessions to back the Conservatives. That will also leave the Conservatives depending on their hard-line anti-Brexit lawmakers to pass legislation.

Apart from the DUP, no

other grouping would likely back the Conservatives. This could lead the Conservatives to attempt to form a minority government—which could well be short-lived. There is even an outside possibility that Labour leader Jeremy Corbyn could try to pull together an alliance to govern.

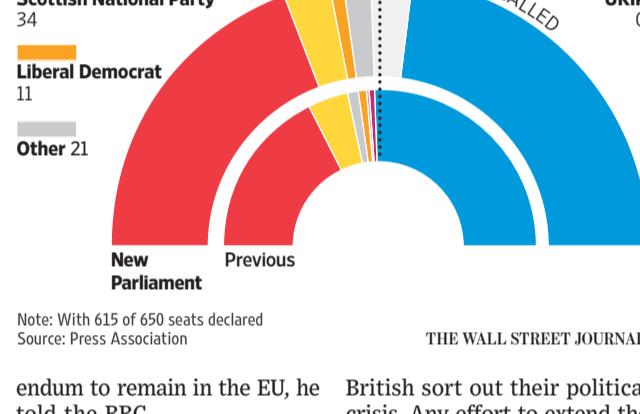
In this process, the negotiations over Brexit will be called into question. It isn't clear anyway that negotiations will be able to start as scheduled on June 19. Mrs. May formally gave notice to leave the EU at the end of March, opening a two-year negotiating window.

Vince Cable, a former Liberal Democrat business minister who regained his seat in west London, said "clearly the whole Brexit approach will have to be rethought."

"There will have to be compromise" to address the concerns of the 48% of Britons who voted in the 2016 refer-

### Seat Count

Results of the U.K. parliamentary elections as of 12:20 a.m. EDT



Note: With 615 of 650 seats declared  
Source: Press Association

THE WALL STREET JOURNAL.

endum to remain in the EU, he told the BBC.

The outcome raised the possibility about whether the Brexit negotiations should be halted or put on ice while the

British sort out their political crisis. Any effort to extend the negotiating period—or halt Brexit—would need the unanimous support of the other 27 EU governments.

## WORLD NEWS

# Macron Bets on Rookies to Win Poll

By WILLIAM HOROBIN



La République en Marche candidate Caroline Reverso-Meinietti campaigning Saturday in Nice.

### Rapid Rise

Polls show President Emmanuel Macron's brand new party landing a surprising majority in this month's two-round parliamentary elections.

### Voting intentions for first round

Candidate	Percentage
La République en Marche and centrist ally	29.5%

Les Républicains, allies	23.0%
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National Front	17.0%
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Far left, communist	14.5%
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Socialist Party and allies	11.0%
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Others	5.0%
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### Forecast of seats at National Assembly

La République en Marche and centrist ally	385-415
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Les Républicains, allies	105-125
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Socialist Party and allies	25-35
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Far left, communist	12-22
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National Front	5-15
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Others	3-7
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Source: Ipsos Sopra-Steria poll of 2,103 people registered on the electoral rolls conducted June 2-4

THE WALL STREET JOURNAL.

Mr. Macron's party flaunts the inexperience of its candidates as it makes a play for seats in conservative strongholds long considered impervious to challengers. Nice is the fief of incumbent Eric Ciotti, a conservative stalwart and Ré-

publicains party chieftain whose tough-on-terror résumé has long made him unassailable for opponents from any party, including the far-right National Front of Marine Le Pen.

Nice was the target in July of an Islamist terrorist's truck

attack that killed 86 people.

Mr. Macron has maneuvered to divide Mr. Ciotti's party by appointing senior lawmakers from Les Républicains as ministers in his new government. The president has also backed away from fielding his own candidates in about 50 constituencies where Les Républicains candidates have indicated they would ally with the French leader if elected.

Mr. Ciotti said Mr. Macron was focusing on politicking "with the complicity of those who betrayed their beliefs to get a position."

On Saturday, the president dispatched top ministers—one from Les Républicains and the other a Socialist—to Nice to campaign alongside Ms. Reverso-Meinietti.

To qualify for the runoff, Ms. Reverso-Meinietti needs to either finish in one of the top two spots Sunday or garner support from more than 12.5% of registered voters. Doing so would require siphoning votes from Mr. Ciotti as well as driving turnout of leftist voters.

Mr. Ciotti's commanding presidential victory has given Ms. Reverso-Meinietti's candidacy a shot in the arm.

"People in Nice want to be part of this dynamic," she said. "They don't want to be left at the back of the class."

# ECB Skips Rate Cut But Keeps Stimulus

By TOM FAIRLESS

TALLINN, Estonia—The European Central Bank took a tiny step toward unwinding its large monetary stimulus, but indicated any action is some way off, despite pressure from some in Europe to change policy soon.

ECB President Mario Draghi unveiled brighter economic forecasts and signaled the ECB probably wouldn't cut interest rates again, a sign of confidence in the region's recovery.

But Mr. Draghi also warned inflation would remain weak over the coming years, and said ECB members hadn't discussed winding down their bond-purchase program of €60 billion (\$67.6 billion) a month. "We need to be patient," he said. "A very substantial degree of stimulus is still needed" to support the economy.

The euro slid as much as half a cent against the dollar, and eurozone government bond prices rose as investors anticipated the ECB would leave its stimulus in place for longer. Many economists had expected Mr. Draghi to hint more strongly at an exit path.

"The ECB is essentially in a holding pattern," said Patrick O'Donnell, a fund manager with Aberdeen Asset Management in London. "There's no appetite to risk choking off the growth that the economy has been seeing of late."

Mr. Draghi's message of patience is likely to cause further irritation in Germany, Europe's largest economy, where top of

ficials have been calling urgently for a policy reversal from the ECB. Those officials argue that years of easy money are inflating asset prices while harming German savers and pensioners.

"Sadly, the return to a normal monetary policy is set to drag out painfully slowly," said Jörg Krämer, chief economist at Commerzbank in Frankfurt. "An end to easy money is urgently needed to avoid the risk of new property price bubbles."

The eurozone is enjoying its most protracted growth spurt in almost a decade. Its economy grew by 1.9% on the year in the first quarter, outpacing the U.S.

*'The ECB is essentially in a holding pattern,' says one fund manager.*

Unemployment has fallen to an eight-year low of 9.3%, bank lending is expanding robustly, and business surveys suggest growth is accelerating.

That progress has come despite a volatile political backdrop that has included tense national elections in France and Netherlands, as well as Britain's vote to leave the European Union.

Mr. Draghi acknowledged the brighter outlook on Thursday, boasting that the region had created more jobs over the past 3½ years than the U.S.

It is with deep gratitude and affection that we note the passing of our Founding Partner,  
Jerry Perenchio

BV Investment Partners (Formerly Boston Ventures)

## WORLD NEWS

# Venezuelans Challenge Censorship

Some journalists are bringing independent news in person to the country's beleaguered bus riders

BY KEJAL VYAS

CARACAS—Journalist Laura Castillo and a group of six writers and artists in Venezuela are fighting censorship here by delivering the news personally to their compatriots.

Last month they started riding public buses around the capital city and reading three-minute news broadcasts from behind a square cardboard frame meant to evoke a television set. El Bus TV updates its viewers on the country's economic and social crisis in a way other news sources don't under President Nicolás Maduro—a former bus driver, incidentally.

"We want to hit at that wall of government censorship and we thought the bus is a medium that brings together the diverse population we want to inform," Ms. Castillo said.

She and her colleagues launched volunteer-run El Bus TV in part to mark a troubling anniversary. Ten years ago last month, Venezuela's late strongman Hugo Chávez shut down what was then the country's most popular private media outlet, Radio Caracas Televisión. RCTV was overtly critical of Mr. Chávez, who blasted the media as an enemy of the people.

Since then, 111 other radio stations, TV networks and newspapers in the country have had to close due to government sanctions, according to a tally maintained by the free-speech advocacy group Espacio Público. The government denies accusations of censorship and says the media generates hysteria. It has blocked access to numerous



Journalist Laura Castillo and volunteer reporters do informal news broadcasts on Caracas's public buses for a project called El Bus TV.

foreign news websites and this year took CNN en Español off the air.

In recent years, pro-government investment groups have bought out Venezuela's national daily papers and major private TV channels, gutting personnel and avoiding any reports that reflect badly on the Maduro government.

El Bus TV has no shortage of national news to report. Widespread food shortages, sky-high inflation and Mr. Maduro's increasingly authoritarian rule have spawned more than two months of almost

daily clashes between demonstrators calling for the president's ouster and state security forces, costing more than 60 lives.

The government routinely closes Caracas's subway lines to frustrate protesters, but buses privately run by driver cooperatives still ply the city's streets. Passengers regularly pass images that encapsulate the years of economic mismanagement and political unrest: families scrapping through trash for food; long, snaking bread lines; rows of National Guard in riot gear.

"It's like watching the movie of our lives," said Claudia Lizardo, a 29-year-old writer working with El Bus TV. "People hear the news and associate it with what they see every day."

On a recent day, El Bus TV delivered news on the recent winning streak of Venezuela's under-20 national soccer team before discussing how state-subsidized food wasn't reaching large parts of the city, leaving people with little more than mangos to eat.

Ms. Castillo, El Bus TV's co-founder, emphasizes that it

promotes no political party, makes no calls to join protests, and doesn't ask passengers for money, unlike the many musicians and beggars that hop on and off the buses.

Passengers sometimes look confused, being more used to hearing salsa music blaring from bus speakers than staged news reports. But the reporters say most of El Bus TV's trips so far have been received positively, with riders applauding and shouting thanks. Many bus drivers don't charge the journalists the 3 U.S. cents per person it costs to board.

## WORLD WATCH

PAKISTAN

### ISIS Says It Killed 2 Chinese Hostages

Islamic State fighters executed two Chinese nationals who were kidnapped from southwestern Pakistan last month, the group said Thursday, a development likely to raise concerns about the security of foreign nationals in Pakistan.

The claim was released by Islamic State's Amaq news service and reported by the SITE Intelligence Group, which monitors jihadi communications.

Armed men abducted the two Chinese nationals on May 24 in Quetta, capital of Balochistan province, Pakistani police said. A police spokesman said he was "not aware of any such development" when asked about the Islamic State claim.

China's official Xinhua News Agency quoted a Foreign Ministry spokeswoman as saying that China had tried to rescue the two and was working with Pakistan to find out more. "The Chinese side is firmly opposed to the acts of kidnapping civilians in any form, as well as terrorism and extreme violence in any form," she said.

—Qasim Nauman



Members of Myanmar's military carried a body to shore Thursday in the village of Sanlian, as rescuers searched the Andaman Sea a day after a military plane carrying 122 people crashed.

INDIA

### Prime Minister Modi To Visit Washington

President Donald Trump will host India's Prime Minister Narendra Modi in Washington later in June, the State Department said Thursday. No date for the

visit was announced.

Mr. Trump spoke with Mr. Modi by phone in March, to congratulate him on the results of state-level elections in India. They also spoke in January, and during that call, Mr. Trump invited Mr. Modi to Washington.

The leaders are likely to discuss issues including trade, com-

bating terrorism and defense.

Mr. Trump also has cited India's terms for its involvement in the world climate accord known as the Paris agreement. He cited those terms in announcing his decision to leave the agreement last week on the grounds that it is unfair to the U.S.

—Felicia Schwartz

NORTH KOREA

### Pyongyang Claims Test of New Missile

North Korea said a test launch it conducted Thursday was of a new type of antiship cruise missile "capable of striking any enemy group of battleships," an apparent response to the U.S. deployment of multiple aircraft carriers in the waters around the Korean peninsula.

The firing of the burst of missiles was the latest in a string of recent demonstrations of new capabilities by Pyongyang in the past two months, as leader Kim Jong Un seeks to threaten the U.S. homeland and its military bases overseas.

With its four most recent tests, the North has claimed the ability to fire a nuclear-tipped missile farther than previously believed, to fire a missile from the back of a truck with virtually no warning time, to launch high-precision guided missiles and to be able to target enemy naval vessels.

The Thursday test-launch was conducted from new launch vehicles that gave it "rapid firing preparation," according to Pyongyang's state-controlled Korean Central News Agency on Friday.

—Jonathan Cheng

## MONEY

Continued from Page One

said, while yen was mentioned in 10 and euro in seven. The Indian rupee, Russian ruble and British pound are also popping up in hip-hop lyrics with increasing frequency.

One of Mr. Banks's favorite currency notes is the Canadian dollar, which a friend told him smelled like maple syrup.

"I was like, get the hell out of here," he recalled. "Then I put it in my hand, and it smelled like maple syrup."

He hopes next to get his hands on the Ethiopian birr, which he has heard carries the scent of exotic spices.

Foreign-currency references are still small change compared with the nearly 700 times that Rap Genius counted mentions of the dollar in songs released last year.

But name-checking foreign currencies has become a way for hip-hop musicians to show their financial sophistication, said Chris Smith, a professor at the Annenberg School for Communication at the University of Southern California who has done research on the role of money in rap music.

Rappers know that the U.S. dollar is not the only game in

town anymore," Mr. Smith said. "They know that China is rising, they know that there are other economic powers."

Overseas travel and shopping sprees have also made American rappers well aware of the dollar's recent slide in the foreign-exchange market.

Willie Maxwell II, known as Fetty Wap, said he was a bit unnerved to notice that the greenback had fallen 5% this year against major peers.

"If I were making a verse, it would be like, 'I don't want

dollars, they not worth nothing, we want euros,'" he free-styled during an interview with The Wall Street Journal.

Mr. Maxwell, who has also rapped about the peso, says he wishes he could be paid in the euro—the best-performing major currency this year—because it would be worth more than his dollars.

Many hip-hop artists tour the world to perform, making them more attuned to which currencies are up and which are down.

In 2007, when the euro was at an all-time high against the dollar, hip-hop artist Jay Z took note.

In a video for a single from his album "American Gangster," he flashed stacks of pink euros while driving around the streets of New York. The Brooklyn native has also at times referred to himself as "Jay Peso" and "Euro Jay" in songs.

Rappers often brag about having piles of cash, and that is a frequent refrain in songs about foreign money, too.

In the song "Tokyo Drift," Yung Lean boasts about traveling to Japan, which he calls "Yen Land" and "Rollin' green off a flat, spend a million yen, get it back." That's worth about \$9,000.

In most ways, however, the

# Officials Guilty in Samsung Deal Case

BY EUN-YOUNG JEONG

SEOUL—A South Korean court convicted two former officials of abuse of power and embezzlement in a case involving the contentious merger of two Samsung affiliates in 2015. Legal experts say the ruling strengthens prosecutors' cases against the country's former president and a top corporate figure.

The case is at the heart of an influence-peddling scandal that last year sparked massive protests in South Korea over the cozy ties between the country's conglomerates and its political class. The events sparked an investigation that led to the indictment of both former President Park Geun-hye and the de facto head of Samsung, the nation's biggest conglomerate.

The court on Thursday sentenced South Korea's former health minister Moon Hyung-pyo to a 2½-year prison term for ordering the National Pension Service to cast the decisive vote in favor of a merger between two Samsung affiliates in which the pension service was a large shareholder.

That deal—which was widely opposed by proxy advisory firms and other shareholders as detrimental to shareholders—strengthened the control of Samsung heir Lee Jae-yong over Samsung Electronics.

The defendant "exercised his influence to violate the independence of the National Pension Service and damaged its shareholder value," the court said, calling that "a matter of grave illegality."

Mr. Moon's conviction is likely to strengthen the case against his former boss, Ms. Park, some legal experts say. Prosecutors say Ms. Park had ordered Mr. Moon to ensure that the pension service voted for the deal. Ms. Park has denied involvement in the approval of the merger.

The legal experts say Thursday's ruling is also likely to help the case against Mr. Lee, who prosecutors accuse of funding a consulting company linked to a Park friend in return for government backing for the merger. Mr. Lee, whose trial is expected to end in upcoming weeks, has denied wrongdoing. He has been imprisoned since February.

"There's no doubt that this case is linked to Ms. Park's case," said Byun Jong-pil, a law professor at Dongguk University in Seoul.

The court also sentenced Hong Wan-sun, the pension service's former head of asset management, to 2½ years in jail for approving the merger between the two Samsung affiliates.

Neither Mr. Moon nor Mr. Hong's lawyers responded to requests to comment. Messrs. Moon and Hong can appeal the verdict to a higher court.

## FROM PAGE ONE

JOHN LAMPARIK/GETTY IMAGES/ISTOCK (RIGHT)



dollar still reigns supreme. Rappers have dozens of synonyms for the U.S. currency, from "lettuce" to allusions to the "dead presidents" whose faces grace many American bills.

Stacks of green dollar bills are frequent props in music videos and album covers. Artists have incorporated the dollar symbol into their stage names, from the New Orleans-born rapper Curren\$y to Ty Dolla \$ign.

Rap historians are at a loss to name many widely used slang terms for foreign bills.

The closest may be the one used by Ms. Ma, who keeps a Japanese yen from her first big overseas tour in a scrapbook. She refers to all cash besides U.S. dollars as "color money."

"It's a cool thing to have color money," she said. "It means you're traveling."

Despite the dollar's slide this year, Fetty Wap says the blue \$100 bill—the basis of his nickname "Papa Smurf"—remains his preferred currency.

"Being an American, the dollar is always going to be my favorite," he said.

In the song "Tokyo Drift,"

Yung Lean boasts about traveling to Japan, which he calls "Yen Land" and "Rollin' green off a flat, spend a million yen, get it back." That's worth about \$9,000.

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## WORLD NEWS

# Tehran Attackers Were Recruited in Iran

Security breach that left 17 dead could raise questions about Iran's military strategy

Iranian officials on Thursday blamed Islamic State for unprecedented attacks that killed 17 people in Tehran this week, saying the attackers had been recruited within Iran, as an investigation into the incidents intensified.

By Aresu Eqbali in Tehran and Asa Fitch in Dubai

"Those individuals who carried out the attacks on Wednesday in Tehran had joined Islamic State from different places inside Iran," said Reza Seifollahi, deputy secretary of Iran's Supreme National Security Council. Another official identified three of the people involved in the attacks as Iranians.

Iranian authorities haven't released the attackers' identities but the Intelligence Minis-

try published grisly photos purporting to be of five of their bodies, along with their first names.

The twin attacks took place at Iran's parliament in Tehran and the shrine of Ayatollah Ruhollah Khomeini, the Islamic Republic's founding figure, which lies south of the city center. They were the first Islamic State-claimed attacks inside Iran, bringing the regional battle against the Sunni Muslim extremist group to the heart of Shiite Iran.

The breach in security at two heavily guarded and symbolic pillars of the Iranian system could raise questions about the country's military strategy and the ability of newly re-elected President Hassan Rouhani's ability to shield it from extremism, analysts have said.

Many Iranians were defiant in the immediate aftermath of the attacks, exchanging messages on social media expressing togetherness, although some also pointed to the costs of Iran's military involvement in Syria and Iraq and its failure to keep extremism at bay.



A gunman aims at a man in Iran's parliament building in an image from closed-circuit television.

Iranian leaders, including Mr. Rouhani, said the attacks would only strengthen Iran's resolve to fight terrorism. "The Iranian nation will withstand terror, violence and extremism more resiliently than before," he said, according to the official Islamic Republic News Agency.

Islamic State claimed responsibility shortly after the attack in a statement posted to its official Amaq news agency. The attackers were working in concert with Islamic State in areas of the Middle East controlled by the extremist group, Mr. Seifollahi said.

Islamic State once held large swaths of territory across its self-declared caliphate in Iraq and Syria, but has more recently fallen back on guerrilla-style suicide attacks as it faces battlefield losses.

The attackers had joined Islamic State and left Iran to fight in Mosul in Iraq and Raqqah in Syria, an intelligence ministry statement said Thursday. They returned to Iran in July of last year under the command of an Islamic State operative identi-

fied as Abu Ayesheh, it said, intending to strike the country's holy cities.

They then fled Iran after their network was crushed and Abu Ayesheh was killed, it said, but didn't elaborate on when or how they returned to Iran.

Iranian authorities have foiled more than 100 terrorist plots in the past two years, Intelligence Minister Mahmoud Alavi told state television, and the country has long relied on tight monitoring to combat attempts by Islamic State to carry out attacks on its soil.

Global leaders condemned the rare attacks, including President Donald Trump who said he grieved for the victims and the Iranian people. But his remarks caused controversy when he underscored "that states that sponsor terrorism risk falling victim to the evil they promote."

In a tweet, Iranian Foreign Minister Javad Zarif called Mr. Trump's statement "repugnant."

The U.S. has designated Iran a state sponsor of terrorism since 1984.

# American Pilot Shoots Down Armed Drone in Syria

By DION NISSENBAUM

WASHINGTON—An American pilot shot down an armed drone that attacked U.S.-backed forces in southern Syria on Thursday in an escalating confrontation with President Bashar al-Assad and his allies, military officials said.

The shootdown came after the Predator-style drone targeted U.S.-led coalition advisers on patrol with Syrian fighters in southern Syria, where American forces operate out of a base along the border with Jordan and Iraq.

While no members of the patrol were hurt by the drone strike, it marked a significant expansion in the fight between Mr. Assad's forces and Americans operating in Syria. American officials said it was the first time allies of Mr. Assad had used a drone to attack U.S.-led coalition forces in Syria.

The U.S. military has been working to identify the origin of the drone in Thursday's attack, but U.S. officials and analysts said it most likely was Iranian-made.

Iran used its Shahed 129

The drone targeted U.S.-led coalition advisers on patrol with Syrian fighters.

drone in February 2016 to carry out attacks in Syria, according to the country's state-run news agency. Hezbollah, the Iranian-backed militant group fighting alongside Mr. Assad's forces in Syria, has also used drones in the past.

The fight in southern Syria has intensified in recent weeks as the U.S. military has beefed up its presence in the area as the fight against Islamic State extremist forces accelerates. Three weeks ago, the U.S.-led coalition carried out airstrikes on pro-regime forces that moved toward al-Tanf, where U.S. forces and their allies operate out of a base.

At the time, the U.S. military warned Mr. Assad and his allies to steer clear of the base and stay out of a 33-mile deconfliction zone around the base.

But some allies of Mr. Assad

refused to leave, while others began to set up camp right outside the zone, U.S. officials said.

Earlier this week, the U.S. military carried out a second strike on the pro-regime forces inside the zone, and issued public warnings for the remaining forces to pull back.

U.S. officials said the forces in the area include Shiite militias backed by Iran and members of the Syrian military.

The U.S. military used its deconfliction communications line with Russia to repeatedly urge Mr. Assad's allies to leave

the area, but some remained, said U.S. Army Col. Ryan Dillon, a Baghdad-based spokesman for the U.S.-led military coalition battling Islamic State.

The U.S. has drawn criticism from Moscow and threats of retaliation from Damascus.

After the strike earlier this week, Russian Foreign Minister Sergei Lavrov called the operation "an aggressive act" and said that Moscow didn't recognize the deconfliction zone declared by the U.S.

—Nathan Hodge in Moscow and Nour Alakraa in Berlin contributed to this article.

# Gulf Rift Takes Toll On Mixed Families

By MARGHERITA STANCATI

DOHA, Qatar—When Saudi Arabia, the United Arab Emirates and several other Arab states severed ties with tiny Qatar, Rashed al Jalalma and thousands like him were pulled into the Persian Gulf's worst political crisis in decades.

A resident of Qatar who holds a Bahraini passport, the 21-year-old faces the prospect of being separated from his Qatari mother and uprooted from this lifelong home, the Qatari capital of Doha. That's because Bahrain joined the coordinated effort to isolate Qatar over its alleged link to extremist groups and disagreements on foreign policy. As a result, the rupture in diplomatic ties—and the blocking of direct land, sea and air routes with Qatar—has wreaked havoc with families of mixed nationalities and torn allegiances.

"I don't want to go to Bahrain because I don't know Bahrain," says Mr. al Jalalma, who is training as an engineer with Qatar Airways, the national carrier.

Saudi Arabia, the U.A.E. and Bahrain also ordered the expulsion of Qataris from their countries, and gave their own citizens two weeks to leave Qatar without facing penalties. Those ultimatums have caused panic among thousands of people on the wrong side of the border.

They include some 6,500 mixed families, according to figures provided by Qatar's government, whose members now face the choice of defying their government's orders or abandoning their families.

Qatar's National Human Rights Committee said that it has so far received over 400 appeals for help from Qatari and non-Qatari who were directly affected by the new restrictions imposed by Saudi Arabia, Bahrain and the U.A.E. Thousands will have to quit their job and interrupt their studies.

"It's a shock for all of us in the Arab region. How can I be separated from my children?" says Wafa al Jazeedi, the Qatari mother of Mr. al Jalalma. "Me as a mother I'm thinking: What shall I do?"

After she divorced her estranged Bahraini husband in 1999, she raised her two daughters and a son on her own in Qatar. Her son says he would rather give up his Bahraini citizenship than be forced to leave Qatar now.

In Qatar and elsewhere in the Gulf, children get their citizenship from their fathers, not their mothers.

Qatari officials say the government is appealing to human-rights organizations and the United Nations.

"What's really hurting here is the families," Qatar's foreign minister, Sheikh Mohammed bin Abdulrahman Al-Thani, told reporters in Doha on Thursday.

In justifying the measures taken against Qatar, Saudi Arabia, the U.A.E. and other Arab countries including Egypt cited Qatar's alleged links to extremism, which Doha denies, its conciliatory stance toward Iran and its support of Islamist groups.

—Nicolas Parasie in Dubai and Dahlia Kholaif in Cairo contributed to this article.



Emir of Kuwait Sheikh Sabah Al Ahmad Al Sabah, left, meeting with senior officials of the U.A.E. on Wednesday.

# Qatar Crisis a Proxy Battle of Rivals

MIDDLE EAST CROSSROADS  
By Yaroslav Trofimov

Qatar may be tiny, but that's where all the major fault lines in the Middle East are converging these days.

The sudden cutoff of ties with Qatar by several Saudi-led Arab states has already turned into a proxy fight between supporters and opponents of political Islam and between partners and enemies of Iran.

After a series of tweets against Qatar by President Donald Trump, the conflict has also been infused with the simmering hostility between the American president and his European critics such as Germany.

Pitting one group of longstanding American allies against another, the Qatar confrontation has put the U.S. squarely in the middle. If allowed to escalate, it risks undermining the U.S. campaign against Islamic State and the

war in Afghanistan, both run out of the Al Udeid base near Qatar's capital Doha.

The crisis over Qatar began just days after Mr. Trump essentially endorsed Saudi Arabia's claim to lead the Arab and Muslim world at a summit with dozens of regional leaders convened by King Salman in May in Riyadh. That claim is far from being universally accepted, even in Saudi Arabia's immediate neighborhood where Qatar—fueled by its natural-gas wealth—has long been a maverick.

Whether Saudi Arabia brings Qatar to heel, and at what cost, will be a test of the kingdom's rising ambitions.

Geopolitical rivals including Turkey, Russia and Iran are already lining up behind Qatar to make sure that doesn't happen.

On Wednesday, Turkey's parliament rushed a vote authorizing the dispatch of as many as 3,000 troops to Qatar. With Saudi airspace now closed to

Qatari planes, Turkey and Iran have also offered a logistic lifeline allowing Doha to escape isolation.

The immediate trigger for the Qatar crisis was a statement, allegedly by Qatar's emir, that criticized Saudi Arabia and Mr. Trump. It was published online by the Qatari news agency following the Riyadh summit. Qatar quickly said the news agency had been hacked and that the emir, Sheikh Tamim bin Hamad,

never made these remarks. But by then, it didn't really matter.

State-controlled media in Saudi Arabia, the United Arab Emirates and Egypt went on a campaign against Qatar, demanding it end support for Islamist groups such as Muslim Brotherhood and Hamas and distance itself from Iran.

After a defiant Sheikh Tamim made a phone call to the Iranian president, the Saudi-led nations on Monday cut diplomatic ties with the emirate and closed their land,

airspace and ports to Qataris and Qatari trade. Unless Qatar buckles, these states envision additional sanctions.

For now, the Saudi camp seems to be dealing with Qatar as a Saddam with chemical weapons. They are adamant to escalate until the Qatari bow down," said Hassan Hassan, a fellow at the Tahrir Institute for Middle East Policy.

These steps are extraordinary considering that, just a week ago, Qataris, Emiratis and Saudis could freely live and work in each other's countries under Gulf Cooperation

Council rules.

But Saudi Arabia, Egypt and the U.A.E. have all nursed their own grievances with Qatar.

Egyptian President Abdel Fattah Al Sisi resents Qatar's traditional support for the Muslim Brotherhood, his key domestic foe. The U.A.E.'s de facto leader, Crown Prince Mohammed bin Zayed, is staunchly opposed to the Muslim Brotherhood and has championed an uncompromising crackdown on Islamists across the region.

Then there is the issue of Iran. Qatar's main natural-gas field—the source of the emirate's wealth—is shared with Iran, a reality that forces Doha to adopt a relatively soft line toward Tehran.

From Tehran's standpoint, the Qatar crisis can only offer benefits, at least in the short run. The dispute has already undermined the GCC, weakened attempts to establish Sunni unity against Iran, and is likely to undermine Turkish-Saudi cooperation on behalf of Sunnis in Syria, said Vali Nasr, dean of School of Advanced International Studies at Johns Hopkins University.

"The split, Tehran thinks, shows Saudis to be heavy-handed," Mr. Nasr said. "That will worry many actors and open doors for Iran in the region and across the Muslim world."



Rashed al Jalalma, left, a Bahraini citizen, faces the prospect of being separated from his Qatari mother, Wafa al Jazeedi, right.

# GREATER NEW YORK

## City Is Urged to Revamp Child Services

BY MELANIE GRAYCE WEST

A new report from a national child-welfare organization calls for New York City to institute a broad, multiagency strategy to make child safety a public-health issue, spreading the protection of the city's youth across agencies instead of relying on the Administration for Children's Services.

The report—to be released Friday by ACS and authored by Casey Family Programs, a Seattle-based foundation—determined ACS gets good marks with its range of innovative preventive ser-

vices that reduce repeat maltreatment and prevent children from entering foster care. The report also found that the city has a lower rate of repeat maltreatment within six months compared with other areas of the state—9.8% in the city compared with 13% elsewhere.

But in an examination of specific ACS cases, researchers found that the agency sometimes didn't give families prompt or correct intervention. Researchers also determined there were inconsistencies in the way prior reports or background information was incor-

porated into decision-making on cases. Moreover, researchers said the manner in which policies are communicated to ACS staff is problematic.

In response to recommendations made in the report, an ACS spokeswoman provided a detailed list of actions the agency is undertaking, including a program in the South Bronx and Brooklyn's Brownsville section targeted to children from infancy to 3 years; greater coordination with the city's Department of Homeless Services to enhance communication around ACS families; and increased staffing in borough offices.

**David Hansell,**  
commissioner  
of the New  
York City  
Administration  
for Children's  
Services.

The Casey Family report is among several probes of ACS, which has come under fire for a string of high-profile child deaths in the past year. In response, the state has appointed a third party to monitor the agency. A spokeswoman for the state's Office of Children &

Family Services said it is in regular communication with ACS and will be making recommendations for improvement.

In an interview, ACS Commissioner David Hansell said the report offered a "grounded assessment" of where the agency should focus. He said the main recommendation, to institute a multiagency public-health strategy, is already moving forward in some areas, with increased collaboration among city agencies. But there "are more opportunities for us to leverage the work that's going on and resources available to other city agencies," he added.

"Many reforms are already under way, including encouraging interagency partnerships and relaunching CHILD-STAT, and we look forward to continue to strengthen ACS's ongoing work," a City Hall spokesman said.

Jennifer March, executive director of the Citizens' Committee for Children, a New York-based child-advocacy group, said the report from Casey Family echoes what advocates have long known: "A single system or agency can't be the only one involved in making certain that children are safe," she added.

## Pension Funds Exit Prison Companies

BY CORINNE RAMEY

Comptroller Scott Stringer said Thursday that New York City's pension funds had divested its investments in private prison companies, calling the move the first by a major U.S. city.

The funds have sold about \$48 million in stocks and bonds from three companies, GEO Group, CoreCivic and G4S, the comptroller's office said. While their stock prices have surged since the presidential election in November, the companies have come under fire for what critics say is mistreatment of inmates.

"Morally, the industry wants to turn back the clock on years of progress on criminal justice, and we can't sit idly by and watch that happen," said Mr. Stringer, a Democrat. "Divesting is simply the right thing to do, financially and morally."

The GEO Group said it re-

jected "the baseless claims that led to this misguided decision."

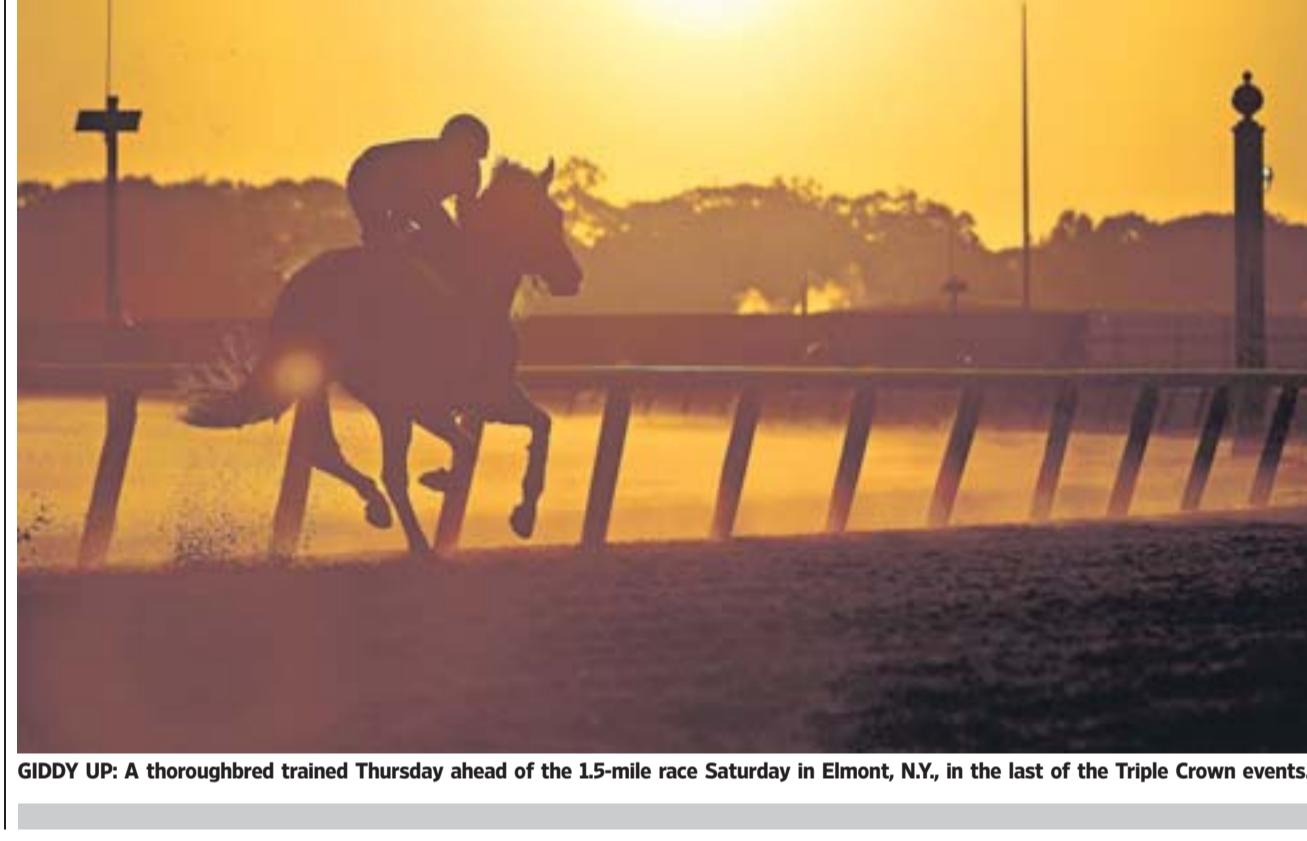
A CoreCivic spokesman said the company helps keep communities safe and enrolls thousands of inmates a year in programs that help reduce recidivism.

A G4S spokesman said its prisons make up less than 5% of its revenue. It doesn't run any prisons in the U.S.

An August 2016 report by the Justice Department's inspector general found for-profit facilities had more "safety and security incidents" than comparable government-run facilities.

Later that month, the agency said it would phase out the use of private prisons. Attorney General Jeff Sessions reversed the policy, saying for-profit prisons were needed to accommodate the inmate population. President Donald Trump has said private prisons seem "to work a lot better."

## Belmont Stakes on Track for 149th Running



**GIDDY UP:** A thoroughbred trained Thursday ahead of the 1.5-mile race Saturday in Elmont, N.Y., in the last of the Triple Crown events.

## Seniors at a N.J. High School Will Take Only College Classes This Year

BY LESLIE BRODY

A charter high school in Camden, N.J., has an unusual plan for the coming school year: All 12th-graders will take only college courses.

Officials at LEAP Academy University Charter School say the goal is to position students to finish college in three years and save tuition costs for families. The plan raises questions, however, about potential pitfalls for teenagers who might not be academically ready.

Only 25% of the test takers at LEAP Academy last year met the benchmark SAT score of 480 out of 800 that reflects college readiness in reading and writing, according to state data. Meanwhile, 11% met the benchmark score of 530 in math.

The charter's founder, Gloria Bonilla-Santiago, said she believes the seniors can handle a full schedule of college work because many have done well in these classes before. She said SAT scores aren't a good measure of the abilities of urban youth, who often lack the expensive tutoring and other resources that benefit more affluent peers.

Most of the charter's students are poor, and black or Hispanic. According to 2016 state data, 93% of its students graduated high school in four years.

Ms. Bonilla-Santiago said tackling college would be more motivating than a fourth year of high school. "Senior year is often a wasted year," she said. "Most of the kids are bored to death."

Many high schools nationwide offer dual enrollment in colleges to expose students to the campus vibe and inspire them to pursue higher education. The so-called LEAP Early College plan, to start next fall with about 120 students, is unusual in that it includes the entire senior class.

The students will study with professors on the Camden campuses of Rutgers University and Rowan University, but will take classes only with other LEAP students.

### Passing Grade

The percentage of students who met SAT benchmarks for college readiness last year.\*

#### LEAP ACADEMY

Reading and Writing: 25%  
Math: 11%

#### NEW JERSEY STATEWIDE

Reading and Writing: 71%  
Math: 53%

\*Reading and Writing 480, Math 530.  
Source: New Jersey Department of Education

rector of the National Alliance of Concurrent Enrollment Partnerships, said such programs can help students at risk of struggling in college by giving them experience while they still have the supports of high school. But there are risks, he said. Bad grades likely will remain on their college transcripts and affect their GPA, he noted.

LEAP officials said its teachers will lead review sessions, monitor students' work and tutor them if necessary. The charter school will use its public funding for the program and the universities will offer lower tuition, they said.

Michael Sepanic, spokesman for Rutgers in Camden, said the pilot project fit with its mission of increasing access. "We wouldn't enter into this if we thought there was no way to support the kids," he said. Rutgers is offering courses in business and the humanities, including African-American history and cultural anthropology.

Horacio Sosa, a vice president at Rowan, said the students would be placed in math and writing courses according to ability.

"It's a bold idea," he said. "LEAP Academy is doing everything in their power to make sure every single student succeeds."



Starting in September, 12th-graders at LEAP Academy University Charter School in Camden, N.J., will take only college courses.

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## GREATER NEW YORK

# Bars Go Bold to Stand Out

By CHARLES PASSY

At the soon-to-open Oscar Wilde bar in Manhattan's No-Mad neighborhood, patrons will likely take note of many special details, from the vintage player piano to the gold-colored beer taps.

But the physical bar itself stands out: At 118½ feet, it is the longest in the city, according to owners Tommy Burke and Frank McCole.

The idea is to honor the bar's namesake, the flamboyant Irish author and playwright. "If you're going to celebrate Oscar Wilde, you have to make it over-the-top," said Mr. McCole.

Such bold statements are becoming more the rule than the exception in New York's bustling drinking scene. To stay ahead of the competition, bar owners are pushing the envelope in a variety of ways.

Some, like the newly opened Library of Distilled Spirits near Union Square, are doing it by creating encyclopedic menus. The bar features about 1,000 different spirits, including 170 Scotches, 140 American whiskeys and even 25 Japanese whiskies. In keeping with the library theme, the bottles are displayed on bookshelves, with bartenders having to use a rolling library ladder to reach the offerings on top.

Additionally, the bar will feature about 200 books on spirits.

"We might even let people take them out with our own library card," said Tom Dillon, co-founder of parent hospitality group APICII.

Other drinking spots have similarly exhaustive menus, but with a focus on a particular spirit category. Masa y Agave at Rosa Mexicano, a Tribeca bar that opened in 2015, pours around 400 different agave spirits—not only tequila, but also mezcal, raicilla



and sotol.

"We just wanted to be a place where people could explore," said Courtenay Greenleaf, corporate beverage director for the Rosa Mexicano restaurant group.

The more-is-more philosophy overtaking the New York bar scene also applies to the drinks themselves.

The Mega Mule, a plus-size version of the popular Moscow

Mule cocktail, is now being offered at the PHD bars, located at the Dream hotels in Midtown and downtown. The 164-ounce drink, which is typically shared by a group, includes more than half a bottle of vodka and is served in a gigantic copper cup. The price: \$150 to \$185, varying on location.

It is very much designed to be an attention-getter, says Matt Strauss, managing part-

Adrian Gutierrez grabs a bottle at the Library of Distilled Spirits. Camilia Tafe, left, and Brianna Nielsen share a Mega Mule cocktail at PHD Terrace.

ner of the TAO Group, which owns the bars. And it seems to be having the desired effect. As soon as one table orders it, another soon follows, Mr. Strauss says.

The bigger-is-better approach can indeed help ring in the sales, say bar-industry insiders and observers. It doesn't necessarily come cheap.

The Oscar Wilde bar cost \$4.2 million, according to the owners. They expect that the bar's size will be an initial draw. But to keep customers returning, they say good drinks and good service are a must.

They hope Oscar Wilde, which seats 225 and will likely open at the end of June, will be seen as a convivial gathering place rather than just a superlong bar.

## Connecticut Man to Get New Trial in 1991 Murder



RELEASED: Alfred Swinton shouted 'Freedom! Freedom!' outside a Hartford courthouse Thursday after a judge vacated his 2001 conviction in the killing of Carla Terry, based on DNA testing. Mr. Swinton, 68, will be on home confinement and electronic monitoring while he awaits a new trial.

## Jersey City Officers Face Dismissal

By ZOLAN KANNO-YOUNGS

The mayor of Jersey City plans to dismiss police officers shown on video allegedly kicking and dragging a bystander injured during a car chase, and said officials might file criminal charges.

"Once we clearly identify all the officers involved we will be seeking termination in addition to any possible criminal penalties in appropriate cases," Jennifer Morrill, a spokeswoman for Mayor Steven Fulop, said.

At about 11 p.m. on Sunday officers were trying to stop 48-year-old Leo C. Pinkston as he attempted to elude police, Hudson County prosecutors said. He crashed into cars on both sides of the road, prompting officers to fire multiple shots. He then smashed into a utility pole, causing another vehicle carrying bystander Miguel Feliz-Rodriguez to erupt in flames, officials said.

It is unclear why police tried to stop Mr. Pinkston's vehicle.

After the chase ended in the fiery crash, a video taken by a witness, obtained by the Univision television company, shows Mr. Feliz-Rodriguez emerging

from his burning car with parts of his body on fire. Moments later, several police officers approached Mr. Feliz-Rodriguez. One officer, who appears to have his gun drawn, began kicking him. The video then shows the officers dragging him onto the street.

The Jersey City police department referred comment to the mayor's spokeswoman.

Mr. Pinkston, of Jersey City, has been charged with aggravated assault and eluding officers, prosecutors said. His lawyer couldn't immediately be reached for comment. Hudson County prosecutor Esther Suarez confirmed the man in

the video was a bystander. Mr. Feliz-Rodriguez was transported to St. Barnabas Medical Center in Livingston, N.J., with severe burns. On Thursday, a hospital spokeswoman said Mr. Feliz-Rodriguez was in critical condition.

Carmine Disbrow, president of the Jersey City Police Officer's Benevolent Association, said the video "clearly shows that the officers acted quickly to extinguish the flames, and pull this man (Mr. Feliz-Rodriguez) out of harm's way."

He said Mr. Fulop's comments were preventing a fair investigation.



Image appears to show officer kicking bystander after fiery crash.

## Ornate Staff Meets 16th-Century Original

By CORINNE RAMEY

When Andrew Dietsche became the Episcopal bishop of New York, his predecessor passed on a ceremonial staff that is carried only in his Manhattan cathedral. But last month, this ornate staff, known as a crozier, made an unusual trip into the outside world to meet the 16th-century original on which it was based.

"These croziers haven't seen each other since the 1920s," said Bishop Dietsche, who drove the crozier downtown for the reunion. "It was just fun."

The original crozier, from 1501, is temporarily at the Yeshiva University Museum, located at the Center for Jewish History in Manhattan's Union Square neighborhood.

The approximately 50-item exhibit, titled "500 Years of Treasures from Oxford," comprises a collection of artifacts, including rare manuscripts and books, on loan from Oxford University's Corpus Christi College. Made by an anonymous London craftsman, it is valued at about £1,500,000, or nearly \$2 million, according to the center.

The exhibition's curator, Peter Kidd, said the crozier provides variety among the many books and manuscripts. "It makes quite a splash when you first walk into the room," he added.

The replica stems from the 1920s, when a committee that included the then-bishop of London sought to celebrate the alliance between the diocese of New York and that of London by copying the original crozier.



The 16th-century crozier.

tall staff, constructed of silver with gold leaf, belonged to Bishop Richard Fox, the founder of Corpus Christi College. Made by an anonymous London craftsman, it is valued at about £1,500,000, or nearly \$2 million, according to the center.

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It runs through Aug. 6.

The original crozier is displayed near the entrance of the exhibit. The ornate 6-foot-

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## TELEVISION REVIEW

By John Anderson

# Vlad the Regaler



Russian President Vladimir Putin, who spent 30-plus hours with film director Oliver Stone

**A SPECTER IS HAUNTING** the news cycles—the specter of Vladimir Putin, who seems destined to become the Ryan Seacrest of political TV. He's everywhere, and nowhere. He dismisses questions, pooh-poohs our silly obsession with uncorrupted elections, provokes a saucer-eyed look from NBC debutante Megyn Kelly. And now? He has a virtual miniseries on Showtime.

If any news was going to erupt out of "The Putin Interviews," which were conducted by Oliver Stone and will occupy four hours over four nights, it likely would have leaked by now (though only parts 1 and 2 were made available for review). In the absence of startling revelations, what's fascinating about this elaborate production is the theater of it all. Also, the degrees of arrogance on display. And the unspoken motives: Why would Mr. Putin have agreed to spend 30-plus hours with film director Stone, whom the viewer will find hard enough to swallow in the hour-long doses Showtime is dispensing?

Anyone familiar with Mr. Stone's politics or movies, including his three films about Fidel Castro (which include 2003's "Comandante"), know he's going to be a welcoming conduit for the likes of Mr. Putin, who, despite having a sympathetic interviewer, is something of a nightmare subject. No matter what Mr. Stone says, or suggests—and some of it, even basic history, is magnificently uninformed for someone given the opportunity to interview the president of Russia—Mr. Putin reflexively contradicts him. You did this, Mr. Stone says, you did that; no, no, Mr. Putin responds, and then proceeds to split whatever hair necessary to make himself right. It's an obvious power strategy, as well as a cheap one.

But one can hardly blame Mr. Putin for the occasional look of annoyance, or bewilderment, or withering amusement

Please see PUTIN page A11

# LIFE & ARTS



UNIVERSAL (2)

**SOME QUESTIONS** about "The Mummy," a movie that goes beyond defying comprehension to being truly incomprehensible:

What is Tom Cruise doing here? He's had his ups and downs over a long career, but a Tom Cruise movie has come to mean a professional production that is, if nothing else, good to look at. This one, his worst ever, isn't worth a first look, let alone a second one, unless you thrill to a luridly silly villain—more about her in a bit—and an infestation of digital mummies munching everyone in sight. The plot is subprofessional chaos with vague aspirations to parody. Mr. Cruise, who plays a soldier of fortune named Nick Morton, looks like a baffled bystander when he isn't running, jumping, shooting and fighting his way through the subterranean reaches of contemporary London. (That's where much of the story is set, even though spasms of action take place in Iraq, and on sand dunes meant to evoke "Lawrence of Arabia.")

How could Nick have been made so nonlikable? Unlike Indiana Jones, an archaeologist with a buoyant spirit (or the perfectly pleasant Rick O'Connell in those mummy movies with Brendan Fraser), Nick is basically a robber of graves and antiquities. What's more, according to Jenny Halsey, a beautiful archaeologist played vervelessly by Annabelle Wallis, he's a lover who cannot simulate human feelings for more than a few seconds at a time. (We are mercifully spared any love scenes, or even suggestions of sexual chemistry.) Jenny does say at several points that there's a good man inside him. While that man is struggling to get out, though—struggling with an evil curse that threatens to turn "The Mummy" into "The Exorcist"—Nick says unheroic things like "I don't know who I am" and "I don't know what I'm doing." Neither do we, and we don't give a damn. (The director was Alex Kurtzman.)

What's going on? This question is less general than situational. The basic plot is perfectly comprehensible. An ancient, and

**FILM REVIEW** | By Joe Morgenstern

## 'Mummy': A Sand Trap for Cruise



Tom Cruise and Annabelle Wallis, above, and Sofia Boutella, top

particularly nasty, princess raises hell on earth after the inadvertent unearthing of her sarcophagus. More often than not, however, it's hard to know where we are, and exactly when. Nick is afflicted by music-video visions that take him here, there and everywhere in temporal spurts, while the script is afflicted by serious continuity glitches. In one of them, a battle between good and evil is raging in a tunnel of the London Underground, but then Nick and Jenny are suddenly underwater, and not because they borrowed too much on their mortgage.

Why is the villain so intractably silly? No reason why the mummy shouldn't be female this time around; her name is Ahmanet, she's played by Sofia Boutella and she's formidably statuesque, with a fierce visage enhanced by hieroglyphic tats, though sometimes sullied by holes in her cheeks à la Tim

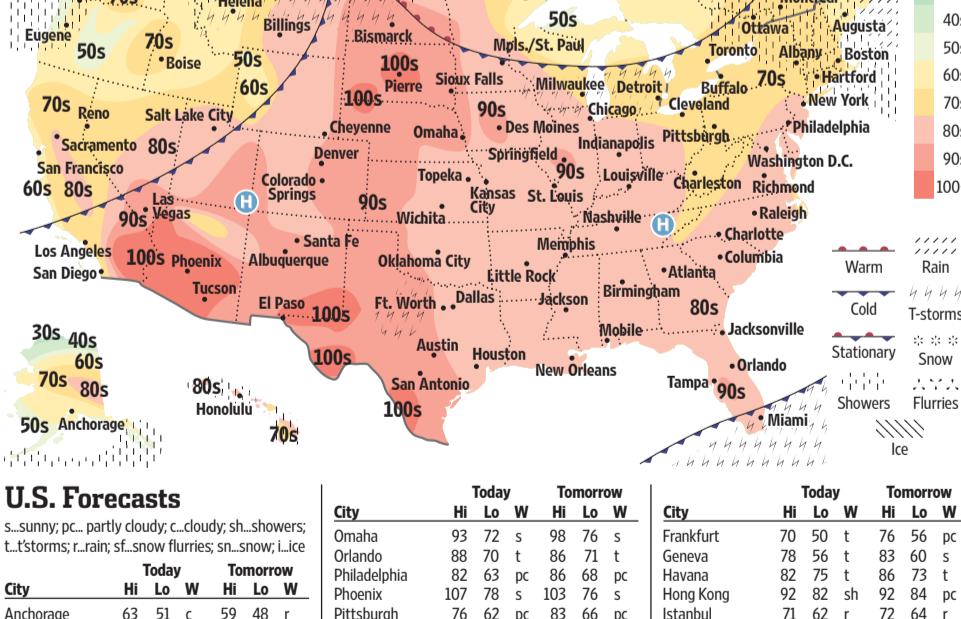
Burton's "Corpse Bride." But she roareth too much to little avail, whether she's summoning up a sand storm in London (as if London hadn't suffered enough lately) or straining against her chains in a Victorian-looking laboratory of the Prodigium. That's a shadowy organization presided over by Russell Crowe's Dr. Henry Jekyll, who, questioned about his outfit's mission, says only that "our business is evil."

Why has all human feeling been effaced from the film, if indeed feeling was ever present?

This question is argumentative, but irresistible, in the wake of "Wonder Woman." Last week we were treated, lavishly, to a summer spectacular that proved the genre could still be thrilling, surprising and deeply affecting. This week, in a resumption of the downward spiral that has afflicted summer movies for many years, we have a dumb retro wheeler that not only damages the career of its star but diminishes the cause of big-screen entertainment. "Be careful," Jenny tells workmen lifting Ahmanet's sarcophagus. "That's 5,000 years old." The film doesn't feel much younger.

Why would we want to see more of the similar, if not quite the same? This question is prompted by the place "The Mummy" occupies as the kick-off attraction of The Dark Universe. These days universes are being discovered with increasing frequency by astronomers, and created, with interconnected characters, by Hollywood production and marketing executives. For them a universe is the core of a franchise, and creating franchises is considered the best way, or maybe the only way, to keep vast numbers of multiplex seats reliably filled. Thus we have DC Comics universes competing with Marvel Comics universes, and now the Dark Universe, a far-reaching Universal Pictures venture that will recycle such classic treasures as "The Bride of Frankenstein" and "The Invisible Man" into big-budget, new-fashioned oldies. (We have not seen the last of Dr. Jekyll.) In an industry cursed by a paucity of ideas, "The Mummy" points to the future by exhuming the past.

## Weather



## U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	63	51	c	59	48	r
Atlanta	83	65	pc	85	68	s
Austin	93	68	t	92	69	pc
Baltimore	81	59	pc	86	65	s
Boise	72	48	c	68	49	c
Boston	70	62	r	80	65	pc
Burlington	78	58	pc	78	65	pc
Charlotte	83	64	pc	87	66	s
Chicago	84	63	pc	90	72	s
Cleveland	78	65	pc	87	69	pc
Dallas	87	72	t	90	72	s
Denver	93	59	s	94	62	s
Detroit	77	60	c	88	69	pc
Honolulu	88	74	sh	86	75	sh
Houston	89	70	pc	89	72	pc
Indianapolis	84	63	pc	88	65	s
Kansas City	86	67	s	91	72	s
Las Vegas	98	75	s	96	70	s
Little Rock	84	61	s	87	65	s
Los Angeles	75	61	pc	71	58	pc
Miami	87	77	t	87	79	t
Milwaukee	76	60	pc	87	72	pc
Minneapolis	88	73	pc	95	71	pc
Nashville	84	60	s	89	68	s
New Orleans	85	69	s	85	72	sh
New York City	80	64	pc	84	68	pc
Oklahoma City	85	67	pc	93	70	s

## International

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	66	57	sh	71	59	pc
Athens	83	66	s	81	67	s
Baghdad	113	80	s	114	80	s
Bangkok	89	79	t	89	78	t
Beijing	100	61	s	87	58	c
Berlin	81	54	t	71	56	pc
Brussels	68	51	t	75	59	s
Buenos Aires	58	47	t	67	43	s
Dubai	105	84	s	102	84	s
Dublin	65	54	c	68	52	sh
Edinburgh	64	51	sh	65	53	r

## The WSJ Daily Crossword | Edited by Mike Shenk



- The answer to this week's contest crossword is a U.S. state.
- Across**
- 1 About
  - 5 Adams or Hamilton
  - 10 DNA kit tool
  - 14 God associated with oak trees
  - 15 Text in a temple
  - 16 Video game in which players battle the Covenant
  - 17 Driving force behind the Austro-Hungarian Empire
  - 27 With 56-Down, Uttar Pradesh wonder
  - 30 \_\_\_ Gay
  - 31 Flower welcome gift
  - 32 Wishy-washy answer
  - 34 North Pole worker
- Down**
- 1 Where many work
  - 2 Faith healer
  - 3 Caribbean island that forms a country with Trinidad
  - 4 Hosp. parts
  - 5 \_\_\_ und Drang
  - 6 Capture
  - 7 Dot follower
  - 8 Small amount
  - 9 Herbes de Provence component
  - 10 Toothless fish
  - 11 Accusatory words
  - 12 Prefix indicating hipness
  - 13 "Gee whiz!"
  - 18 "Don't panic"
  - 19 Societal standard
  - 24 Testator's words
  - 25 Go over again
  - 26 Asian autos
- Puzzle Contest**
- 28 Put \_\_\_ in one's ear (make a suggestion to)
- 29 CEO's perk
- 33 Ready to roll
- 35 Nourished
- 37 Letter for Yanni
- 39 Duel initiator, traditionally
- 40 Come to blows
- 41 Part of the ear
- 42 Jumped up and down
- 43 Place for de-stressing
- 47 Bull's-eye hitter
- 49 Not here
- 51 Possible explanation
- 52 Autobiography
- 53 Made weaker
- 56 See 27-Across
- 57 Figures out the intentions of
- 59 Cabinet pt.
- 62 Purring pet
- 63 Boston-born Thurman
- 64 Bird that runs very fast
- 65 \_\_\_ Moines Register
- 66 Spider-Man creation
- Previous Puzzle's Solution**
- |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| T | I | T | O | W | H | A | I | M | O | B | A | J | L |
| I | C | O | N | H | E | M | A | N | G | L | N | I | N |
| A | N | L | L | S | E | S | C | O | M | I | O | S | S |
| T | I | D | I | E | S | T | I | D | E | S | R | P | R |
| P | A | T | H | E | P | E | T | R | P | A | N | P | A |
| A | B | S | M | I | X | E | V | I | A | R | C | O | O |
| D | U | R | T | O | S | A | R | C | S | E | S | U | E |
| O | R | E | O | S | C | A | R | C | S | T | C | A | T |
| S | T | R | U | T | E | R | S | A | T | C | A | B | S |
| F | E | L | L | E | A | S | S | T | P | O | A | R | S |
| U | Z | I | S | T | I | N | G | E | U | H | M | U | U |
| T | Y | E | R | N | I | E | C | H | U | M | E | H | S |
| Z | O | N | E | D | A | L | T | E | P | E | E | P | E |

Email your answer—in the subject line—to [crossovercontest@wsj.com](mailto:crossovercontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, June 11. A solver selected at random will win a WSJ mug. Last week's winner: Brian Kell, Pittsburgh, PA.

Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

## LIFE & ARTS

**THEATER REVIEW** | By Terry Teachout

# Longing to Lead A Larger Life

A flamboyant tour guide helps an imperious bureaucrat let loose in Peter Shaffer's play



Mia Dillon as the uptight Charlotte and Kandis Chappell as the fun-loving Lettice.

*Westport, Conn.* **A YEAR AFTER HIS DEATH**, Peter Shaffer has receded into the shadows of forgotten fame. It scarcely seems possible that the playwright who gave us "Amadeus" and "Equus," two of the biggest theatrical hits of the postwar era, should now be so ill-remembered on this side of the Atlantic, but it makes unhappy sense of a sort. Most of his plays are big machines that require large and costly casts to bring off, which makes them dicey for Broadway and riskier still for even the most ambitious regional theaters. In any case, his old-fashioned brand of serious middlebrow theater has fallen from favor: "Amadeus" and "Equus" are the only major plays by Mr. Shaffer ever to have been revived on Broadway, and neither revival was more than modestly successful. So it's great news that "Lettice and Lovage," Mr. Shaffer's last hit, is now being performed by Westport Country Playhouse. Written in 1987 as a vehicle for Maggie Smith, it's a chokingly funny farce enriched by a savory touch of seriousness, and Mark Lamos's smart staging never puts a foot wrong.

In "Lettice and Lovage," we make the acquaintance of Charlotte (Mia Dillon), an imperious bureaucrat whose shell of melancholy prissiness is smashed to bits when she makes the acquaintance of Lettice (Kandis Chappell), a splendidly flamboyant tour guide whose job it is to tell bored tourists about "the dullest house in England." Instead of sticking to the colorless story of Fustian House, Lettice starts rolling her own anecdotes, the

wilder the better, and Charlotte, her supervisor, is forced to fire her. Naturally, the two women become friends, and this being a farce, their friendship soon attracts the attention of the police. I'll leave it at that, save to say that Charlotte profits no end from knowing the much-larger-than-life Lettice, who is (in Lettice's own words) "the absolute antithesis of the Mere."

Part of what makes "Lettice and Lovage" such a satisfying comedy is its underlying seriousness. In a way, it's a comic version of "Equus," for both plays share a common theme: They're about deeply inhibited people who long to lead larger lives. Might Mr. Shaffer have had his own long-secret homosexuality in mind when he took up this subject? Or was he writing more generally about the paralyzingly self-conscious gentility of the English middle class of his youth? Whatever his motives, he employed his theme very, very well. "Lettice and Lovage" ought to be much more widely known to American audiences, and this production, the first revival that I've had occasion to review since I saw the play at Chicago's Court Theatre in 2006, is worthy in every way.

The role of Lettice, created by Dame Maggie, is the plummest of plum parts, and Ms. Chappell wears it like a perfectly tailored, fabulously elaborate period costume. It's pure pleasure to catch the loony glint in her eye as she elaborates with quick-rising implausibility on the dull history of Fustian House. Ms. Chappell was forced to step into the part a week before the show opened when the actor originally

hired by Mr. Lamos fell ill, but you wouldn't have known it from her opening-night performance, which was totally assured. As for Ms. Dillon, she's nothing short of ideal as Charlotte, whom Lettice drags into the warm spotlight of emotional extravagance. For the smaller but pivotal role of Lettice's lawyer, Mr. Lamos offers a deluxe piece of casting: Paxton Whitehead, who played the part on Broadway, reprises it here, and does his usual masterly job of embodying stiff-upper-lip befuddlement.

As for John Arnone's two sets, the Grand Hall of Fustian House and Lettice's cheap but fancifully decorated two-room basement flat in London, to call them Broadway-worthy would be understating the case. Indeed, one might say the same thing of the production as a whole, which Mr. Lamos has directed with his usual blend of theatrical flair and satisfying faithfulness to the author's wishes. Were this "Lettice and Lovage" to transfer to Broadway as is, I can't imagine it being anything other than a crowd-delighting success.

### Lettice and Lovage

Westport Country Playhouse,  
25 Powers Court, Westport, Conn.  
(\$30 and up, depending on availability),  
203-227-4177/888-927-7529,  
closes June 17

*Mr. Teachout is the Journal's drama critic. "Billy and Me," his second play, opens at Palm Beach Dramaworks on Dec. 8. Write to him at tteachout@wsj.com.*



Oliver Stone with Russian President Vladimir Putin.

## PUTIN

*Continued from page A10* he casts in Mr. Stone's direction, whether in response to the superficiality of the questions or the "This Is Your Life" approach taken by the director of "JFK," "Platoon" and most recently

"Snowden," about Mr. Putin's most famous guest. Shot over two years, "The Putin Interviews" allows wide latitude to the former KGB agent and FSB director to make his case that Russia is a victim, that NATO is unnecessary, that what he is really after is "rapprochement" with Ukraine. Part 2 of the interviews ends in what is apparently mid-2016, with Mr. Putin affirming that "we never interfere with the domestic affairs of other countries," and refusing to pick a favorite in the coming U.S. election. (Part 4, conducted in February of this year, may deliver some sensational news. Can't say.)

For his part, Mr. Stone talks about America as if he's not a part of it, which comes across as a symptom of towering arrogance, as well as an attempt to position himself as Mr. Putin's equal. While the Oscar-winning director can certainly spin, on Mr. Putin's turf he's a relative amateur. And a blunderer: When Mr.

Stone refers back to a Charlie Rose interview—in

which the Russian president

apparently acknowledged his czarist aspirations—Mr.

Putin says he was misun-

derstood. Mr. Stone offers,

"You should shoot the in-

terpreter," which seems, at

best, an unkind thing to

say, especially with a Rus-

sian interpreter standing

right there.

Mr. Putin isn't quite agile enough to avoid his own rhetorical potholes. "Do you

have bad days?" Mr. Stone asks, to which the Russian responds, "I'm not a woman, so I don't have bad days," then makes it worse by going on about "certain natural cycles." Would he ever shower at the gym with someone he knew was gay? Of course not. "Why provoke him?"

Has Vladimir Putin—whose offers to collaborate on an anti-ballistic missile system sound like the fox offering to install an alarm in the hen house—ever seen the Cold War classic "Dr. Strangelove"? Mr. Stone in-



Their discussions  
are light on  
revelations, heavy  
on arrogance.

sists on screening it for him; Mr. Putin, by every indication, remains unamused. Of course, not everything in humor, or art, or certainly language translates, which is probably a good thing: When Mr. Putin emerges from the locker room at his Moscow hockey rink, buried in gear and helmet, Mr. Stone blurts out "Mighty Mouse!" On this, one has to agree with Mr. Stone. There is a resemblance.

**The Putin Interviews**  
Begins Monday, 9 p.m.,  
Showtime

**FILM REVIEW** | By Joe Morgenstern

# DID SHE OR DIDN'T SHE?

**THE PLEASURES OF** "My Cousin Rachel" begin with sumptuous images that suggest a stately story, classically told. Yet Roger Michell's lush psychological thriller, starring Rachel Weisz and Sam Claflin, is more intricate, and interesting, than it first seems. It's a modified Gothic take on the Daphne du Maurier novel about a young Englishman, Philip, who plans to take revenge on his older, mysterious cousin for killing his beloved guardian, then falls madly in love with her and can't decide, any more than we can, whether she's guilty of murder or as innocent as she is beautiful.

The novel, published in 1951, was brought to the screen the following year, with Olivia de Havilland and Richard Burton in the leading roles; that black-and-white production, currently available through streaming services, is worth watching after you see the new film, which is in elegant color. There's no reason why color can't convey a Gothic tale, of course—Cary Joji Fukunaga proved that in "Jane Eyre," with Mia Wasikowska in the title role, and this remake of "My Cousin Rachel," shot by



Rachel Weisz as Rachel and Sam Claflin as Philip in 'My Cousin Rachel'

Mike Eley, remakes the point. The same goes for a wider spectrum of sexual energy. The earlier film was relatively decorous, with semi-bridled passions that befit the story and the era in which it was filmed. Now the lovers let loose, or at least loosen, but wittily as well as ardently; Ms. Weisz and Mr. Claflin, superb performers individually, make an electri-

fying couple on screen.

But what is a contemporary adaptation to do with the more conspicuous plot devices and melodramatic excesses of the Du Maurier novel? Mr. Michell and his stars choose to wink at them—not so subtly that we don't notice, but not so blatantly that we're completely distanced from the essence of the drama. We are, if truth

be told, partly distanced from

several deep-purple passages, but at those times the film functions as a sort of modern interactive museum. Here, it is saying in effect, are old-fashioned conventions that still have life in them, but to appreciate them we need to approach them playfully. That worked for me, from the understated start to the overwrought finish.

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# SPORTS



Adam Scott says he is no longer taking off the weeks before majors, as he did for years. Instead, he plans to play in run-up events to the majors.

BY BRIAN COSTA

**ADAM SCOTT** won twice on the PGA Tour last season, a feat that will long be remembered by himself, his caddie and several members of his immediate family. But in the events that everyone else recalls, otherwise known as golf's major championships, the Australian former world No. 1 finished no better than 18th place.

This year, Scott plotted a change in strategy. No longer is he taking off the weeks before majors, as he did for years. Now, he is playing in those run-up events, not to improve his best golf but rather to bring it out during the four weeks that matter most.

"I'm trying to peak," he said.

Less than a week ahead of the U.S. Open, the notion of peaking at the right time is foremost on the minds of most of the best players

in golf. Yet even as players gain more knowledge about their swings, their bodies and the courses they compete on, controlling the timing of peak performance remains golf's version of a Rubik's Cube.

Many players try. Far fewer are confident that they've solved it, even those that have won a major. Some are continually in search of a different approach. Others bristle at the very idea, arguing that it simply isn't possible.

"It's a very inexact science," said four-time major winner Rory McIlroy. "You're always trying to figure out the best way."

The root of the dilemma is the variance that is inherent in the sport. One week, a player like McIlroy can look like the greatest golfer on the planet. The next week, that same player can miss the cut, and it barely registers as a shock. In time, the best will rise to the top of big-

ger-picture measures such as the world rankings and the prize money list. But none of those measures earn players prestige, fame and endorsements like the majors do.

That reality prompts players to plan their year around those four weeks in several ways. Scheduling is one part of it. Some players believe competing the weekend before a major prepares them best. Some believe they're better off resting. They are sure one way is smarter – until they think maybe the other way is smarter.

The extent to which their routines revolve around the majors is evident even in the winter. Butch Harmon, the legendary swing coach whose current pupils include world No. 1 Dustin Johnson, said players typically want any changes in technique to be made early enough in the year that they are comfortable with them before the Masters.

In the weeks leading up to a ma-

jor, some players treat other tournaments like glorified warm-ups. For example, Harmon said if the site of an upcoming major tends to favor right-to-left shots into greens, a player might hit them even though the hole they are playing favors the opposite trajectory.

"We spend the whole year preparing for the four majors," Harmon said. "When you're dealing with upper-echelon guys, that's what their focus is."

For all that, relatively few players ever win a major. Among them, it isn't always obvious which ones have learned to peak and which ones merely catch lightning in a bottle.

Since 2008, 29 players have won at least one major title. But even within that elite group, relatively few have demonstrated any sustained knack for raising their games at the majors.

The sports data company Stats LLC analyzed the average finishes

of those 29 players at majors versus non-majors and found that only Jason Day, the 2015 PGA Championship winner, has been markedly better at majors. Day's average finish at majors is 26th place, compared to 43rd at non-majors.

Tiger Woods no doubt excelled in majors, winning 14 of them. But he was also the undisputed best player in the world. According to Stats's analysis, Woods's career average finish at majors (26th) is actually lower than his average finish in non-majors (18th).

"I knew guys, good friends, that tried to get everything timed up, where they could say, 'This is going to be a great week,'" said 2003 U.S. Open winner Jim Furyk. "Sometimes it worked, and sometimes they missed the cut."

That begs the question: To what extent does it make sense for players to consume themselves with major championship preparations to the neglect of other events? Among top players, the answer varies.

"It's always so funny to me," said Justin Thomas, who has four PGA Tour wins but no major titles. "Everyone is like, 'I want to be prepared and ready for the majors.' Well, what about the other 22 events you're playing in? You're basically telling everyone I'm not going to prepare for these events to win."

The tournaments that fall before majors don't lament their status as final tune-ups. Some of them embrace it. The Houston Open, held the week before the Masters, conditions its course to simulate Augusta National. This week's FedEx St. Jude Classic in Memphis arranges a charter flight for players heading to the U.S. Open—held at Erin Hills in Wisconsin this year—on Sunday night.

The Scottish Open, played the weekend before the British Open, sells its preparation value to players. In March, around the time players are plotting their summer schedules, the tournament noted on Twitter that seven of the top 11 finishers at last year's British Open prepared by playing in the Scottish Open.

But when it comes to the choices players can make before the majors, predictive insights remain scarce. "I don't see how you can possibly predict when you're going to peak," said 2009 British Open champion Stewart Cink. "This game is not like that. Preparation doesn't always lead to success. Over a long haul, it does, but not in one specific instance."



Jelena Ostapenko

FRENCH OPEN

## AN UNKNOWN ROCKS PARIS WITH HARD-HITTING STRATEGY

BY TOM PERROTTA

**ANOTHER FITTING** surprise for the women's French Open: 20-year-old Jelena Ostapenko—unseeded, little known and a winner of zero previous titles—will play in her first Grand Slam final on Saturday.

Ostapenko defeated an older, more experienced player, 28-year-old Timea Bacsinszky, who had beaten veteran Venus Williams earlier in the tournament. Ostapenko, ranked No. 47 and from Latvia, ended the match with her 50th winner, 7-6(4), 3-6, 6-3. The victory came on her 20th birthday. She previously had never advanced beyond the third round of a major tournament.

"I'm really happy to be in the final, especially on my birthday," Ostapenko said.

Ostapenko's style—hit hard, aim for the lines and don't fiddle with long rallies—seems to make little sense at Roland Garros, where topspin, depth, speed and steadiness are generally better assets. Yet Ostapenko somehow has thumped 245 total winners in six matches, mostly by slugging at the ball and hitting it low.

By comparison, her opponent in the final, Simona Halep, has recorded 118 winners—less than half Ostapenko's total. "She's, like,

hitting as hard as she can down the line from nowhere," Bacsinszky said. "I mean, who tries that? Seriously?"

Ostapenko said her belief came after a first-round victory in three sets. "Was a tough match," she said. "It kind of gave me confidence."

The confidence Halep brings to the match stems from a minor miracle. On Wednesday, she recovered from a 5-1 deficit in the second set, saved a match point and went on to beat young talent Elina Svitolina in three sets. Then on Thursday she ousted second seed Karolina Pliskova, 6-4, 3-6, 6-3. If Halep wins on Saturday, she'll earn the first major title of her career and take over No. 1 in the rankings. This is the second French Open final of her career, with the first in 2014.

Halep, 25 years old, works with longtime Andre Agassi coach, Darren Cahill. Her attitude was so poor earlier this year that Cahill split their partnership. Halep sought his return and since then she has played with more consistency and conviction. At Roland Garros, she has even ignored the physical pain of an ankle ligament she tore in Rome last month.

"I feel during the match the pain, but I don't care," Halep said. "I'm not thinking about that."

## NBA

## A GALLERY FULL OF WARRIOR

BY BEN COHEN

*Oakland, Calif.*  
**SOLESPACE** is a boutique sneaker shop only blocks away from the Golden State Warriors' practice gym. It's also a Golden State Warriors art gallery.

For the last month, and for at least another week, its walls have been covered with framed prints depicting the Warriors as they've never been seen before. There are illustrations of Stephen Curry as a samurai and Curry as a zombie, Curry wearing a bathrobe and Curry wearing a Louis Vuitton towel, Curry guarding Michael Jordan and Curry guarding a younger Curry.

There are several pieces inspired by Kevin Durant leaving the Oklahoma City Thunder and one piece recasting Durant as the grim reaper. There is even a portrait of LeBron James—except this LeBron James is fat.

The work currently on display comes from an exhibit called Dubz Against the World that opened in SOMArts Cultural Center in San Francisco earlier this year. That show featured more than 300 basketball-themed pieces commissioned from more than 50 artists in Australia, Brazil, China, France,

Japan, South Korea and across the U.S., especially the Bay Area.

That's where the Warriors aren't merely one game away from the title with a 3-0 lead over the Cleveland Cavaliers in the Finals. They also have become a muse.

The original exhibit was curated by Vince Chang and Vinny Chiu, fans of basketball, art and basketball art, and sold everything from \$5 pins to \$3,500 oil paintings. There was a pop-a-shot machine. There was even a pop-up barbershop. More than 3,000 people attended the show. But one stood out, partly because he was 7-foot tall, and mostly because he plays for the Warriors.

Golden State center JaVale McGee was hard to miss. He posed with some of the pieces and took home a portrait of himself. It was an illustration of McGee riding around Haight-Ashbury with his sphynx cat.

How did he find out about the exhibit? "Instagram," he said.

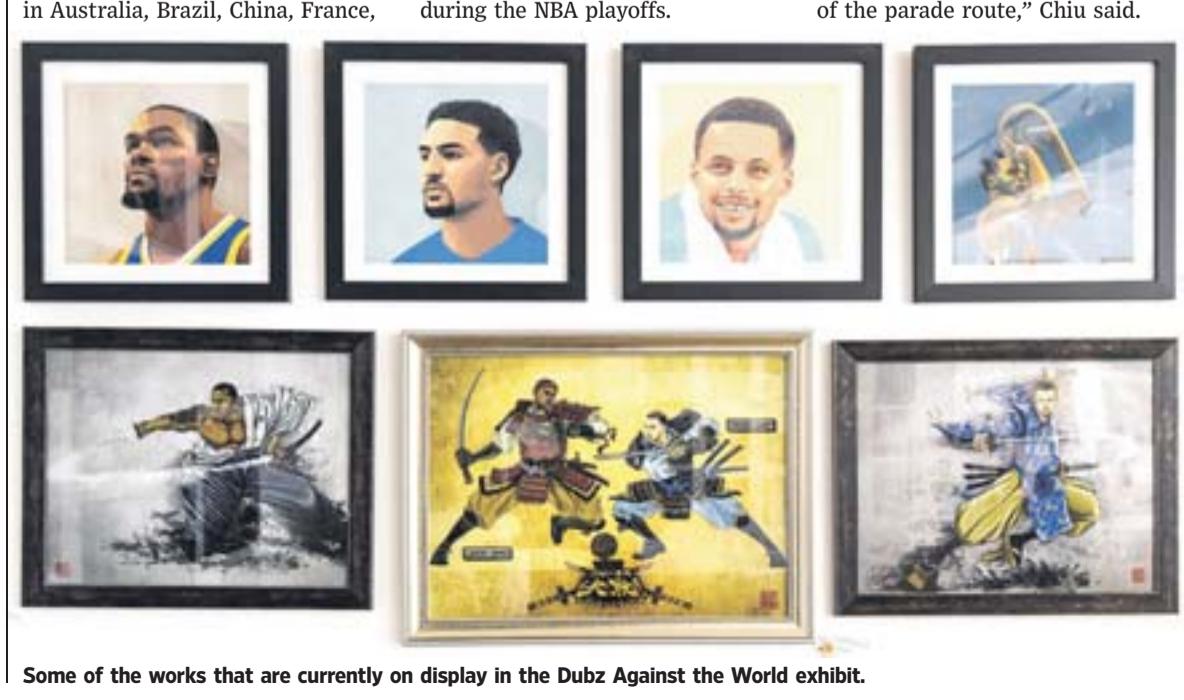
Jeff Perlstein, the owner of SoleSpace, agreed with McGee's assessment. He went to the last day of the SOMArts exhibit with his son and was so impressed he offered to keep it alive by hanging unsold art on the walls of his sneaker shop in downtown Oakland during the NBA playoffs.

There are now more than 60 pieces from artists whose Twitter names are penciled alongside their work next to the prices. But not all of them are about the Warriors.

Jack Perkins's favorite piece in the exhibit is a black-and-white drawing of a stoic LeBron James grabbing the NBA championship trophy with mobs of angry Cleveland fans behind him and waves of elated Cleveland fans in front of him. "I wanted to show him, almost without emotion, somewhere between the hate and the love," he said.

Chang requested a piece from a local artist named Joe Wallace that's more palatable to Golden State fans: a full-size portrait featuring the entire team. At the SOMArts exhibit, Wallace saw McGee staring at his work. He decided to introduce himself. Then he gave him another one of his creations: a T-shirt of Looney Tunes characters in Warriors gear. Not long afterward, McGee wore that T-shirt to a playoff game.

McGee couldn't drag any of his teammates to the exhibit when it was in San Francisco. But the Warriors soon may have an excuse to stop by the Oakland gallery. All they have to do is win one more game in the NBA Finals. "It's part of the parade route," Chiu said.



Some of the works that are currently on display in the Dubz Against the World exhibit.

# OPINION

## All About James Comey



What if all the painful drama over Donald Trump and Mike Flynn and Hillary Clinton and Russians wasn't really due to Donald Trump or Mike Flynn or Hillary Clinton or Russians? What if the national spectacle the country has endured comes down to one man, James Comey?

It was certainly all about the former FBI director on Thursday, as he testified to the nation via the Senate Intelligence Committee. Mr. Comey didn't disappoint. He already had submitted pages of testimony detailing his every second with President Trump, complete with recollections of moments he felt "strange" or "uneasy" or "awkward." But on Thursday he went further, wowing the media with bold pronouncements: President Trump was a liar; the president fired him to undermine the Russia investigation; the president had directed him to back off Mr. Flynn.

Mostly he pronounced on what is—and is not—proper in any given situation: when handling investigations, interacting with the president, or releasing information. By the end, something had become clear. Mr. Comey was not merely a player in the past year's palaver. He was *the* player.

It was Mr. Comey who botched the investigation of

Mrs. Clinton by appropriating the authority to exonerate and excoriate her publicly in an inappropriate press event, and then by reopening the probe right before the election. This gave Mrs. Clinton's supporters a reason to claim they'd been robbed, which in turn stoked the "resistance" that has overrun U.S. politics.

We now know it didn't have to be this way. Mr. Comey explained that he had lost faith in then-Attorney General Loretta Lynch's ability to handle the affair, in part because she had directed him to describe the probe in public as a "matter" rather than an "investigation." That one of President Obama's political appointees outright directed the head of the FBI to play down an investigation is far more scandalous than any accusation aired about Mr. Trump. Mr. Comey said it gave him a "queasy" feeling. But did he call on Ms. Lynch to excuse herself? Did he demand a special counsel? No. Mr. Comey instead complied with the request. Then he judged that the only proper way to clean up the mess was to flout all the normal FBI protocols.

*Vive la resistance.*

It was Mr. Comey who launched an investigation into Russian meddling last July and expanded it to look for possible collusion with the Trump campaign. That may well have been warranted. Yet before the election his FBI had leaked this to the press, casting an aura of illegitimacy on a new president and feeding conspiracy

theories based on, in Mr. Comey's words, "nonsense" reporting.

Mr. Comey could have spared us this by simply stating, as he acknowledged Thursday, that Mr. Trump wasn't under investigation. One could argue he had a duty to explain, given that he'd taken the unusual step of confirming the probe, and given the leaks from his FBI and the

his role to pronounce whether Mr. Trump had obstructed justice. Really? This may count as the only time Mr. Comey suddenly didn't have an opinion on whether to render justice or to take things into his own hands.

And why did he agree to dinner with Mr. Trump in the first place? Why keep accepting the president's phone calls? Asked whether he, in those early meetings, ever told the president how things ought to go, he said no. Mr. Comey did nothing to establish a relationship he felt was correct.

Instead, he kept secret memos, something he'd never done before. He wrote them in an unclassified manner, the better to make them public later. He allowed Mr. Trump to continue, while building up this dossier.

When he was fired, he leaked to the media, through a "close friend," highly selective bits of his privileged communications with the president. And then he stayed silent and let the speculation rage. Thus, for the past month the nation has been mired in a new scandal, fueled by half-leaks. Thank you, yet again, Mr. Comey.

Yes, Russia interfered. Yes, Mr. Trump damages himself with reckless words and tweets. Yes, the Hillary situation was tricky. Yet you have to ask: How remarkably different would the world look had Mr. Comey chosen to retire in, say, 2015 to focus on his golf game? If only.

*Write to kim@wsj.com.*

### What his Thursday testimony made clear is how much he has damaged the country.

flood of fake news that resulted. But no. James Comey judged that (in this case, at least) it would be improper to speak out. So we've had all Russia all the time.

Moreover, it was Mr. Comey who had the discussions with President Trump that he now describes as compromising. On Thursday he claimed to have felt that Mr. Trump was directing him to end the Flynn investigation, even as he simultaneously admitted that Mr. Trump's words ("I hope") expressed no such order. He said he had been deeply uncomfortable that Mr. Trump wasn't following protocol for dealing with an FBI director.

If Mr. Comey truly had believed the president was interfering, he had a duty to report it or to resign. Instead he maintained Thursday it wasn't

law would permit expropriation if a court determined the diocese had failed properly to maintain and conserve the property. The bishop added that he already has obtained the pope's support should a legal battle arise over ownership.

**Muslims demand to worship in a cathedral that hasn't been Islamic since 1236.**

law would permit expropriation if a court determined the diocese had failed properly to maintain and conserve the property. The bishop added that he already has obtained the pope's support should a legal battle arise over ownership.

**Muslims demand to worship in a cathedral that hasn't been Islamic since 1236.**

Michele Lamprakos, an architectural historian at the University of Maryland, makes clear in a 2016 article for the journal *Aggregate* that during the Reconquista the Christians didn't simply plunk their own religious paraphernalia into an Islamic structure. They worked carefully to transform and hybridize it, adding Gothic stonework and constructing a transept to make the building into a cruciform. They also carefully incorporated some of its Moorish features into their own plans. The interior seems Islamic today only because during the 19th century secular architects stripped away layers of Christian stylings.

The diocese worries that the leftists may be about to get their way. To shore up support among American Catholics, the bishop of Córdoba, Demetrio Fernández González, spoke Wednesday at a meeting sponsored by the Hudson Institute's Center for Religious Freedom. Outright expropriation by the local government "would be impossible," Bishop Fernández told me before his speech. But, as a European Union report on the mosque controversy pointed out, Andalusian

tolerance and learning where Jews and Christians—never mind their second-class status—lived side-by-side with Muslims in happy *convivencia*.

Barack Obama even cited Andalusia as an example of Islam's "proud tradition of tolerance" during his 2009 speech in Cairo.

Spain's Islamic population has nearly doubled, to 1.9 million from around one million in 2007. Muslims, who now constitute about 4% of the country, mostly live along the Mediterranean, in Andalusia and Catalonia.

They began lobbying in the early 2000s to treat the Córdoba cathedral as a shared worship space. In 2010 two Muslim tourists, part of a larger group from Austria that had knelt on the cathedral floor, were arrested following a scuffle that seriously injured security guards trying to evict them. Muslim militants inside and outside Spain remain a solid constituency for the anti-Catholic left.

The issue ultimately is one of religious freedom: Can a government confiscate the property of a church that has held it and cared for it for nearly 800 years? The answer will indicate where an increasingly secular Spain is headed. Anyone concerned for religious freedom should watch Córdoba closely.

*Ms. Allen is the author of "The Human Christ: The Search for the Historical Jesus" (Free Press, 1998).*

accounts. Let's stipulate, too, that other elite schools would probably have had the same reaction—rescinding admission—upon discovering a similar Facebook group.

Still, Harvard's deeper hypocrisy is that the school claims a commitment to "the transformative power of a liberal arts and sciences education" yet apparently sees real limits to that power. Who needs transforming more than a callow 18-year-old with a sick sense of humor, running his mouth on the internet? Surely the right prescription is to sit him down in Prof. Michael Sandel's course "Justice."

Isn't Harvard supposed to help students shed their white male privilege? The school recently held a separate black commencement. Administrators are trying to shut down all-male social clubs because their "discriminatory membership policies"

purportedly create "spaces that are ripe with power imbalances."

Yet in the judgment of Harvard's admissions officers, even four years sitting at the feet of the most forward-thinking luminaries in the world will not, apparently, be enough to put these high-school seniors on the straight and narrow.

The Harvard admissions website declares that "You Belong Here: Wherever your life may have started, and whatever its destination, there is a place for you at Harvard."

While this was plainly never true for most people, these 10 students *did* have a place.

Surely the school should rethink its decision to rescind their admission. If Harvard won't re-educate them, who will?

*Ms. Riley is a senior fellow at the Independent Women's Forum.*

500-word essays, the heartfelt recommendations from teachers, the interviews with loyal alumni, know exactly what students want them to know.

But that's the farcical application process. Admissions officers, after reading all the

to know about you." Jokes about the Holocaust or pedophilia probably didn't spring to mind.

But that's the farcical application process. Admissions officers,

after reading all the

**The university dumps students for sharing foul memes. Who'll re-educate them now?**

500-word essays, the heartfelt

recommendations from teach-

ers, the interviews with loyal

alumni, know exactly what

students want them to know.

SAT scores are more objec-

tive, but testing plays a

smaller role in admissions

than it used to.

In a 2015 Kaplan survey,

40% of admissions officers at

top colleges said that they

check applicants' social-media

BOOKSHELF | By Henry Hitchings

## The Lingo Of Everyday Life

### Vulgar Tongues

By Max Décharné  
(Pegasus, 388 pages, \$26.95)

"Slang," wrote the poet Carl Sandburg, is "language that takes off its coat, spits on its hands, and goes to work." It swarms around our taboos and pleasures, its voice usually loud and impudent. "Much slang," comments the British writer Max Décharné in "Vulgar Tongues," begins "as a kind of low-level guerrilla warfare directed at straight society." It's the combative lingo of the street corner and the stoop, a form of display or a marker of identity calculated to keep sober sides at arm's length and perhaps even revolt them. But we all know that while a lot of slang is quick to fade, plenty catches on, and one generation's idea of esoteric oddity is the next's idea of common parlance.

Mr. Décharné's qualifications as a guide to this murky territory are unorthodox yet robust.

Previously the author of books about Hollywood crime movies and London's murderous underworld, he was once the drummer for Gallon Drunk, a highly literate alt-rock band, before becoming the lead singer of another willfully sleazy group, the Flaming Stars. Though he may not be a professional linguist, he has an infectious enthusiasm for the

peculiarities of English vocabulary, and in "Vulgar Tongues" he explores the language's nether regions. The choice of title is a nod to one of his great predecessors: In his 20s, he encountered Francis Grose's "A Classical Dictionary of the Vulgar Tongue," which appeared in 1785, and he has dedicated his own work to Grose, a Falstaffian figure whose breadth of coverage and earthy specificity he admires.

"Vulgar Tongues" is organized thematically. There's a chapter on items of slang to do with prostitution; others focus on the terms favored by drug users and rappers. Gangsters get a chapter, too. Such was the knottiness of the terminology current among the villains of Al Capone's Chicago that when W.R. Burnett faithfully reproduced it in his novel "Little Caesar," he joked that "it has been translated into twelve languages, including English."

Among the other groups that have done most to shape English slang are military folk. Soldiers have given us the names "shut-eye" for sleep and "slum" for the main dish served at mealtime, and it is no surprise that a saying such as "down the hatch" comes from the slang of sailors. But Mr. Décharné also draws attention to some of the alarming terms used by British naval cooks—"leper's hankies" and "colon collapser" as names for, respectively, pizza and strong curry. Members of such communities have, he observes, seized the language "by the throat" and taken it "to places it would probably regret in the morning."

**Slang can have staying power. As far back as 1755, in Samuel Johnson's Dictionary, 'to rap' already meant 'to utter with hasty violence.'**

Most of this ground has been trodden before. There are good histories of the subject, such as Michael Adams's "Slang: The People's Poetry" (2009), as well as numerous specialist dictionaries. Mr. Décharné draws on many of these and marshals an impressive range of primary sources—he is equally comfortable talking about 17th-century plays, hard-boiled detective novels, punk bands and the caustic essays of the Black Panther activist Eldridge Cleaver. It is strange, though, that he makes no mention of the tireless Jonathan Green, who is responsible for what is now certainly the best historical dictionary of English slang.

The strength of Mr. Décharné's account is its zest, and it comes as no surprise that he is very knowledgeable about music. He is a keen collector of saucy lyrics, and sometimes even the title of a song is the equivalent of an exaggerated wink. It was in 1897 that the English music-hall performer Marie Lloyd first dazzled her fans with "She'd Never Had Her Ticket Punched Before," and in 1938 that ukulele-strumming comedian George Formby served up a number called "I Wonder Who's Under Her Balcony Now."

Historians of slang like to point out that terms we may regard as sharply contemporary have long histories. Mr. Décharné is no exception, savoring the detail that in Samuel Johnson's "Dictionary of the English Language" (1755) "to rap" is "to utter with hasty violence" and noting that the adjective "fly," much used by the less hasty sort of rapper, appears in a slang dictionary of the early 19th century, where it is defined as "acquainted with another's meaning or proceeding." Elsewhere his delight in curios means that he strays from his theme. But it is easy to be seduced by the incidental details, such as his reference to a character in Michael Avallone's novel "The Bedroom Bolero" (1963) whose explanation for his facial bruises is that "I tried to carry a moose head through a revolving door."

Whether discussing Geoffrey Chaucer or Johnny Depp's tattoos, Mr. Décharné proves, as he might put it, hip to the tip. He has stretched his lunch-hooks into some unlikely places in his quest for curious argot, and there's a whole lot of bizarre information in his fusebox (or his idea pot, if you prefer). Inevitably, many of the most droll words and phrases he identifies are to do with sex. Readers will be able to work out for themselves what might be meant by "standing-room for one" and "playing the invisible banjo." The impulse to write, and especially to talk, about "getting pretty goaty" or indulging "four-legged thoughts" is perennial. It speaks of a complex relationship between desire, fear and disgust—the chaos of what Freud called the "dark, inaccessible part" of personality, "a cauldron full of seething excitations." But "Vulgar Tongues," even though billed as "An Alternative History of English Slang," doesn't probe the subject's psychology, opting for an array of toothsome examples rather than sustained and trenchant analysis.

*Mr. Hitchings is the author of "The Secret Life of Words" and "The Language Wars: A History of Proper English."*

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## OPINION

### REVIEW & OUTLOOK

## James Comey's Passion Play

James Comey's first post-FBI appearance in front of the Senate on Thursday turned out to be a political anticlimax, with no major revelations about the alleged Trump-Russia nexus or the President's supposed attempt to derail the investigation. But nearly three hours of testimony did expose the methods of the highly political former FBI director.

To wit, Mr. Comey is trying to have it both ways. He worked to leave the impression that Mr. Trump had committed a crime or at least an abuse of power, even as he abdicated his own obligations as a senior law-enforcement officer to report and deter such misconduct.

Mr. Comey confirmed that Mr. Trump never tried to block the FBI's larger probe of potential Russian entanglement in the election and even encouraged the FBI, noting that "if some of my satellites did something wrong, it'd be good to find that out." Despite this probative evidence, Mr. Comey claims that in an Oval Office meeting in February Mr. Trump importuned him to close the case on Michael Flynn, the National Security Adviser who had recently been fired for misleading the Vice President.

Mr. Trump, according to Mr. Comey, defended Mr. Flynn, saying "he is a good guy. I hope you can let this go." Mr. Comey explained that "I took it as a direction to get rid of this investigation."

But he wouldn't answer when Senators asked if such a direction was illegal. "I don't think it's for me to say whether the conversation I had with the President was an effort to obstruct," Mr. Comey said. "I took it as a very disturbing thing, very concerning, but that's a conclusion I'm sure the special counsel will work towards to try and understand what the intention was there, and whether that's an offense."

Mr. Comey also admitted that after he was fired he leaked his personal memos about his Trump conversations, via a cutout at Columbia Law School, "because I thought that might prompt the appointment of a special counsel." So Mr. Comey triggers Robert Mueller's new assignment and then tosses him responsibility while still intimating that Mr. Trump violated the law.

This legerdemain is an awfully convenient self-defense. The important question is whether Mr. Comey believed Mr. Trump was obstructing justice at the time, and Mr. Comey's behavior then doesn't confirm his Senate tale.

Mr. Trump had expressed the same sentiments about Mr. Flynn's bona fides in public and on Twitter, so his preferences were no secret. But if Mr. Comey really believed Mr. Trump was

**The former FBI director should have resigned if he believes what he now says.**

trying to block the Flynn probe, then he had a legal duty to report Mr. Trump's conduct to his Justice Department superiors or the White House counsel. Obstruction of justice—intentionally attempting to impede an investigation—is a crime.

Mr. Comey said that he was "so stunned" that he lacked "the presence of mind" even to tell Mr. Trump that his request was improper. But he was able to gain enough composure to write up the experience in the car after the meeting, and to discuss the meeting, by his own testimony, with his chief of staff, the FBI deputy director, the associate deputy director, the general counsel, the deputy director's chief counsel and the head of the FBI office of national security. But he never informed Attorney General Jeff Sessions, the Deputy AG or any other supervisor.

This abdication is especially remarkable for someone as experienced in the corridors of power as Mr. Comey. This is a government veteran who served three Presidents in senior positions and in 2004 pre drafted a letter of resignation as Acting Attorney General to threaten President Bush over wiretapping.

Quitting and going public after his meeting with Mr. Trump would have let the country know what was happening in Washington, as many other civil servants have done over the years. Yet in an exchange with Senator Tom Cotton, Mr. Comey averred that "I didn't find, encounter any circumstance that led me to intend to resign, consider to resign. No, sir." In other words, Mr. Comey thought he was serving a corrupt President but wanted to keep that news a close hold.

Mr. Comey's admirers want everyone to take this at face value. But an alternative reading is that Mr. Comey didn't resign or tell Mr. Sessions because he liked his job and wanted to keep it. He also knew he could write that memo and share it with his FBI comrades as a form of political insurance. As the fictional President says to Jack Ryan (played by Harrison Ford) in "Clear and Present Danger," "you've got yourself a chip in the big game now." Only after he was fired did Mr. Comey choose to share his moral outrage with the public, while setting up the President who dismissed him as a target for Mr. Mueller.

Mr. Trump acted like a bullying naif who doesn't understand the norms of presidential behavior, but Mr. Comey is no Jack Ryan. He's a government official motivated by political self-interest who should have resigned if he believed what he now says he did. That he failed to act at the time suggests his motive now is more revenge than truth-telling.

## A Choice for Wall Street

While everyone else in Washington watched the Jim Comey show, the House delivered Thursday on a campaign promise: Voting 233 to 186 to repeal parts of the 2010 Dodd-Frank financial law, which has hampered economic growth and helped the large banks the bill intended to punish after the financial panic of 2008.

Dodd-Frank is built on the conceit that the same regulators who missed the last crisis will somehow predict the next one as long as they have more power. But there will inevitably be another mania and panic, and regulators always miss them. The definition of a financial mania is that everyone thinks the good times will last forever.

Financial Services Chairman Jeb Hensarling's Financial Choice Act addresses this tragic flaw by offering banks an option: Stay subject to Dodd-Frank's costly regulations, or hold capital equal to 10% of assets in return for more lending freedom and less red tape.

Banks lend with taxpayer-insured deposits, and high levels of capital are a guardrail for taxpayers and shareholders. If the guardrails are high enough, banks can afford to take more risks without bank examiners second-guessing every loan. We'd prefer even higher capital levels, but Mr. Hensarling is raising the bar while moving banks away from their Dodd-Frank status as de facto public utilities.

Democrats call this a favor to Wall Street, but note that the biggest banks oppose the Hensarling bill. They've prospered under Dodd-Frank because they can more easily absorb compliance costs than can smaller competitors. By one estimate the average capital ratio of the seven largest banks is around 7%, while most regional or community banks hold 10% or more in capital.

The big banks have also grown bigger, with the five largest now holding more than 40% of U.S. banking assets. Some industry consolidation was inevitable after the crisis, but community banks have been selling out or closing at a rapid rate. The Federal Reserve Bank of Richmond reports that from 2010 through 2013 only four new banks were started in the U.S. Before the panic the average was 100 a year. All of this has cut lending for new small businesses essential for faster economic growth.

Meantime, taxpayers are on the hook as much as they were in 2008. The Richmond Fed reports that about \$27 trillion in the private economy carries an explicit or implicit federal guarantee, or more than 60% of the financial system's liabilities.

The Choice Act would limit potential bailouts

**The House votes for a sturdier, less politicized financial system.**

by ending Dodd-Frank's "orderly liquidation authority" that allows the Federal Deposit Insurance Corp. to wind down a failing institution.

The bill establishes a new chapter of the bankruptcy code to liquidate a firm quickly without arbitrary political interference.

Another move toward ending "too big to fail" is revoking the Financial Stability Oversight Council's authority to deem "systemically important financial institutions." The Obama FSOC abused this power by dumping the designation on MetLife—an insurer, not a bank. It did so without bothering to calculate "what the losses would be, which financial institutions would have to actively manage their balance sheets, or how the market would destabilize as a result," as a federal judge put it in a ruling against the FSOC last year.

More good news is that the bill would restructure the Consumer Financial Protection Bureau, which has prosecuted extralegal campaigns against payday lenders, auto loans and others. The bureau would become an independent agency more like the Securities and Exchange Commission with a director who could be fired at will by the President. Under Dodd-Frank, director Richard Cordray can only be removed for "inefficiency, neglect of duty or malfeasance in office," though his tenure has included at least two of three. The D.C. Circuit Court of Appeals last year ruled that this structure violated the Constitution's separation of powers.

The Choice Act would force the CFPB to rely on Congress for appropriations, instead of automatic financing from the Federal Reserve. We'd rather make the CFPB part of the Treasury Department to improve accountability, assuming it can't be eliminated. But the Hensarling bill is an improvement and may be politically acceptable.

\* \* \*

The sages in Washington say all of this is dead on arrival in the Senate, but don't be so sure. Parts of the legislation could be tucked into budget reconciliation, including changes to the CFPB and the orderly liquidation authority. Mr. Hensarling is ready to negotiate, and Senate Banking Chairman Mike Crapo (R., Idaho) needs to show he's more than a front man for the big banks.

Dodd-Frank was written so loosely that the Trump Administration has broad regulatory power to ease the rules without Congress. But the law's regulatory architecture is so deeply flawed that it needs a more durable reform. The GOP should grab whatever reform victories it can for the good of the economy and the rule of law.

## OPINION

## LETTERS TO THE EDITOR

### Should Federal Courts Join the 'Resistance'?

David B. Rivkin and Lee A. Casey's most significant point in "The Fourth Circuit Joins the 'Resistance'" (op-ed, May 30) is the notion in the Fourth Circuit's decision that President Trump had "acted in bad faith" based on campaign statements by him and his associates, thereby making his immigration order unconstitutional despite the court's statement that, "Stated national security interest is, on its face, a valid reason."

Motive is very difficult to ascertain, much less prove. Yet motive is frequently fabricated and used politically to undermine an opponent's arguments. Now the court is in the motive guessing game which, since it is not fact based, has no limits. The authors suggest this approach is "an invitation to the judiciary to direct the nation's foreign and defense policies."

Consider a court order prohibiting the president from firing cruise missiles into Syria after its use of chemical weapons because Syria is a Muslim country. Consider a court order invalidating a revised Nafta agreement less favorable to Mexico because in a campaign speech the president said: "They are not our friend, believe me," and accused the country of intentionally sending drug dealers, criminals and rapists to the U.S. The hypotheticals are limitless.

Using surmised motive beyond the facts of a bill or executive order to determine constitutional compliance is nothing more than a license to legislate.

GLEN ESNARD  
Newport Beach, Calif.

It appears that the judiciary has become a major front in a civil war conducted by other means. When the courts become the main political arena and so politicized that judges' votes on contentious issues can be foreseen with near certainty, and when neither party seems willing or able to consent to the selection by an opposing president of judges at the highest level, the system is broken.

BILL DOUGLAS  
Medford, Mass.

The original travel ban imposed in late January sought a 90-day moratorium on travel to the U.S. from seven majority-Muslim nations.

More than four months have passed, ample time for the Trump ad-

ministration to adopt the new rigorous protocols cited in the ban, thereby invoking the doctrine of "mootness," enshrined by Article III, Section 2, Clause 1 of the U.S. Constitution.

Absent a "case or controversy," the Supreme Court lacks jurisdiction to review the Fourth Circuit's decision. Attorney General Jeff Sessions would better serve the country by ensuring prompt implementation of the tightened vetting procedures rather than squandering more tax dollars on a moot appeal.

GREGORY G. SARNO  
Castro Valley, Calif.

Messrs. Rivkin and Casey cite *Kerry v. Din* (2015), a case in which the justices affirmed a denial of a visa to a complainant's husband who had been a member of the Taliban. Sounds reasonable. We don't want any members of the Taliban gaining entrance to the U.S. They then use this as their precedent, referring back to the language of "a facially legitimate and bona fide reason" to deny entry. So from that very individual case, do the gentlemen mean to say that all proposed entrants to the U.S., the many hundreds of thousands or even millions, who come from the banned list will be and can be denied entry because we know in advance there will be a facially legitimate and bona fide reason? This, before the fact, as in a blanket denial?

If it walks, talks and looks like discrimination, it is discrimination. One doesn't need a law degree to come to that conclusion.

MICHAEL MOORIN  
Fairfield, Conn.

Activist judges are divining intent based on political campaign rhetoric and are in effect adopting the Obama administration's disparate-impact approach to justice. In the case of the travel ban, federal judges are crying foul because policy outcomes don't have an acceptably proportionate effect on all religious groups. Using similar logic, an executive order to tighten security along America's southern border could be deemed discriminatory based on ethnicity. Is it relevant that visitors from Muslim-majority states that are home to more than 90% of the world's Muslims are unaffected by the ban?

LUKE BRENNAN  
Greensboro, N.C.

### Court Shopping Has Long, Unhappy History

Regarding your editorial "Lawyers Get Lassoed" (May 31): In the early 19th century the island of Tobago passed a statute that anyone could obtain jurisdiction in the Tobago court by posting a declaration on the Tobago courthouse door. In a case in

which the plaintiff attempted to execute, in England, a judgment obtained in Tobago against a defendant who had never been in Tobago, the English judge asked, rhetorically, and answered in the negative, "Can the island of Tobago pass a statute binding on the entire world?" Your editorial

Illinois 'Privilege' Tax Is The Thin Edge of a Wedge

Regarding Kristina Rasmussen's "Illinois's 'Privilege Tax' Proposal Forgets Citizens' Right to Leave" (Cross Country, May 27): This year the Illinois state Senate (probably to be followed by the state House) has decided to target investment advisers to pay more than their share of taxes to fund the expenditures of the Illinois legislature, which is operating without a budget.

Who will be the next target? Even if the new 20% privilege tax on investment advisers is passed and implemented, will this be the end of it? With no budget, the spending will continue. Next year, will the dentists of Illinois pay more taxes? Maybe the grocery store owners? Truck drivers? Hairdressers? Mechanics? The list goes on and on.

Several years ago I owned farmland in Illinois. I sold it because of what I perceived to be the unacceptable risk of being located there and the apparent instability of that state's fiscal affairs.

CHRIS HARRIS  
Brentwood, Tenn.

Politicians in Illinois have the progressive itch for ever-higher taxation. They apparently don't care that such policies lead not to paradise, but to Venezuela.

CHARLES MOORE  
Shreveport, La.

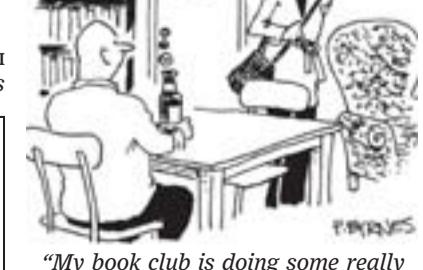
New Illinois state motto: "Right to leave, left to stay."

STEPHEN BORKOWSKI  
Pittsburg, Texas

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### Pepper ... And Salt

THE WALL STREET JOURNAL



"My book club is doing some really good noir, but I forgot if it's Pinot or Grenache."

## OPINION

# North Korea Dreams of Turning Out the Lights

By Henry F. Cooper

**C**onventional wisdom holds that it will be years before North Korea can credibly threaten the United States with a nuclear attack. Kim Jong Un's scientists are still testing only low-yield nuclear weapons, the thinking goes, and have yet to place them on ballistic missiles capable of reaching America's West Coast.

While its technological shortcomings have been well documented, North Korea's desire to provoke a nuclear conflict with the U.S. should not be minimized or ignored. Pyongyang is surely close to getting it right.

**P**yonYang doesn't need a perfect missile. Detonating a nuke above Seoul—or L.A.—would sow chaos.

For South Korea the danger is more immediate. According to physicist David Albright, the founder and president of the Institute for Science and International Security, the North Koreans have between 13 and 30 nuclear weapons and can build as many as five more every year. If Mr. Kim were to detonate one of these bombs in the atmosphere 40 miles above Seoul, it could inflict catastrophic damage on South Korea's electric power grid, leading to a prolonged

blackout that could have deadly consequences.

The United States has 28,500 soldiers, sailors, airmen and Marines in South Korea stationed below the 38th parallel—and more at sea nearby. An electromagnetic pulse attack on South Korea could play havoc with America's ability to mount an effective response to North Korean aggression. One hopes the troops manning the two already-deployed batteries of the Thaad ballistic-missile defense system are prepared for such a scenario (in a concession to China, the newly elected South Korean government suspended this week the deployment of four additional launchers).

In 2001 Congress established a commission to study the danger of an electromagnetic pulse generated by the detonation of a high-altitude nuclear weapon. It concluded that while there would be no blast effects on the ground, critical electricity-dependent infrastructure could be rendered inoperable. The commission's chairman, William R. Graham, has noted that several Russian generals told the commissioners in 2004 that the designs for a "super EMP nuclear weapon" had been transferred to North Korea.

Pyongyang, the Russian generals reported, was probably only a few years away from developing super EMP capability. According to Peter Vincent Pry, staff director of the congressional EMP commission, a recent North Korean medium-range missile



NASA

A satellite photo of Korea illuminates the South's dependence on electricity.

test that was widely reported to have exploded midflight could in fact have been deliberately detonated at an altitude of 40 miles.

Was it a dry run for an EMP attack? Detonation at that altitude of a nuclear warhead with a yield of 10 to 20 kilotons—similar to those tested by North Korea—would produce major EMP effects and inflict catastrophic damage to unhardened electronics across hundreds of miles of surface territory. It is a myth that large yield nuclear weapons of hundreds of kilotons are required to produce such effects.

Although some analysts have dismissed the possibility of a successful North Korean EMP attack—either on

South Korea or the United States—several factors could make it a more appealing first-strike strategy for Kim Jong Un's nuclear scientists than a direct, missile-delivered nuclear strike. For one thing, accuracy is not a concern; the North Koreans simply need to get near their target to sow chaos. Nor would they need to worry about developing a reliable re-entry vehicle for their ballistic missiles.

Conventional wisdom aside, a North Korean EMP attack on the U.S. may also not be far-fetched. "North Korea could make an EMP attack against the United States by launching a short-range missile off a freighter or submarine or by lofting a warhead to 30 kilometers burst

height by balloon," wrote Mr. Graham earlier this month on the security blog 38 North. "Even a balloon-lofted warhead detonated at 30 kilometers altitude could blackout the Eastern Grid that supports most of the population and generates 75 percent of US electricity. Moreover, an EMP attack could be made by a North Korean satellite." Two North Korean satellites currently orbit the earth on trajectories that take them over the U.S.

This is not mere theory. In 1962 the United States detonated a 1.4-megaton nuclear warhead over the South Pacific, 900 miles southwest of Hawaii. Designated "Starfish Prime," the blast destroyed hundreds of street lights in Honolulu, caused electrical surges on airplanes in the area, and damaged at least six satellites. Only Hawaii's undeveloped electric power-transmission infrastructure prevented a prolonged blackout. It was the era of vacuum-tube electronics. We are living in the digital age.

The U.S. and South Korea should ensure their ballistic-missile defenses are effective and harden their electric power grids against EMP effects as soon as possible. The day of reckoning could come sooner than anyone in either country thinks.

*Mr. Cooper was the U.S. ambassador to the Defense and Space Talks during the Reagan administration and director of the Strategic Defense Initiative during the George H.W. Bush administration.*

## How Fidel Castro Supported Terrorism in America

By Zach Dorfman

**T**he decision to honor Oscar López Rivera, a terrorist who spent 35 years in federal prison, at New York's Puerto Rican Day Parade Sunday unleashed a firestorm. Organizers named López Rivera—released in February under an 11th-hour clemency from President Obama—the parade's first-ever "National Freedom Hero."

In response, major sponsors such as Goya, Coca-Cola, Univision, Jet Blue and the Yankees pulled their support. New York Police Department Commissioner James O'Neill is refusing to march, as are several Democratic politicians, including Gov. Andrew Cuomo, Attorney General Eric Schneiderman and Sens. Chuck Schumer and Kirsten Gillibrand.

The wariness over López Rivera—who'll still march, though he's said he'll forgo the "hero" designation—is well-founded. The group he helped lead, the pro-independence Fuerzas Armadas de Liberación Nacional Puertorriqueña, or FALN, was one of the most prolific terrorist organizations of its time. Between the mid-1970s and mid-1980s, the FALN perpetrated more than 130 bombings.

It was responsible for the 1975 explosion at Fraunces Tavern, which killed four and wounded 63; a bombing spree in New York City in August 1977 that killed one, injured six, and forced the evacuation of 100,000 office workers; and the purposeful targeting and maiming of four police officers, among many other vicious crimes.

Carnage on this scale was possible because of the FALN's organizational and operational sophistication—including its numerous connections to communist Cuba and its intelligence services. Those connections have been known to law enforcement for decades.

According to court documents, Filiberto Ojeda Ríos, who is believed to have helped co-found the FALN, told an undercover NYPD officer in 1983 that he had received explosives training in Cuba. And the FBI estimated that by 1973, roughly 135 Puerto Rican militants had received "extensive instruction in guerilla war tactics, preparation of explosive artifacts, and sophisticated methods of sabotage" from Fidel Castro's intelligence services.

The full extent of the FALN's Cuba connections is unknown. But they

may be more enduring than has been publicly reported. According to an NYPD document I discovered at the Hoover Institution archives at Stanford—undated, but apparently circa 1977—by that time officials had come to believe that "the FALN was started

**'FALN was started in the mid-1960's with a nucleus . . . that received advanced training in Cuba.'**

in the mid-1960's with a nucleus of Puerto Rican terrorists that received advanced training in Cuba. . . . After their advanced training in Cuba they returned to Puerto Rico and a wave of bombings and incendiary incidents struck the [latter] island. Within the last few years they have shifted their activities to the mainland. . . . It is believed that they have maintained close links and may in fact work closely with Cuban intelligence operatives."

That training would help explain the FALN's professionalism, as well as its ability to bedevil law enforcement.

An FALN instructional manual, which I also found at Hoover, includes sophisticated directives for compartmentalized clandestine communications between different "cadres," or cells, as well as espionage and countersurveillance techniques. "One must observe religiously the rules and regulations of security in order to protect the organization, its cadres, its secrets, its documents, its arms, [safe] houses, and other instruments of work," the document says. According to the manual, this hyperattention to security even extended to meetings of the MLN, the FALN's above-ground political organization.

Viewed from this broader perspective, the FALN was not merely a "highly motivated and intelligent adversary," as the NYPD document I found puts it. It was an instrument in the decadeslong shadow war between the U.S. and Cuba.

This is not to minimize the pro-independence sentiment in Puerto Rico, or the historical, cultural and emotional bonds that tie the two islands together. The Spanish-American War, which gave Cuba its independence, also led to Puerto Rico's annexation by the U.S. But from Castro's perspective, training a group of dedicated

Marxist militants, whose actions would then destabilize major American cities such as New York and Chicago (as well as Puerto Rico itself), would help form a relatively low-cost, and covert, strategy for weakening his greatest antagonist.

On May 17 López Rivera was released from house arrest, 3½ months after departing prison. The Cuban regime applauded. "Please accept our fraternal congratulations on behalf of the Party, government and people, who share the joy of your liberation," said President Raúl Castro, Fidel's brother. "We await you in Cuba, with all the honors and affection you deserve, whenever it may be possible for you."

Mr. Castro neglected to mention that Cuba already plays host to another FALN leader: William Morales, one of the group's bomb-makers, who after escaping from a U.S. prison in 1979 found his way to Havana. Much of the story of Oscar López Rivera and the FALN takes place far from the streets of Spanish Harlem, Humboldt Park or San Juan.

*Mr. Dorfman is a senior fellow at the Carnegie Council for Ethics in International Affairs.*

## A Remote-Controlled Tarantula? You'd Find It in SkyMall

By Bob Greene

**S**ix miles in the air, I reached for my travel bag with the intention of retrieving something. I guess I wasn't paying attention, because I unzipped the wrong compartment, stuck my hand inside, and pulled something out that caught me by delighted surprise.

Seeing it was like somehow encountering a goofy and grinning old gap-toothed friend you thought you'd lost track of forever—and here that friend was, riding across America with you.

It was a copy of SkyMall, the deliriously bizarre in-flight shopping catalog that once was inescapable in the seat-back pockets of U.S. airliners. I must have tossed it in the bag and forgotten about it many years ago.

When SkyMall's parent company declared bankruptcy in January 2015 the catalogs vanished from planes, taking with them a sunny quirkiness that we all could use as flying becomes exponentially more unpleasant. It wasn't that most passengers

ever ordered from the catalogs. Rather, the items offered for sale were often so amiably eccentric that, for a brief moment, the prospect of owning them seemed tantalizing, if not entirely plausible. Down on the ground the products might be utterly irresistible, but while you were in the air the catalog itself was irresistible. The ultimate in-flight entertainment.

I opened the frayed old copy of SkyMall. It didn't disappoint:

A baby blanket designed to look like a tortilla so that the swaddled child would appear to be an enchilada or a burrito. A CD promising to be the "Ultimate Voice Builder," to help the listener speak in "deeper, sexier and more powerful" tones. A remote-controlled tarantula. A ball-point pen with "authentic dirt from the infield of your favorite ballpark" sealed inside. A paper-towel holder with four charging stations in its base to juice up phones and other electronic devices.

When SkyMall ceased publication, its CEO said that the internet,

including competition from online merchants, had siphoned passengers' in-flight attention elsewhere. Travelers could use their tablets and phones to access the web while flying, and SkyMall was no longer the diversion it had been. Airlines were dropping it, and sales shrank.

Yet as I flipped through the newly found old catalog, I noticed that other passengers, not only in the seats directly next to mine but also across the aisle, were craning their necks trying to sneak a glimpse. The sight of those SkyMall pages, so densely packed with color photos of strange items, still seemed seductive.

I handed the catalog, all 172 pages of it, to the man next to me. He rifled through it as if expecting to find buried treasure. In a sense, he did:

A metal sculpture of a baseball player at the plate, ready to swing—constructed so that he grips in his hands not a bat, but an upside-down wine bottle. A T-shirt with coffee fragrance baked into the fabric. A toaster that burns the "Star Wars"

logo onto the surface of bread. A computer mouse made to look like a yellow Lamborghini. A purse that converts into a scarf "with two hidden secure zipper pockets to protect your valuables."

**When I found an old catalog on a recent flight, everyone wanted a glimpse of its strangeness.**

SkyMall's most valuable service may not have been to sell the goods depicted in its pages, but to put its readers, crammed inside a speeding metal tube high in the clouds, in a sprightly mood than they might have been otherwise. When cessation of publication was announced, a retail analyst was quoted as saying the catalog lacked a single marketable identity: "It's all over the place."

That's wrong. Its genius was that it wasn't all over the place, it

was in one place: the seat-back pocket. When a New Jersey firm bought it out of bankruptcy later in 2015, it announced plans to bring SkyMall back as a stand-alone website.

Which it did. When I landed later, I looked at it. The feeling somehow wasn't the same: An e-commerce site is an e-commerce site. The beauty of the printed in-flight catalog was the splendor of its studied serendipity, knowingly playing to a genuinely captive audience.

On the plane I retrieved my old SkyMall from the fellow I'd lent it to and put it back in my bag. It may come in handy on some future tension-filled, overbooked flight. If airport security guards decide to drag a recalcitrant passenger down the aisle, I can direct that traveler to page 98: the portable "Any Surface Full Body Massage Pad," to soothe sudden pains in the neck, back or thighs.

*Mr. Greene is completing a new novel, "Yesterday Came Suddenly," about an America with no internet.*

## Notable & Quotable: The Upside of Tweeting

*From James Freeman's Best of the Web on WSJ.com, June 7:*

Yes, the President's 140-character fusillades typically attract immediate and nearly complete attention from the political reporting class. . . . The question is how reporters would be spending their time if they hadn't been diverted to cover the latest missive from the White House. Would they instead be describing in loving detail how the burgeoning Republican

plans to reform health care and reduce the tax burden will lead to healthier and wealthier Americans? Some would, but many would not.

Also, if Mr. Trump is much less cautious than a conventional politician, this too carries benefits as well

as costs. The President may infuriate his fellow GOP elected officials and even his own staff when he ignores all the work they've done to craft an argument and instead decides to make a different one on the fly and share it with the digital world. But without having the normal fears of an experienced politician, he's also more comfortable taking positions that are bound to generate negative press, even if they're good for economic growth, for example. . . .

Accept Mr. Trump's Twitter weirdness and set aside . . . the potential damage that could result from his trade and immigration agenda and you have almost an ideal scenario for a growth-oriented Republican legislator. The person sitting in the Oval Office is

willing to make deep cuts in the tax and regulatory burden but isn't a fanatic about the particular ways to achieve these goals. Congressional Republicans just need to send him something to sign. . . .

Republicans should also be realistic about how much people change during adulthood. Mr. Trump has enjoyed Twitter for years and he seems unlikely to kick the habit now. . . . White House aides might first try urging him to only tweet about topics that are not related to his current job. For example, Mr. Trump could continue to offer commentary on the careers of Arnold Schwarzenegger and Rosie O'Donnell, but might refrain from discussing federal policies that are currently under judicial review.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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Executive Chairman, News Corp

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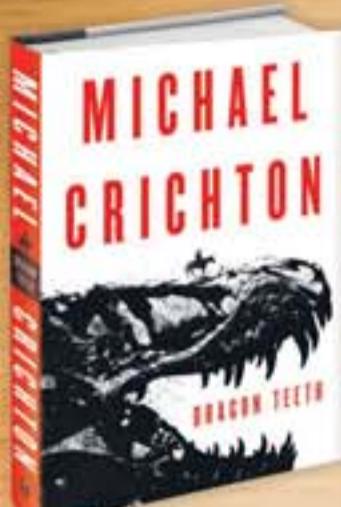
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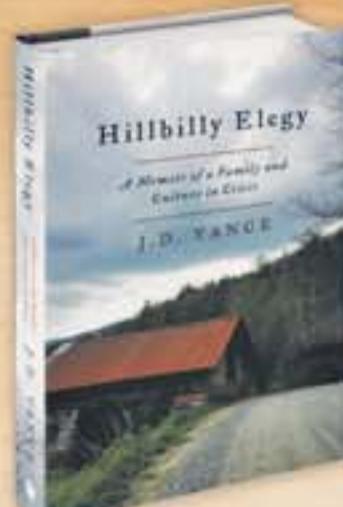
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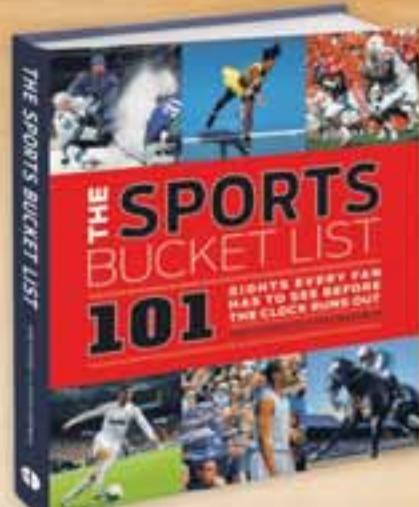
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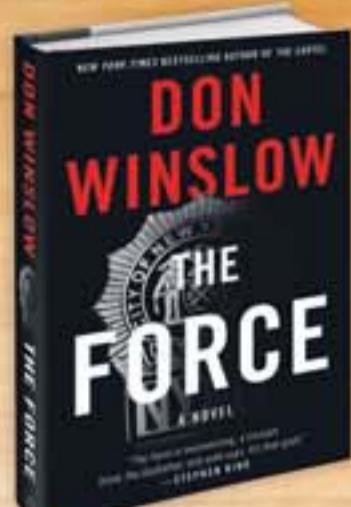
"[*Hillbilly Elegy*] is a beautiful memoir but it is equally a work of cultural criticism about white working-class America...a riveting book."

—The Wall Street Journal



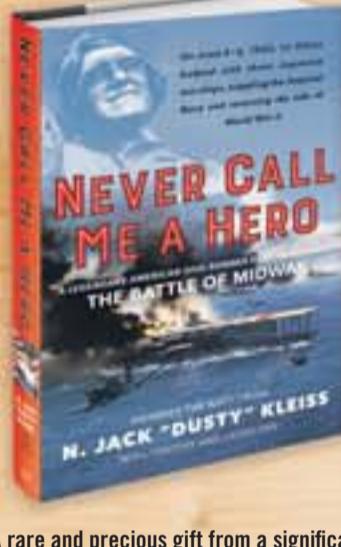
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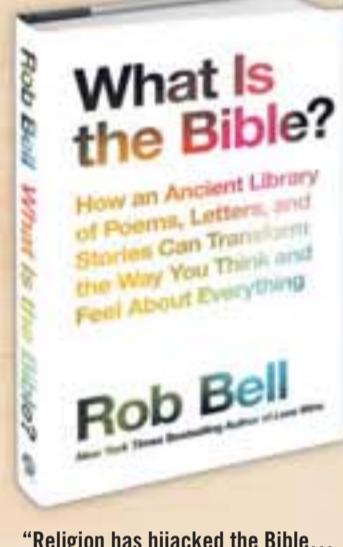
"The Force is mesmerizing, a triumph. Think *The Godfather*, only with cops. It's that good."

—STEPHEN KING



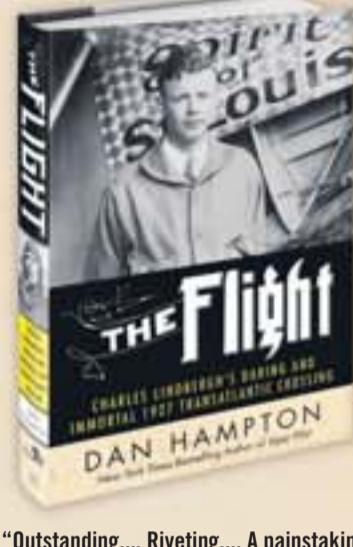
"A rare and precious gift from a significant warrior to his posterity. [Kleiss] changed the course of the Second World War."

—BARRETT TILLMAN, author of *Enterprise: America's Fightingest Ship*



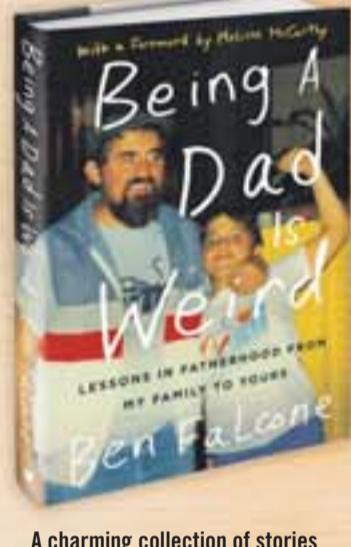
"Religion has hijacked the Bible... The Bible is first and foremost a book about what it means to be human and it's for all of us."

—ROB BELL, bestselling author of *Love Wins*



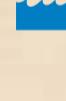
"Outstanding.... Riveting.... A painstaking account [that] succeeds in placing readers in the cockpit of the Spirit of St. Louis."

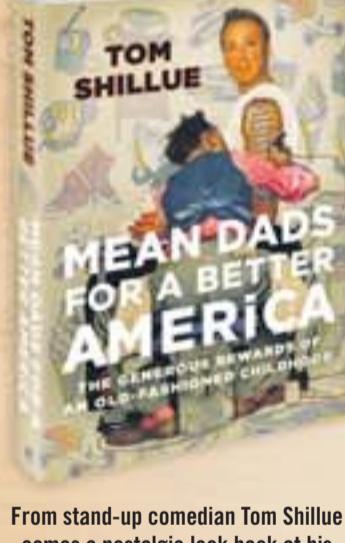
—Library Journal (starred review)



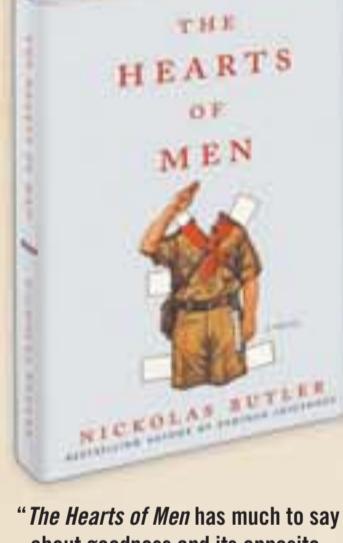
A charming collection of stories about his own childhood and how he parents today from comedic actor and director Ben Falcone.

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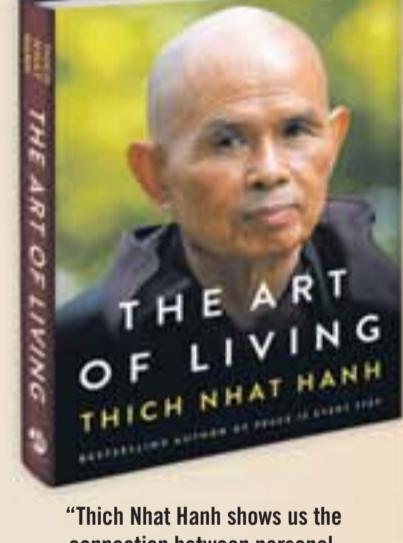


From stand-up comedian Tom Shillue comes a nostalgic look back at his childhood, and the simple American values that shaped his worldview and that we would be well-served to remember today.



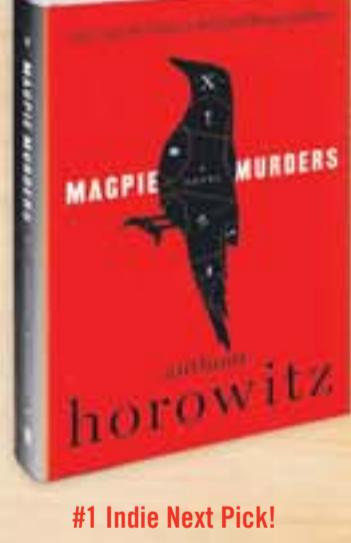
"*The Hearts of Men* has much to say about goodness and its opposite; about honor; and about manhood, its difficulties and precise texture."

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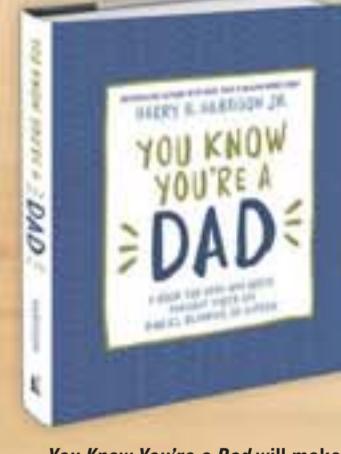
—HIS HOLINESS THE DALAI LAMA



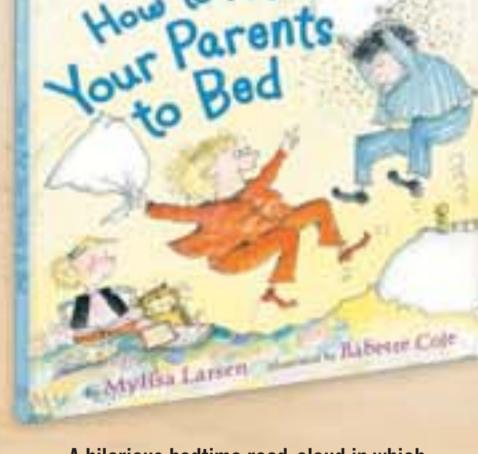
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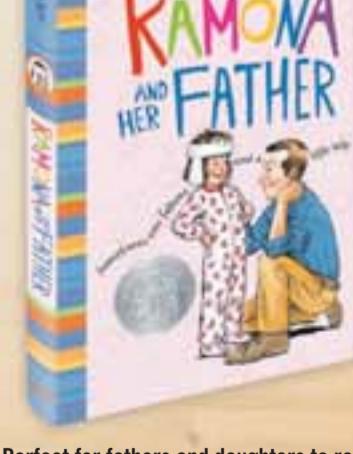
—SOPHIE HANNAH, author of *The Monogram Murders*



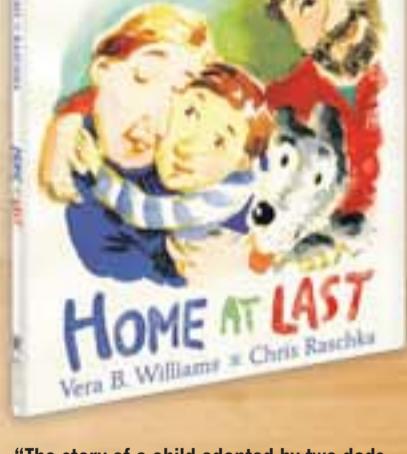
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THE WALL STREET JOURNAL.

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## A Dimon Heir Will Leave J.P. Morgan

Matthew Zames is the latest in a string of potential successors to the CEO to depart

BY EMILY GLAZER

Matthew Zames, the chief operating officer at **J.P. Morgan Chase** & Co. once thought to be a possible successor to Chief Executive James Dimon, is leaving the firm, the bank said Thursday.

The departure of Mr. Zames, 46 years old, will kick off a new round of speculation within the bank about possible heirs to Mr. Dimon. But it will also reinforce views that the

longstanding chief of the biggest U.S. bank by assets isn't going anywhere soon.

Mr. Dimon, widely viewed as the most powerful executive on Wall Street and a statesman for the banking industry, has told people within the bank that he plans to stay in his role for another five years, executives said, though the number hasn't changed as the years pass.

Mr. Dimon sent a memo to employees Thursday detailing Mr. Zames's decision to leave, saying, "While I am sad to see him leave, I respect his decision and all he has done for J.P. Morgan Chase," according to a copy of the memo reviewed by The Wall Street Journal.

"Jamie has been public on

numerous occasions he would like to be here another five years or so," Mr. Zames said in an interview. "I want to get back to...running a business."

Mr. Zames didn't want to stay since it was unlikely he would be named CEO of J.P. Morgan in the near future, or at all, people familiar with the situation said. What's more, people within the bank viewed Mr. Zames's chances to gain the top spot to have fallen within the past year or two, according to employees and executives.

A bank spokesman said that while Mr. Zames wants to run a business now, the J.P. Morgan CEO job "is unlikely to open up in the next several years."

The decision for Mr. Zames

to leave in the coming weeks was amicable and was Mr. Zames's decision, the spokesman for the bank said.

While he aspires to be a CEO at another company, it

time and make the right decision for me."

In departing, Mr. Zames becomes the latest in a string of potential successors to Mr. Dimon who have either chosen to leave rather than wait, or been pushed out. Such executives have included Jes Staley, who is now CEO of Barclays PLC; Bill Winters, currently CEO of Standard Chartered PLC, and Charles Scharf, who until recently was CEO of Visa Inc., among others.

With Mr. Zames now out of the running, current executives viewed as potential CEO-successor candidates include: Gordon Smith, head of the consumer-banking business; Daniel Pinto, head of the firm's

corporate and investment-banking business; Mary Callahan Erdoes, head of its asset-management business, and Marianne Lake, the bank's chief financial officer.

Mr. Zames was elevated to his current role of chief operating officer in the wake of the "London Whale" trading scandal that cost the bank around \$6 billion. The former head of the bank's fixed-income business, he was widely credited with helping to sort out the fiasco within the bank's chief investment office.

He is known throughout the

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◆ Wells Fargo attempts a pivot to growth..... B10

## Verizon's Yahoo Deal Will Cut 2,100 Jobs

BY RYAN KNUTSON  
AND DEEPA SEETHARAMAN

About 2,100 people will lose their jobs at **Yahoo** and **AOL** after **Verizon Communications** Inc. completes its acquisition of Yahoo and combines the two one-time internet rivals, a person familiar with the matter said.

The coming layoffs, which affect roughly 15% of the roughly 14,000 people in the combined workforce, will occur evenly across AOL and Yahoo to reduce duplication and streamline the organization, the person said. Employees in product and engineering roles will be the least affected, the person said.

Yahoo shareholders approved the \$4.5 billion transaction Thursday, and it is expected to close on June 13.

Chief Executive Marissa Mayer, who has led Yahoo for the past five years, is expected to leave the company after the deal closes but hasn't confirmed her plans. She made no remarks and took no questions during a meeting held in Santa Clara, Calif., Thursday, a Yahoo spokeswoman said.

Shareholders also approved compensation packages for Ms. Mayer and other executives. Ms. Mayer could reap more than \$220 million in connection to the sale, up from the \$187 million estimated in April due to a rise in Yahoo's share price. Yahoo shares gained 10% to \$55.71 on Thursday, following a 13% surge in shares of **Alibaba Group Holding** Ltd., in which Yahoo still owns a stake.

Verizon initially agreed in July 2016 to buy Yahoo's core business for \$4.83 billion. Then Yahoo disclosed two large security breaches, one in 2014 that hit more than 500 million accounts and another in 2013 that affected more than one billion accounts. The incidents forced Yahoo back to the negotiating table, and the two sides agreed to lop off \$350 million from the price.

AOL CEO Tim Armstrong will lead the combined company. News of the layoffs was earlier reported by technology news site Recode.



## Financial Overhaul Approved In House

BY RYAN TRACY  
AND RACHEL WITKOWSKI

WASHINGTON—The House voted 233 to 186 on Thursday for a sweeping rewrite of the rules governing Wall Street, an opening Republican bid to encourage economic growth by loosening regulation of the financial sector.

The GOP-led bill, approved on near-party lines, marks the first time Republicans have successfully passed broad legislation aimed at replacing the 2010 Dodd-Frank financial-overhaul law, the Obama-era response to the financial crisis. It is unlikely to become law because it isn't expected to earn sufficient support to advance in the Senate.

Aspects of the plan, dubbed the Financial Choice Act, could be approved by Congress in smaller pieces or be implemented by the Trump administration. Those officials, however, have laid out a more modest agenda. They are expected to release a report next week outlining the administration's financial regulatory goals.

House Democrats unanimously opposed the plan but as the minority party were unable to stop its passage. One Republican—Rep. Walter Jones of North Carolina—broke rank in opposing the bill.

Senators are working on their own regulatory rollback, which they hope to pass with support from at least some Democrats. The Senate is preoccupied with other priorities, such as health-care and tax overhauls, and it is unclear if or when it might take up a broad financial overhaul package.

The House bill would unwind major parts of Dodd-Frank by relieving healthy banks of some regulatory requirements and forcing failing firms through bankruptcy rather than a liquidation process spearheaded by the regulators. It would subject new financial rules to cost-benefit analysis, boost penalties for financial wrongdoers and repeal the Volcker rule restricting

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## China's Expanding Web of Riches

BY LIZA LIN

SHANGHAI—The shares of U.S. tech giants have been on a tear, but nothing like China's **Alibaba Group Holding** Ltd. On Thursday, its stock jumped 13%, adding to spectacular gains for the year.

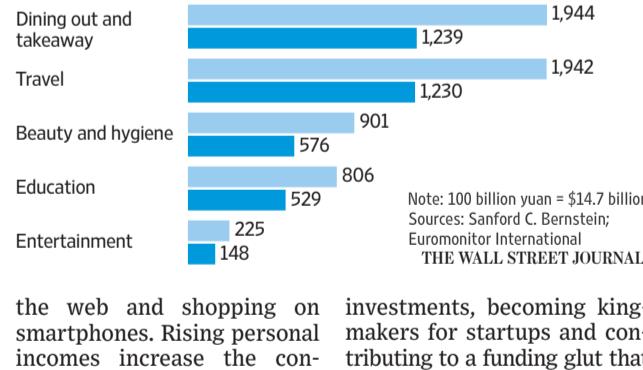
Alibaba finance chief Maggie Wu told investors Thursday that the company's revenue is on course to grow by nearly half in its current fiscal year. She said its e-commerce platforms—China's most popular—are using more-tailored shopping experiences to draw in even more users.

Alibaba is one of trio of Chinese titans, including social-media champion **Tencent Holdings** Ltd. and search engine **Baidu** Inc., that are spending billions of dollars on dozens of fronts to capture growth in the world's biggest internet market.

The country's market of 731 million internet users offers several times the number of people in the U.S. accessing

### Mobile-Driven Consumption

China's consumer spending online is expected to increase sharply by 2020.



the web and shopping on smartphones. Rising personal incomes increase the consumer pie for the big three internet companies. Nonetheless, they are increasingly cutting across each other's businesses, including online video streaming, cloud computing and internet finance.

With deep pockets and a powerful influence on day-to-day Chinese life, the companies have amassed a tangle of

affiliate. It competes neck-and-neck with Baidu on internet mapping services in China.

Tencent, China's most valuable company by market capitalization, is a global game giant and owns China's largest social network, WeChat. The app is prevalent in the lives of its more than 900 million monthly users. In recent years, Tencent has pushed hard into mobile payments, challenging Alibaba affiliate Ant Financial, which once monopolized the industry.

Baidu's market capitalization has lagged behind that of its two rivals, whose shares have risen by more than 40% this year. But Baidu, often referred to as China's Google, dominates internet searching in China. It has bet heavily on artificial intelligence and driverless cars, a field that Tencent is entering quickly.

The frenzy to invest means the three tech giants sometimes overlap. Tencent and Alibaba are both investors in Please see WEB page B2

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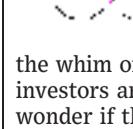


HONDA SOUPS UP TO RACE TESLA

AUTOS, B5

## STREETWISE | By James Mackintosh

## The Hunt for Yield Can Turn Bad Fast



When billions of euros of the riskiest bank bonds vanish overnight at the whim of regulators, investors are entitled to wonder if the reams of detailed documentation for similar bonds at other banks are worth the paper they're written on.

Banks no longer go bankrupt, as the process has

been renamed "resolution." But the collapse of the contingent convertible bonds at Spain's **Banco Popular Español**, from 100 cents on the euro at the end of March to zero on Wednesday, summons to mind Ernest Hemingway.

Asked how he went bankrupt, one his characters responded: "Two ways. Gradually, and then suddenly."

In one way the swift

execution of Popular was a successful first test of Europe's new bank-failure regime, and the risky bonds that underlie it. Taxpayers didn't pay a penny, there was no contagion to other banks and Spain's sixth-largest bank opened its doors as usual on Wednesday morning.

In another way it was a complete flop, showing the perils to investors of relying on overengineered financial

products. Popular was the first failure of a bank with contingent convertible bonds, supposed to provide a private-sector rescue by converting into equity when capital falls below a specified level. (In Popular's case, one CoCo had a relatively high trigger at 7% of risk-weighted assets.) The extra capital is meant to keep the bank functioning on its own, avoiding the need for painful

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## STREET

Continued from the prior page  
bankruptcy or resolution procedures.

Instead of converting the €1.25 billion (\$1.4 billion) of CoCos into shares, they were simply zeroed by the regulator, along with the shares, while another €1 billion of junior debt was turned into equity and sold for a symbolic €1 to Banco Santander. Conveniently, this extra capital exactly matched the regulator's new assessment of the shortfall, meaning Senior debt and deposits were untouched.

The process suggests that investors might as well not bother reading the long and turgid CoCo prospectuses, and that time spent building complex models of the options embedded within a CoCo is wasted. If the regulator decides the bank is bust, the CoCo is worthless;

tor was unperturbed by the Popular loss, to the surprise of those caught up in the brief panic a year ago around Deutsche Bank's CoCos.

One investor who lost money on Popular said everyone knew there were problems, but thought the bank would manage to raise capital. The lesson: "As soon as you get the first whiff of a problem you should get out as quickly as you can."

Part of the reason is that CoCos haven't worked. In a

bank crisis a collapse in bond prices can be both an indicator of trouble and self-fulfilling, as it shows the bank can't tap markets for

more capital.

"When a bond really starts to trade down it's a signal to regulators that the market doesn't believe in that institution, and if the market doesn't believe in that institution, then it's not viable," said Piers Ronan, head of financial institutions debt syndicate at Credit Suisse.

This nasty cycle was one

reason for the creation of CoCos, but they can provide

such a thin sliver of new

capital to a bank that they

would make little difference.

CoCos are still one of the

few places investors

desperate for yield can find

something—but dramatically

less than a year ago. One of

Banco Bilbao Vizcaya

Argentaria's CoCos yielded

16% last June, but now offers

6%, and many European

CoCos yield 4% to 5%. With

junk bonds yielding even

less, this might attract some

buyers. But the speed with

which Popular's junior bonds

went from the hospital to the

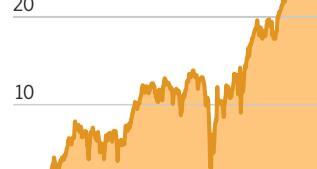
graveyard should be a handy

reminder of the risk these

CoCos bring.

### A Great Run for CoCos

Bank of America Merrill Lynch Contingent Capital Index, total return



Source: FactSet

THE WALL STREET JOURNAL.

## BUSINESS & FINANCE

# 'Mummy' Wraps Into Trend

BY BEN FRITZ

have launched with the feel of major franchises.

"Cinematic universes are becoming more and more what studios are doing and audiences are wanting," said Alex Kurtzman, director of "The Mummy" and a producer on the monster movies set to follow it in what Universal is calling its "Dark Universe."

Most major studios now have cinematic universes on screen or in development. They have supplanted the franchise, in which one big budget movie is followed by sequels or spinoffs, as the biggest scale and potentially most profitable type of product Hollywood can muster.

Creating a cinematic universe presents major challenges, however, because an early misstep can topple the movies intended to follow. That's what happened with Sony Pictures' plans for "Ghostbusters" and "Spider-Man" universes.

Time Warner Inc.'s Warner

Bros. has made big adjustments to its DC superhero universe since Chief Executive Kevin Tsujihara in 2014 announced plans for 10 interconnected movies over five years, in part due to negative fan and critical reactions to its first two releases, "Batman v Superman" and "Suicide Squad."

With "The Mummy," Universal is attempting to generate fan excitement for a universe featuring creatures like Frankenstein's monster, the Wolfman and the Invisible Man, but without making overly grand pronouncements that could set it up for embarrassment later.

"We really want each movie to be able to stand on its own two feet," said Universal Chairman Donna Langley.

"The Mummy" appears headed for a so-so opening of about \$40 million in the U.S. and Canada, said people who have seen prerelease survey results. It may perform better overseas though, as evidenced

by its \$6.6 million debut Tuesday in South Korea, the biggest opening day in that country.

The film will open with a "Dark Universe" logo to brand the film as part of a new series. Mr. Kurtzman, working with writer-producer Chris Morgan, created an overarching story about a monster-hunting organization that will connect the pictures. Its leader, Henry Jekyll, is played by Russell Crowe.

Universal has already signed other big name actors to star in future films, including Johnny Depp as the Invisible Man and Javier Bardem as Frankenstein's monster.

The only movie the studio has put on its release calendar, however, is a remake of "Bride of Frankenstein," for February 2019. The film will be directed by "Beauty and the Beast" director Bill Condon. It doesn't yet have a star, though the studio is hoping to cast Angelina Jolie, said a person close to the project.



Tom Cruise, right, and Sofia Boutella star in Universal Pictures' 'The Mummy,' which is set to be followed by other monster movies.

## BILL

Continued from the prior page  
banks from speculative trading. Supporters say scrapping what they view as onerous regulatory requirements will ultimately help smaller businesses, allowing them to grow and create jobs.

The Choice Act reins in Dodd-Frank and delivers the regulatory relief these small banks so desperately need," House Speaker Paul Ryan (R., Wis.) said during floor debate.

The main trade-off embedded in the bill: Banks can win significant regulatory relief if they maintain a leverage ratio of 10%, meaning they must fund every \$100 of loans or investments with at least \$10 of equity, as opposed to borrowed money such as deposits.

Supporters say relying less on borrowed money makes banks more stable. Most big banks oppose the idea because they don't meet that standard today. The current requirement is about 5% for the biggest banks.

Another target of the bill is the Consumer Financial Protection Bureau, a federal agency created by Dodd-Frank to write rules and examine financial-services firms for compliance with consumer protection policies. The bill, authored by House Financial Services Committee Chairman Jeb Hensarling (R., Texas), would eliminate the CFPB's supervisory and rule-writing functions, reducing it to an enforcement agency.

Democrats generally support higher bank capital requirements but say Mr. Hensarling's bill puts consumers at risk by cutting many other regulations. They oppose most changes to the consumer bureau, among other provisions in the bill.

"It destroys nearly all of the important policies we put in place...to prevent another financial crisis and protect consumers," said Rep. Maxine Waters (D., Calif.), referring to the Dodd-Frank law.

In a move symbolic of their opposition, Democrats didn't

### Key Provisions of Financial Choice Act

The House on Thursday passed the Financial Choice Act, which aims to revamp the rules the financial-services industry has to follow.

Here are key details of what the bill proposes to do:

◆ Grant healthy banks significant regulatory relief, such as exemptions from "stress tests," so long as a bank maintains a minimum leverage ratio of at least 10%.

◆ Subject banks to stress tests every other year instead of every year.

◆ Increase the possible penalties for wrongdoing in financial markets.

◆ Require financial regulators to do a cost-benefit analysis of new rules and prevent them from issuing rules that don't pass that test.

◆ Strip the Consumer Financial Protection Bureau of its powers

to write rules and supervise firms. The CFPB could enforce consumer financial protection laws but would lose its power to pursue certain fair-lending violations that are considered "unfair, deceptive or abusive acts or practices."

◆ Repeal the Volcker rule, a Dodd-Frank provision restricting taxpayer-insured banks from certain types of trading.

◆ Repeal a Dodd-Frank provision allowing the government to take over a failing financial firm, known as orderly liquidation authority, and create new rules for such firms to go through bankruptcy instead.

◆ Remove the Dodd-Frank authority of regulators to designate large nonbank financial firms, such as insurers or asset managers, as "systemically important financial institutions" subject to stricter rules.

◆ Allow all companies to communicate confidentially with the SEC about potential initial public offerings and withhold company communications with regulators from investors.

## HEIR

Continued from the prior page  
bank as someone with a trader's personality, who is blunt and passionate about his work. He was said to have led the bank's cost-cutting efforts a few years ago with an iron fist, which frustrated some executives and employees.

There are also "Zames guys," or employees who have worked alongside him and respect his work, especially in the corporate and investment bank. Some employees who had worked with Mr. Zames said they were surprised and disappointed in his decision to leave.

In his current role, Mr. Zames oversaw a number of groups across the bank, including cybersecurity, technology, real estate and other functions. Earlier, he held roles across the investment-banking and trading businesses.

His role became more important in recent years as J.P. Morgan and other banks were tested by cyberthreats and upstart fintech companies. J.P. Morgan responded by boosting its tech budget to \$9.5 billion annually, according to a letter Mr. Zames wrote for the company's annual report in April that also highlighted the bank's hiring of outside programmers and its push into robotics and machine learning. "I have never been more excited about the opportunities ahead," Mr. Zames wrote at the time.

## BUSINESS NEWS

# Boeing Defends Shifting Work to China

Aircraft maker moves some tasks overseas, but maintains action won't affect U.S. jobs

By DOUG CAMERON

Boeing Co. is moving some work completing aircraft to China and other overseas markets but doesn't expect this to affect its U.S. manufacturing workforce, said the chief executive of the world's largest aerospace company.

Dennis Muilenburg is trying to reshape the company by boosting the profitability of its core commercial-jetliner business and increasing defense exports while trimming costs with job cuts and more automation.

"My goal over time is to add manufacturing jobs, but these will be different kinds of jobs," Mr. Muilenburg said in a recent interview.

Mr. Muilenburg and other manufacturing CEOs are under pressure to help deliver on President Donald Trump's pledge to boost employment in the sector in return for tax and regulatory changes. However, potential changes to trade policies sit uneasily with some big exporters such as Boeing.

Boeing has been cutting its U.S. workforce through a mix of buyouts and involuntary layoffs, with the aim of revamping its factories through increased automation and use of new technologies it says can

lower the cost of jet and defense systems' production. Boeing's employee roll fell to around 145,000 at the end of May, down 30,000 from 2012, though it hired 11,000 new workers last year.

But Mr. Muilenburg said that overseas facilities such as the new plant it is building with a Chinese partner near Shanghai aren't directly harming U.S. jobs. He said the effort is an essential part of doing business in a China market that is expected to generate sales of 6,800 jets over the next 20 years.

Employees at the Chinese plant will paint jetliners destined for the Chinese market and equip them with seats and other interior fittings. Boeing is building the plant in partnership with state-owned Comac, which is spearheading China's own efforts to develop a more advanced aerospace sector, recently flying for the first time its C919 jetliner, a competitor to the Chicago-based company's own best-selling 737.

Mr. Muilenburg said: "We know as we're investing there we're also creating a competitor."

Other aerospace executives, such as United Technologies Corp. CEO Greg Hayes, have flagged the potential impact of China's aerospace space ambitions.

"The Chinese will build aircraft someday, they will build engines someday, they will build aircraft systems some-



A Comac plant in Shanghai, where its C919 was under assembly in May. Boeing is building a facility in China with state-owned Comac.

day and our goal is to continue to innovate to stay ahead of the curve such that we can capture those markets, and not them," Mr. Hayes said at a recent investor conference.

Boeing is the largest U.S. exporter by dollar value, and while fast-growing customers

such as China increasingly want to trade orders for more work in their own countries, Mr. Muilenburg said bartering to secure cheaper labor costs wasn't part of Boeing's strategy.

"We're not in the business of taking large operations in the U.S. and moving them

overseas," he said. Mr. Muilenburg credited the new administration with recognizing how global industry supply chains interact and how domestic jobs are tied to work carried out overseas.

Boeing recently secured a potential \$50 billion in defense and commercial sales

from Saudi Arabia during a state visit by Mr. Trump. The Saudi sales include a pact to complete some Boeing Apache attack helicopters in the kingdom. The company is also interested in assembling fighter jets in India to secure a deal that could involve more than 100 planes.

QILAI SHEH/BLOOMBERG NEWS

## Teva Aims To Reshape Its Board

Teva Pharmaceutical Industries Ltd. will seek to overhaul its board by nominating four new directors, the latest step toward remaking the struggling drug company.

Teva, the world's biggest seller of low-price generic drugs, will ask shareholders to approve the nominees at the company's annual meeting July 13, said Sol Barer, the board's chairman. The nominees would

By Jonathan D. Rockoff, Denise Roland and Rory Jones

succeed longtime board members who have decided to step aside or aren't seeking new terms.

Three of the nominees would bring international drug-industry and financial experience to the Israel-based company, while the fourth is an Israeli venture capitalist.

Among their first orders of business would be picking a new chief executive.

"We are evolving the board to meet new challenges both within Teva and the business" of generic drugs, Dr. Barer said in an interview.

The nominees include Murray Goldberg, former chief financial officer at Regeneron Pharmaceuticals Inc.; Roberto Mignone, managing partner of hedge fund Bridget Management LLC, which specializes in health care; and Perry Nissen, a former GlaxoSmithKline PLC research-and-development official who now leads the Sanford Burnham Prebys Medical Discovery Institute in La Jolla, Calif.

The fourth nominee is Chemi Peres, managing partner of Israel's Pitango Venture Capital, which has invested in health care and information technology.

They would replace Ari Belldegrun, who left the board in January; Roger Abravanel, who is resigning as of the annual meeting to support the board's makeover; and Ory Slonim, who isn't standing for re-election. Joseph Nitzani will leave when his term ends in September.

Teva is confronting challenges of its own as well as those besetting the entire generic-drug industry.

Like other generic-drug makers, Teva faces a tough pricing environment and intensifying competition for copycat medicines that is squeezing their tight margins.

The company must also deal with \$32 billion in debt and a sprawling supply chain accumulated through acquisitions.

## Meatpacker JBS Alienates Some Customers

By PAUL KIERNAN AND LUCIANA MAGALHAES

RIO DE JANEIRO—Brazilian meat giant JBS is facing a backlash from its business partners after admitting to bribing nearly 2,000 politicians in exchange for subsidized financing that helped turn the company into the world's largest meatpacker.

A slew of restaurants and supermarket chains in Brazil have either stopped purchasing JBS products or said they are considering doing so. Banks have tightened lending standards for the company. And the Brazilian state-controlled oil company, Petróleo Brasileiro SA, or Petrobras, canceled a natural-gas supply contract Thursday with a power plant owned by JBS's holding company, J&F Investimentos.

Citing the violation of an antibribery clause, Petrobras said it seeks about \$21 million in redress.

The moves highlight the potential costs—beyond the record \$3.14 billion in penalties that J&F Investimentos agreed to pay Brazilian prosecutors last month—of its coming clean on corruption.

The settlement, which spared former JBS Chairman Joesley Batista and his brother, current Chief Executive Wesley Batista, from jail,



A JBS plant in Brazil. The company's admission to bribing politicians has led to a customer backlash.

sparked public outrage and prompted some JBS customers to take action.

In a statement, J&F said the power plant was never a target of corruption investigations.

In a Facebook post shared more than 10,000 times, Domino's Pizza Brasil said on June 2 it would no longer use JBS products at its 184 shops. The pizza chain said its decision applied to grilled and shredded chicken.

"We greatly value transparency and ethics along with all

Domino's lovers," the company said, "and we share the same sense of disgust when those values aren't taken into consideration."

JBS said the quality of its products has never been in doubt and that the company's priorities are its clients, suppliers and employees.

Sandwich-shop chain Subway, which has 2,161 stores in Brazil, said it is considering changing suppliers because of the scandal. Brazilian steakhouse chain Fogo de Chão,

which has branches in the U.S., said it has stopped buying JBS products in Brazil "out of respect for our clients."

Publicly traded companies that extend their codes of conduct to suppliers are also considering what actions, if any, to take.

Wal-Mart Stores Inc., whose grocery stores sell JBS brands including Pilgrim's Pride chicken, has a policy stating its suppliers "must not tolerate, permit or engage in bribery, corruption or unethi-

cal practices." Asked about the JBS scandal, a Wal-Mart spokeswoman said the company is "following the JBS investigation closely."

McDonald's Corp., which JBS identifies as a "global customer" in its annual report, said it, too, is "closely monitoring the events" and "reviewing the situation."

French supermarket chain Carrefour SA, which has similar antibribery rules for suppliers, said it has requested "clarifications" regarding JBS.

In a plea bargain released last month, the Batista brothers and other company executives told prosecutors they made roughly \$150 million in payments to Brazilian politicians, including the country's current president, Michel Temer, and his two immediate predecessors. The three deny wrongdoing.

The bribes helped JBS secure access to billions of dollars in loans and investments from state-owned Brazilian banks, prosecutors said. The company then used that financing to make dozens of major acquisitions at home and abroad, particularly in the U.S., according to JBS public filings.

JBS saw its revenues explode from \$1.8 billion in 2006 to \$49 billion last year, surpassed only by Nestlé among global food companies, according to data from FactSet.

## Valeant to Sell iNova Unit In \$930 Million Transaction

By AUSTEN HUFFORD

Valeant Pharmaceuticals International Inc. reached a deal to sell its iNova Pharmaceuticals unit for \$930 million, as it works to reset itself after a crisis, cutting billions in debt and refocusing on its core treatment areas and geographies.

The iNova unit sells prescription and over-the-counter products in areas such as weight management, pain management, cardiology and cough and cold.

The unit operates in more than 15 countries and has large market positions in Australia and South Africa, as well as an established platform in Asia.

The unit is being bought by a company jointly owned by affiliates of Pacific Equity Partners and Carlyle Group. The deal is expected to close in the second half of this year.

Valeant was once a darling of Wall Street as it capitalized on a strategy of buying smaller rivals and boosting their drugs' prices.

But the company's share

price spiraled downward after issues arose with its accounting and business practices, and company executives who have since left the firm appeared before Congress to explain price increases. The company had a \$28.2 billion long-term debt load as of March 31, according to company filings.

Valeant Chief Executive Joseph Papa said in an interview Thursday that Valeant is focusing on its core, which includes dermatology, eye care and gastrointestinal care in the U.S. and Canada. Valeant noted that it will maintain a strong footprint in countries served by iNova, primarily through its eye-treatment unit Bausch & Lomb.

In August, Valeant said it would pay down \$5 billion in debt by February 2018. In recent months, it has announced a string of deals as part of that effort.

Mr. Papa said the company is "well on our way to over-delivering" on its debt-reduction pledge, with a goal of ending up with \$15 billion to \$20 billion of debt long term.

## FDA Asks Endo to Remove Painkiller From the Market

By JEANNE WHALEN

The U.S. Food and Drug Administration is requesting Endo Pharmaceuticals Inc. remove its Opana ER from the market over concerns about the painkiller's links to injection drug abuse, in what the agency called its first effort to remove an opioid pain drug over abuse concerns.

The FDA said it concluded "the benefits of the drug may no longer outweigh its risks" given the drug's association with injection drug abuse.

Abuse of the drug via injection was linked to "a serious outbreak of HIV and hepatitis C," the FDA added. The outbreak occurred in Indiana in 2015, where addicts shared needles while injecting the drug.

"We are facing an opioid epidemic—a public health crisis, and we must take all necessary steps to reduce the scope of opioid misuse and abuse," FDA Commissioner Scott Gottlieb said in a statement. "We will continue to take regulatory steps when we see situations

where an opioid product's risks outweigh its benefits, not only for its intended patient population but also in regard to its potential for misuse and abuse."

The decision comes amid growing public concern and political pressure over widespread addiction to opioid drugs, which include prescription painkillers as well as illicit narcotics such as heroin and black market fentanyl. Opioid abuse has helped push U.S. overdose death rates to all-time highs. Many public-health officials say the addiction crisis began with widespread prescribing and use of prescription painkillers.

Endo's parent company Endo International PLC said it is reviewing the FDA request and "evaluating the full range of potential options as we determine the appropriate path forward."

It added it "remains confident in the body of evidence established through clinical research demonstrating that Opana ER has a favorable risk-benefit profile when used as in-

tended in appropriate patients."

The FDA said it has requested the company voluntarily stop selling the drug. It added: "Should the company choose not to remove the product, the agency intends to take steps to formally require its removal by withdrawing approval. In the interim, the FDA is making health care professionals and others aware of the particularly serious risks associated with the abuse of this product."

Endo International's shares fell 12% in after hour trading.

Opana ER sales have fallen in recent years amid generic competition. The drug had 2016 sales of \$159 million. Endo International, which is based in Dublin, had 2016 sales of \$4.01 billion.

Andrew Kolodny, a longtime critic of opioid painkillers and co-director of Brandeis University's Opioid Policy Research Collaborative, said he hoped the FDA's move was a sign the agency was adopting a tougher approach toward opioids.

But the company's share

## TECHNOLOGY

WSJ.com/Tech

CHINA CIRCUIT | By Li Yuan

# A Glimpse Behind the Great Firewall in China



When I asked a Beijing-based venture capitalist who travels to the U.S. frequently what foreigners need to know to understand the Chinese internet, he sent me a stream of comments he hears all the time:

"I thought without freedom of expression you can't innovate. I thought with censorship you'd always be confused what product you can do. I thought American companies would be successful if it weren't for Chinese protectionism," ran his list. "I thought Chinese people would really want to see American websites if they could."

While censorship, protectionism and copying are often the first things that many foreigners associate with Chinese tech—and they're undoubtedly important factors—thinking beyond them is vital to understanding the Chinese internet.

China is now the world's largest e-commerce and mobile-payment market. Of China's roughly 700 million mobile-internet users last year, half paid with their smartphones in stores and restaurants, 28% ordered meal delivery and 44% read online fiction, according to a govern-



A subway rider uses WeChat in the city of Chongqing in southwest China. The social-messaging app has more than 900 million accounts.

and residents in smaller, less-wealthy cities. Their phones look like iPhones and pack many of the same features, but they cost less than half the price of an iPhone.

That has helped Oppo and Vivo double their market share, while Apple's has fallen by 13% to the fourth position.

4. Rapid adoption is creating demand for new products and business models.

China's mobile-payment volume rose by almost four-fold in 2016 to 58.5 trillion yuan (\$8.601 trillion), according to iResearch. Some \$800 billion of that went to ride services, games and shopping. By comparison, mobile payments in the U.S. rose 39% to \$112 billion in 2016, according to Forrester Research.

5. Now the copying has reversed—in some ways.

Facebook followed WeChat's footsteps in adding e-commerce, friend-to-friend money transfers and ticket buying—which the website Tech in Asia called “Facebook's WeChat-ification.” Apple announced this past week that its iMessage service will also support a friend-to-friend payment transfer feature.

*Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.*

ment report.

Here's what you need to know about the Chinese internet and how it is influencing the rest of the world.

1. Chinese aren't clamoring to bypass government internet filters to visit websites such as Google, YouTube and Facebook.

Yes, China heavily censors

the internet. Many people are frustrated by the limits on life and work imposed by what's collectively called the Great Firewall. Still, the majority of Chinese aren't focused on what they can't reach because domestic websites more than fill the void.

2. Even when foreign apps aren't blocked, Chinese com-

petitors win because so many people use their products that they are indispensable.

Internet calling and messaging apps Skype, WhatsApp and Slack are accessible, but they're just no substitute for Chinese products that locals are using in droves.

Take WeChat, the social-messaging app from Tencent

Holdings Ltd. that has more than 900 million accounts.

3. Once a technology or a business model is out there, Chinese nimbly adapt it to the local market—which in China is known as “micro-innovation.”

Oppo and Vivo, the No. 1 and No. 3 smartphone brands by market share in 2016, appeal to young people

## Amazon Near Accord In India for Groceries

By RAJESH ROY

NEW DELHI—Amazon.com Inc. has a multimillion-dollar plan to dive into the online grocery business in India, as looser government restrictions finally allow it to sell some products directly to consumers.

New Delhi is set to give the online retail giant the green light to invest around \$500 million over the next five years to build a nationwide network to stock and deliver groceries, a Trade Ministry official said.

The South Asian nation typically bars foreign companies from selling products directly to consumers to protect the countless mom-and-pop shops that form the backbone of its retail industry. Amazon has so far had to act as an online marketplace, providing online and logistics support for other companies rather than selling products directly to consumers.

Last year, India allowed foreign companies to sell groceries directly to consumers, provided the produce and processed

## WEB

*Continued from page B1*  
China's premier ride-hailing app, Didi Chuxing. Baidu and Tencent jointly back electric-car maker NextEV, which will start production of an electric SUV in China this year.

The latest battleground is China's lifestyle trends, with companies investing in apps that offer a variety services including food, face-lifts, child care and bike sharing.

China's internet-driven lifestyle-services industry is on course to grow to 7.8 trillion yuan by 2020 (\$1.15 trillion) from almost 5 trillion yuan in 2015, according to Sanford C. Bernstein.

Alibaba has backed Koubei, a lifestyle search engine that is the newest entrant into the field. Koubei said in February that it had raised \$1.1 billion from investors, giving it a valuation of \$8 billion. Weeks later, Tencent-backed Meituan-Dianping said it had raised 1.5 billion yuan (\$220 million) to start a venture-capital fund to help restaurant- and leisure-related merchants grow.

Those apps go further than those available elsewhere, such as Yelp Inc. Users not only can order food and make an appointment with a hair-



Reporters tested virtual-reality headsets at Alibaba's annual Singles' Day shopping event in November.

dresser, but they can also book day trips, holidays and educational classes, and hail rides.

Meituan-Dianping dominates China's industry, with 75.5% market share last year, according to Analysys. Baidu's Nuomi is second, with 24%. Koubei has yet to establish a major presence.

The competition offers another prize: a wealth of big data that companies can use to unlock more money in a market where user growth is slowing. The data those services yield give the companies more power to target consumers

with tailored advertising, helping them capture a larger slice of the online-advertising pie.

Beijing-based Baidu said it is accelerating efforts to use its artificial-intelligence technologies, such as virtual-reality hotel tours, to boost merchants on its platform. Its location and search data can also advise merchants on optimal locations to open a physical store. Several consumers searching for a manicure salon in an area could indicate demand for one.

On Thursday, Alibaba Chief Executive Daniel Zhang called

data collection the company's most important asset, allowing it to provide better services for customers, advertisers and businesses. “If we use one sentence to describe Alibaba,” he told investors. “Alibaba is an economy, driven by big data.”

*—Lilian Lin contributed to this article.*

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Debtor in a foreign proceeding, : Case No. 17-11519 (MG)

**NOTICE OF FILING AND HEARING ON PETITION UNDER CHAPTER 15 OF THE BANKRUPTCY CODE**

PLEASE TAKE NOTICE that on June 2, 2017, U.S. Steel Canada Inc., as the authorized foreign representative ("the Foreign Representative") of the above-captioned debtor ("the Debtor"), which is the subject of a reorganization proceeding under the Companies' Creditors Arrangement Act currently pending in the Ontario Superior Court of Justice in Ontario, Canada (the "CCAA Proceedings"), filed a verified petition (the "Verified Petition") with the United States Bankruptcy Court for the Southern District of New York (the "Court").

PLEASE TAKE FURTHER NOTICE that, among other things, the Verified Petition requests entry of an order recognizing the CCAA Proceedings as a foreign main proceeding pursuant to section 1517 of title 11 of the United States Code (the "Bankruptcy Code"), granting related relief pursuant to section 1520 of the Bankruptcy Code, and granting certain additional relief pursuant to sections 1507 and 1521 of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that the Court has scheduled a hearing to consider the relief requested in the Verified Petition (the "Recognition Hearing") at 4 p.m. (Prevailing Eastern Time) on June 29, 2017. The Recognition Hearing will be held before the Honorable Martin Glenn in Room 523 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-4408.

PLEASE TAKE FURTHER NOTICE that any objection to the Verified Petition must be made in accordance with the Bankruptcy Code, the Local Rules of the United States Bankruptcy Court for the Southern District of New York, and the Federal Rules of Bankruptcy Procedure, in a writing that sets forth the basis for such objection with specificity. Any such objection must be filed with the Court and served upon Foreign Representative's counsel, Weil, Gotshal & Manges, LLP, Attn: Marcia Goldstein, Esq., Robert J. Lemons, Esq., and Arkady A. Goldstein, Esq., so as to be received by 4:00 p.m. (Prevailing Eastern Time) on June 22, 2017, with a courtesy copy served upon the Chambers of the Honorable Martin Glenn, United States Bankruptcy Judge, United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004-4408.

PLEASE TAKE FURTHER NOTICE that if no objection is timely filed and served as provided above, the Court may grant the relief requested in the Verified Petition without a hearing or further notice.

PLEASE TAKE FURTHER NOTICE that any party in interest objecting to the Verified Petition or the relief requested therein must appear at the Recognition Hearing at the time and place set forth above.

PLEASE TAKE FURTHER NOTICE that the Recognition Hearing may be adjourned from time to time without further notice other than an announcement in open court or a notice of adjournment filed with the Court.

PLEASE TAKE FURTHER NOTICE that, at the Recognition Hearing, the Court may order the scheduling of a case management conference to consider the efficient administration of this chapter 15 case.

PLEASE TAKE FURTHER NOTICE of the Court's intention to communicate with a foreign court or the Foreign Representative.

PLEASE TAKE FURTHER NOTICE that copies of the Verified Petition and all other documents filed in this case can be accessed from the Court's website, <http://ecf.nysb.uscourts.gov> (a PACER login and password are required to retrieve documents) or by written request to the Foreign Representative's undersigned counsel.

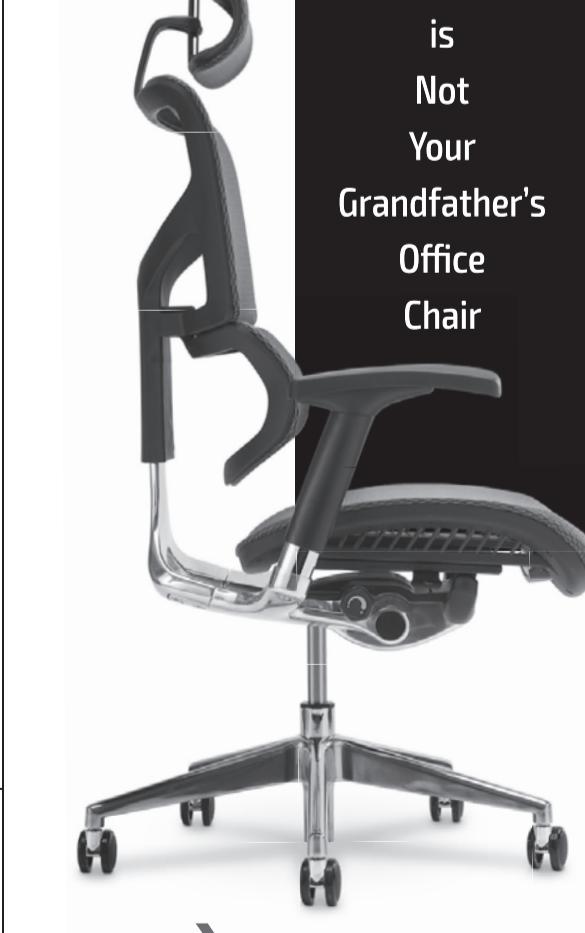
Dated: June 2, 2017, New York, New York. /s/ Robert J. Lemons WEIL GOTSHAL & MANGES LLP, 767 Fifth Avenue, New York, New York 10153, Telephone: (212) 310-8000, Facsimile: (212) 310-8007, Marcia Goldstein, Robert J. Lemons, Counsel to the Foreign Representative.

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## BUSINESS NEWS

# Battle Over BHP Grows as Activist Targets Boardroom

BY ROBB M. STEWART

MELBOURNE, Australia—One of the activist investors targeting **BHP Billiton** Ltd. for a sweeping overhaul is seeking candidates for a potential shake-up of the resources company's board.

**Tribeca Investment Partners** contends a majority of BHP's 11-person board oversaw some of BHP's missteps in recent years without being held accountable, said Craig Evans, a portfolio manager

**Tribeca Investment Partners** is holding talks with possible board candidates.

at the Sydney-based hedge fund. He said the fund is holding private talks with a number of people as possible nominees.

Angling for a board overhaul is timely given that a search is under way for a successor to BHP Chairman Jac Nasser, who plans to retire in 2018 after eight years in the role. It also adds to other moves advocated by the activist investors.

Tribeca last month joined **Elliott Management** Corp. in criticizing BHP for destroying shareholder value, and pushed the mining and energy company to sell its U.S. onshore oil-and-gas assets and use the estimated \$10 billion in proceeds to reward investors and invest in growth projects.

"The main thing for us is the board is constantly showing it isn't aligned with shareholder interests [on] returns and it must be addressed," Mr. Evans said.

He said Tribeca has identified several individuals with long-term experience in the industry at the board level and as chief executives.

"We would like to see more mining and technical skills on the current board," Tribeca investment analyst James Eginton said.

Mr. Evans said the names of the potential candidates wouldn't be disclosed until after BHP had decided whether or not to meet with Tribeca.

BHP declined to comment.

In April, after months of talks with BHP's management and board, New York hedge fund Elliott went public with calls for BHP to spin off its U.S. petroleum assets and restructure its dual listing around a main listing in London.

In May, the investment firm managed by Paul Singer refined its attack by calling for an independent review of BHP's global oil-and-gas operations and suggesting the company retain a main listing in Australia. An Elliott spokesman declined to comment on BHP's board or whether it would push for changes among the directors.

BHP has rejected Elliott's attack, arguing that collapsing its dual structure would be too costly and that there was a good fit between its mining and petroleum operations.

Elliott has taken its case directly to other shareholders in Australia and around the world, while BHP's management has held talks with investors in recent weeks following a presentation in Barcelona by CEO Andrew Mackenzie. In that presentation, Mr. Mackenzie said a strategy of cutting costs and unlocking latent production capacity would significantly boost BHP's value.



The company's battery-powered electric version of the Acura NSX that participated in a race up Pikes Peak in Colorado last year

# Honda Maps Electric Goals

Auto maker seeks to make two-thirds of the cars it sells powered by electricity by 2030

BY SEAN MC LAIN

HAGA, Japan—**Honda Motor** Co.'s strategy for overtaking **Tesla** Inc. includes a 1,000-horsepower sports car burning rubber on a test track.

At the Japanese auto maker's research center here this week, a race-car driver showed off a battery-powered electric version of the Acura NSX sports car, with flashy turns and screeching brakes. The car isn't for sale: It was built specially for a race up Pikes Peak last year in Colorado Springs, Colo. But it is a test for some of the technologies Honda is working on to stand out in an electric-car field that is getting more crowded.

"I want our R&D to establish how we can compete against and distinguish ourselves from Tesla," said Katsuya Hishiki, Honda's head of

electric vehicle development, at the center two hours north of Tokyo.

On Wednesday, Honda said a new electric vehicle is being designed from the ground up by Mr. Hishiki's team, and it plans to show off the results at an auto show this fall. It is the first stage of Honda's plan to make two-thirds of the cars it sells electric-powered by 2030.

Established auto makers are all rushing to devise electric-vehicle strategies, and many are hoping to draw attention away from Tesla. General Motors Co. late last year introduced its Chevrolet Bolt electric hatchback, which sells for about \$30,000 after tax incentives—less than half a Tesla Model S. Tesla is expected to roll out its own mass-market model later this year.

Honda's goal is to keep its electric cars affordable but infuse them with a sporty feel in hopes of expanding its audience beyond people trying to make an environmental statement.

Its initial effort, a battery-powered version of the Clarity sedan, will go on sale in the U.S. later this year. It has

quick acceleration and nimble corner handling, according to Honda, and will cost about \$35,000.

But the battery-powered Clarity has a major shortcoming: driving range. It can travel only 80 miles on a single charge. That compares with up to 335 miles for the Tesla Model S and 238 miles for the Chevy Bolt. The Clarity's range is closer to that of Nissan Motor Co.'s original Leaf model, which went on sale in 2010.

Honda says that to cut costs, the Clarity was designed to house different types of power. In addition to the battery-electric version, there is also a hydrogen fuel cell version and a plug-in hybrid version. Honda's ambitions are limited: It plans to sell 75,000 units of the Clarity in the U.S. over four years, roughly the same number of cars it sold in May alone.

Bigger hopes rest on the new electric vehicle that Honda is building from scratch. It didn't say when that will be available.

Honda President Takahiro

Hachigo hopes to pick up the pace of development. Once known for innovative vehicles born from its involvement in motor sports, the company has tended to lag in technology in recent years, including with electric cars, autonomous driving and even innovation in conventional vehicles.

"We need to improve our future competitiveness with Honda-like electric vehicles and autonomous vehicles that instill a Honda-like feeling," Mr. Hachigo said. "Sometimes I think we've only just started and have much to do."

The first attempt at breaking away from humdrum designs is the latest Civic sedan, which Honda engineers are calling a throwback to the company's glory days. The company threw away the budget and designed an entry-level vehicle, costing about \$20,000, with a turbocharged engine and the latest autonomous driving software.

Christopher Richter, an auto analyst at CLSA, said the company is still a strong competitor in the chase to design next-generation cars.

## Ford Unit to Break Out Results

BY CHRISTINA ROGERS

**Ford Motor** Co.'s smart mobility subsidiary will start breaking out separate financial results to help offer investors better clarity on the revenue and earnings potential for the company's alternative transportation businesses.

Raj Rao, the mobility unit's chief executive, said Thursday the intent is for Ford Smart Mobility LLC to have its own profit and loss statements, much like Ford's other divisions, although he didn't give exact timing on when that would begin.

The unit oversees efforts to diversify into ride-sharing, autonomous-car fleets and other service-based business that executives believe have the potential to boost margins beyond what Ford earns from its traditional auto operations.

Analysts have pressed Ford executives for more financial details on the future technologies it is investing in and better clarity on how they will deliver the 20% margins forecast by former chief executive Mark Fields. Mr. Fields was ousted last month in part because he wasn't able to provide a cohesive

strategy on how the future bets would tie together.

Ford's new CEO Jim Hackett had recently led the mobility unit as chairman until his appointment to the top job.

Separately, Ford is offering buyouts to 15,000 salaried workers in North America and Asia in a move aimed at boosting profit amid slowing sales in the U.S. and China.

The offers target 10% of the white-collar workforce in each region with the aim of trimming 1,400 employees from the global head count, the company said.

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January/Feb 2017 Issue

Tim Ferriss | Author

## BUSINESS & FINANCE

# Unit's Woes Stun Toshiba

Trouble at U.S. nuclear arm Westinghouse surprised its parent, court records indicate

By KOSAKU NARIOKA

TOKYO—Toshiba Corp. didn't know its U.S. nuclear subsidiary was preparing for a bankruptcy filing even after the unit had hired lawyers for the task, according to court records and Toshiba's official timeline.

In a Nov. 30, 2016, letter, a lawyer at New York firm Weil Gotshal & Manges LLP wrote that Toshiba unit **Westinghouse Electric Co.** had engaged the firm to work on "the potential filing and administration of a chapter 11 proceeding under the United States Bankruptcy Code."

A Toshiba spokesman, reiterating earlier statements by company executives, said this week that no one at Tokyo headquarters was aware of the potential for major losses or bankruptcy at Westinghouse until early December 2016. Toshiba Chief Executive Satoshi Tsunakawa learned of the problem in mid-December, the spokesman said.

At a news conference on Dec. 27, Mr. Tsunakawa said Toshiba was facing a multibillion-dollar loss in connection with cost overruns at Westinghouse nuclear projects in the U.S. but didn't discuss a possible bankruptcy.

If Toshiba's timeline is accurate, it suggests poor communication between parent and subsidiary contributed to letting the problems at Westinghouse get out of hand. Toshiba, one of Japan's biggest and oldest conglomerates, has said it has doubts whether it is a going concern because of its unit's bankruptcy.

Conversely, if Toshiba did know about the unit's bankruptcy plans ahead of time but failed to disclose them promptly, it could worsen trust among investors at a



The Westinghouse Electric nuclear-energy unit of Toshiba in the U.S. filed for chapter 11 in March.

time when stock-exchange officials in Tokyo are weighing whether to delist Toshiba shares.

Cost overruns and delays have long plagued nuclear-reactor projects undertaken by Westinghouse in Georgia and South Carolina. Some analysts had speculated for years that Toshiba might take a large hit on its Westinghouse holding.

The Japanese company announced a write-down of some Westinghouse goodwill in April 2016 but maintained the nuclear unit had a bright future until revealing the larger losses at the Dec. 27 news conference.

The Toshiba spokesman said the company began to consider a bankruptcy filing by its U.S. subsidiary around the time of that news conference—about a month after the U.S. unit had already hired lawyers to prepare the filing.

Westinghouse filed for protection from creditors under chapter 11 on March 29. Toshiba, which owned 87% of Westinghouse at that point, has estimated that Westinghouse-related write-downs led

to a loss of ¥950 billion (\$8.64 billion) in the year ended March 31, 2017.

A Westinghouse spokeswoman declined to comment. Lawyers at Weil Gotshal didn't respond to requests for comment.

The November letter was part of court records released in April, but it didn't get wide notice at the time.

In 2016 and early 2017, a key executive on the nuclear issue was Shigenori Shiga, who was chairman of Toshiba and long responsible for the company's energy business including Westinghouse, where he had earlier served as chairman of the board.

Toshiba's account suggests either that Mr. Shiga didn't know Westinghouse had hired lawyers for a possible bankruptcy filing or, if he did know, that he didn't immediately convey news of the preparations to board colleagues in Tokyo including Toshiba's CEO. Toshiba declined to make Mr. Shiga available for comment and he couldn't be located.

Toshiba didn't get its auditor's approval for October-Decem-

ber 2016 quarterly results and has yet to release audited results for the full fiscal year ended March 2017, citing a dispute with its auditor over whether its internal controls were adequate in accounting for Westinghouse.

A self-regulatory body at Japan Exchange Group Inc., which operates the Tokyo Stock Exchange, is reviewing Toshiba's status for possible delisting after a previous accounting scandal.

—Takashi Mochizuki,  
Russell Gold and Peg Brickley  
contributed to this article.

# Uber Moves to Hire Team From Startup

By GREG BENINGER

While **Uber Technologies Inc.** wrestles with a string of controversies, the ride-hailing company is in advanced talks to acquire much of the engineering team from a struggling car-parking service, according to people familiar with the matter.

Uber is discussing bringing on part of the engineering team from **Luxe Valet Inc.** in what is known in Silicon Valley as an "acquisition." The talks had also involved technology that Luxe was designing to enable short-term car rentals, said one of the people.

Luxe, which is based only about a three-minute drive from Uber's headquarters in San Francisco, employs about 60 people, not including its parking valets. Founded in 2013, Luxe was known for its app that let drivers in big cities summon valets who would park the cars for them in underused lots at discount prices.

The startup raised more than \$75 million in funding, including from rental-car company **Hertz Global Holdings**, and expanded into several big cities including New York and Los Angeles.

But it pulled the plug on the app last month and said it would launch a new parking service this summer.

On Wednesday, Uber was

interviewing Luxe engineers to determine which it would keep after the acquisition closes, according to a person familiar with the matter.

Chief Executive Curtis Lee and co-founder Craig Martin will continue with what remains of Luxe, said one of the people. Uber isn't likely to take the Luxe name as part of the deal, the people said. Terms of the deal couldn't be learned.

Uber hasn't been particularly acquisitive though it has raised about \$15 billion in equity and debt financing. Last year, it bought self-driving-truck company Otto for about \$680 million and artificial-intelligence firm Geometric Intelligence for an undisclosed sum.

Luxe is part of a generation of startups that launched several years ago in the wake of Uber's success and improvements in mobile technology. To keep costs low, the startups typically relied on freelancers to perform the tasks, whether it is cleaning houses, running errands or delivering food.

Known as the "Uber for parking," Luxe dispatched attendants who wore bright-blue track jackets and rode around on Razor scooters, picking up cars and fetching them when it was time for the driver to go home. It reached deals with parking lots for discounted rates.

## Dividend Changes

Dividend announcements from June 8.

Company	Symbol	Yld %	Amount New/Old	Payable / Record	Company	Symbol	Yld %	Amount New/Old	Payable / Record
<b>Increased</b>									
Canterbury Park Holding	CPHC	2.3	.06/.05	Q	Jul14/Jun30	ZTR	10.8	113	M Jul20/Jul13
Universal Health Realty	UHT	3.6	.66/.655	Q	Jun30/Jun31	ZTR	10.8	113	M Aug18/Aug11
					Virtus Global Dividend	ZTR	10.8	113	M Sep18/Sep11
					Virtus Total Return Fund	ZF	11.7	361	M Jul20/Jul13
<b>Initial</b>									
Arlington Asset Pfd.B	AlpB		.238		Jun30/Jun19	BancFirst	BANF	21	Jul31/Aug01
DDR Pfd.Series A	DDRPdA		.17708		Jul17/Jun30				
<b>Funds and investment companies</b>									
IQ Enh Core Plus Bd US	AGGP	3.4	.05616	M	Jun14/Jun12	HDFC Bank ADR	HDB	0.5	51296 /Jun29
IQ Enhanced Core Bd US	AGGE	19	.03169	M	Jun14/Jun12	Tahoe Resources	TAHO	.02	M Jun29/Jun22
Virtus Gibl MultiSector	VGI	10.9	.156	M	Jul20/Jul13				
Virtus Gibl MultiSector	VGI	10.9	.156	M	Aug18/Aug11				
Virtus Gibl MultiSector	VGI	10.9	.156	M	Sep18/Sep11				

KEY: A: annual; M: monthly; Q: quarterly; R: revised; SA: semiannual;  
S2: stock split and ratio; SO: spin-off.

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# BIGGEST 1,000 STOCKS

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**  
 i-New 52-week high.  
 j-New 52-week low.  
 dd-Indicates loss in the most recent four quarters.  
 FD-FIRST day of trading.  
 h-Does not meet continued listing standards.  
 If-Late filing  
 q-Temporary exemption from Nasdaq requirements.  
 t-NYSE bankruptcy.  
 v-Trading halted on primary market.  
 w-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, June 8, 2017

**NYSE**

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	25.34	.04		BHPBillion	BHP	35.59	.71	CentraisElBras	EBB	3.94	-.12	IllinoistoolWks	ITW	144.49	.02	RoyalDutchCoMo	DCM	24.63	-0.10	UPSB	UPS	106.75	.07	CME Group	CME	122.28	2.88
AES	AES	11.56	-.01		BHPBillion	BBL	30.82	.48	CenturyLink	CTL	25.98	.19	InfoSys	INFS	15.27	-.06	RoyalDutchCoMo	NVR	239.57	17.90	CSX	CSX	53.76	-.01				
Aflac	AFL	75.20	.27		BIP	35.41	-.01	Chemerus	CHE	40.24	.09	IngersollRand	IR	87.97	-.16	NationalGrid	NGG	66.86	...	US Bancorp	USB	51.78	0.64					
AT&T	AT&T	38.50	.24		BRF	12.92	-.23	CNA	ENIA	9.45	.01	INGR	INGR	116.06	-.52	SAP	SAP	107.53	.05	CadenceDesignSyst	CNS	35.44	0.00					
AXIS Capital	AXIS	64.75	.04		BRC	17.96	-.10	CNA	ENIC	5.58	.01	InterContinent	IHG	56.84	-.54	NationalPower	NNP	32.59	.05	UnitedTech	UTX	119.94	0.16					
AbbottLab	AbbottLab	46.72	.16		BRC	40.51	-.22	CNA	EOCC	23.12	.00	IBM	IBM	152.11	1.12	Verizon	VZ	181.69	-.15	Cerner	CERN	68.11	-.06					
AbbVie	AbbVie	68.76	.01		Ball	40.51	-.22	CNA	ETE	20.98	-.02	Int'lFlavors	ITW	156.49	-.218	NewOrientEdutech	EDU	75.83	-.63	CharterComms	CHTR	337.45	8.43					
Accenture	Accenture	126.17	-.38		BallCor	40.50	-.22	CNA	FTR	20.98	-.02	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37					
AcuityBrands	AcuityBrands	173.22	-.02		BarclayHuges	BHI	54.34	.06	CNA	GTC	23.12	.00	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Adient	Adient	68.46	1.03		BarclayHughes	BHJ	54.34	.06	CNA	HOG	29.93	-.07	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AdvantAge	AdvantAge	125.92	-.47		BarclayHughes	BHJ	54.34	.06	CNA	IEC	29.93	-.07	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AdvSimmEng	AdvSimmEng	6.39	.29		BarclayHughes	BHJ	54.34	.06	CNA	JPM	67.44	.35	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Aegon	Aegon	4.93	.06		BarclayHughes	BHJ	54.34	.06	CNA	JPM	67.44	.35	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AerCap	AerCap	44.98	.02		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Aetna	Aetna	149.31	-.27		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AffiliatedMtrs	AffiliatedMtrs	159.77	-.74		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AigTechs	AigTechs	60.15	.48		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AigonicEagle	AigonicEagle	49.67	-.04		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Aigrum	Aigrum	91.10	.20		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AIproducts	AIproducts	145.30	.14		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
AlaskaAir	AlaskaAir	90.54	1.15		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Albermarle	Albermarle	114.27	1.47		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Albion	Albion	29.65	1.23		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
Albion	Albion	29.65	1.23		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net	NET	112.33	-.61	Mondelez	MNZL	46.39	-.37				
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Albion	Albion	29.65	1.23		BarclayHughes	BHJ	54.34	.06	CNA	KBL	54.34	.06	Int'lFlavors	ITW	156.49	-.218	Net											

## COMMODITIES

[WSJ.com/commodities](http://WSJ.com/commodities)

### Futures Contracts

#### Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2,5500	2,6095	2,5450	2,6070	0.050	1,451	
June	2,5500	2,6175	2,5430	2,6095	0.050	101,665	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1285.40	1287.60	1268.10	1276.30	-13.80	2,081	
June	1289.50	1291.50	1273.50	1279.50	-13.70	372,572	
Oct	1292.40	1295.00	1277.10	1283.10	-13.60	11,099	
Dec	1296.60	1298.10	1280.60	1286.50	-13.60	79,264	
Feb'18	1299.20	1300.50	1284.40	1289.80	-13.70	9,955	
Dec	1311.80	1311.80	1311.80	1306.80	-13.70	5,920	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	833.70	857.00	833.70	854.90	20.70	211	
July	834.25	855.25	834.20	850.15	20.70	33	
Sept	826.95	851.25	826.75	846.50	18.30	33,481	
Dec	821.30	840.60	821.30	836.25	13.90	884	
March'18	830.00	830.00	830.00	830.50	11.20	39	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	954.60	954.60	954.10	936.90	-9.50	3	
July	945.80	949.90	935.50	938.10	-9.50	53,127	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	17.795	17.605	17.365	17.384	-0.203	94	
July	17.560	17.680	17.285	17.414	-0.206	126,698	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	45.85	46.18	45.20	45.64	-0.08	467,851	
Aug	46.13	46.42	45.48	45.89	-0.09	298,543	
Sept	46.34	46.67	45.74	46.13	-0.09	212,175	
Dec	47.04	47.30	46.48	46.85	-0.02	315,514	
June'18	47.50	47.76	47.11	47.69	0.32	121,387	
Dec	47.47	47.95	47.20	47.89	0.52	161,553	
<b>NY Harbor Asphalt (NYM)</b> -42,000 gal.; \$ per gal.	1,4268	1,4405	1,4098	1,4223	.0061	101,000	
Aug	1,4379	1,4489	1,4188	1,4300	.0051	62,676	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1,5023	1,5163	1,4854	1,4919	.0006	120,339	
Aug	1,4970	1,5086	1,4785	1,4842	-.0005	63,512	
<b>Natural Gas (NYM)</b> -10,000 MMBtu.; \$ per MMBtu.	3.019	3.068	2.978	3.028	.008	286,003	
Aug	3.051	3.096	3.010	3.062	.008	151,740	
Sept	3.043	3.088	3.004	3.053	.008	158,085	
Oct	3.066	3.112	3.028	3.079	.008	184,051	
Jan'18	3.351	3.385	3.319	3.362	.009	108,092	
April	2.870	2.895	2.862	2.895	.008	90,247	

#### Contract

Open High hilo Low Settle Chg Open interest

#### Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.

July 385.00 391.75 384.25 385.75 1.00 580,420

Dec 402.50 409.00 ▲ 402.00 403.75 1.25 360,198

Oats (CBT)-5,000 bu.; cents per bu.

July 256.25 261.75 240.50 245.00 -15.50 4,585

Soybeans (CBT)-5,000 bu.; cents per bu.

July 931.00 944.75 930.75 938.00 7.25 311,396

Soybean Meal (CBT)-100 tons; \$ per ton.

July 304.90 309.80 304.90 306.10 1.20 168,562

Soybean Oil (CBT)-60,000 lbs.; cents per lb.

July 31.33 31.93 31.23 31.85 .49 176,825

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.

July 112.00 112.00 ▲ 112.00 112.00 ... 6,551

Wheat (CBT)-5,000 bu.; cents per bu.

July 112.00 112.00 112.00 112.00 115.00 ... 2,166

Wheat (KCI)-5,000 bu.; cents per bu.

July 447.25 455.75 446.00 449.25 4.50 220,112

Wheat (MPLS)-5,000 bu.; cents per bu.

July 448.00 460.00 447.25 453.75 7.75 135,358

Wheat (MPLS)-5,000 bu.; cents per bu.

July 464.25 477.00 464.25 470.75 7.75 64,267

Cattle-Feeder (CME)-50,000 lbs.; cents per lb.

Aug 155.050 156.850 153.050 153.950 -.850 33,241

Cattle-Live (CME)-40,000 lbs.; cents per lb.

Aug 154.300 156.075 152.500 153.250 -.875 9,744

Beef,carcass equiv. index

choice 1-3,600-900 lbs.-u 223.43

select 1-3,600-900 lbs.-u 195.93

Broilers,dressed A'-u n.a.

Broilers,National comp wghtd,u,w 1,156.2

Butter,AA Chicago 2,465.0

Cheddar cheese,bbl Chicago 141.50

Cheddar cheese,blk Chicago 163.00

Cocoa,Ivory Coast-w 227.75

Coffee,Brazilian,Comp 1,254.7

Coffee,Colombian,NY 1,467.2

Eggs,large white,Chicago-u 0.6350

Flour,hard winter KC 15.15

Hams,17-20 lbs,Mid-US fob-u 0.65

Hogs,Iowa-So,Minnesota-u 77.31

Pork bellies,12-14 lb Mid-US-u 1,623.4

Pork loins,13-19 lb Mid-US-u 1,194.0

Steers,Tex-Oklahoma,Choice-u n.a.

Steers,feeder,Oklahoma,City-u,w 174.69

Hominy feed,Cent IL-u n.a.

Meat-bonemeal 50% pro Mnpls-u,w 54.6

Oats,No.2 milling,Mnpls-u 2,800.00

Rice, 5% Broken White,Thailand-l,w 428.00

Rice, Long Grain,Milled, No.2 AR-U 20.63

Sorghum,(Milo) No.2 Gulf-u 7,673.8

SoybeanMeal,Cent IL,rail,ton48%-u 307.60

SoybeanOil,Cent IL,rail,ton48%-u 307.60

Wool,64s,staple,Terr,del-u,w 4.29

Fibers and Textiles

Burlap,10-40 in NY yd,n,w 0.5900

Cotton,1/16 std lwl-MdMphs-u 0.7505

Cottoh,'A' Index-t 86.40

Hides,hydr native steers piece fob-u 67.00

Wool,64s,staple,Terr,del-u,w 4.29

Grains and Feeds

Barley,top-quality Mnpls-u n.a.

Bran,wheat middlings,KC-u 55

Corn,No.2 yellow,Lent IL-bp,u 3,610.00

Corn gluten feed/Midwest-u,w 72.4

Corn gluten meal/Midwest-u,w 480.3

Cottonseed meal,u,w 178

Honey feed,Cent IL-u n.a.

Meat-bonemeal 50% pro Mnpls-u,w 54.6

Oats, No.2,milling,Mnpls-u 2,800.00

Rice, 5% Broken White,Thailand-l,w 428.00

Rice, Long Grain,Milled, No.2 AR-U 20.63

Sorghum,(Milo) No.2 Gulf-u 7,673.8

SoybeanMeal,Cent IL,rail,ton48%-u 307.60

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## MARKETS DIGEST

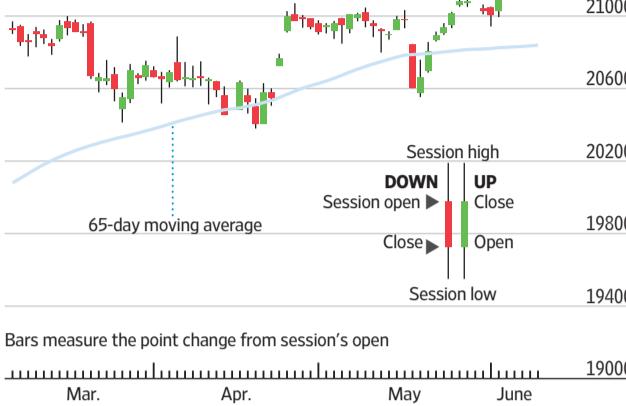
### EQUITIES

#### Dow Jones Industrial Average

**21182.53** ▲ 8.84, or 0.04%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.61 19.20  
P/E estimate \* 17.92 16.99  
Dividend yield 2.36 2.56  
All-time high 21206.29, 06/02/17

Current divisor 0.14602128057775



Bars measure the point change from session's open

Mar. Apr. May June 19000

Weekly P/E data based on as-reported earnings from Birinvi Associates Inc.

#### S&P 500 Index

**2433.79** ▲ 0.65, or 0.03%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.08 24.22  
P/E estimate \* 19.01 17.81  
Dividend yield 1.95 2.18  
All-time high 2439.07, 06/02/17



Mar. Apr. May June 2250

65-day moving average

#### Nasdaq Composite Index

**6321.76** ▲ 24.38, or 0.39%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.65 22.35  
P/E estimate \* 21.42 19.01  
Dividend yield 1.09 1.28  
All-time high: 6321.76, 06/08/17



Mar. Apr. May June 5560

65-day moving average

#### Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.			
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	SPDR S&P 500	iShares MSCI Emg Markets	SPDR S&P O&G Exp Prd	Cisco Systems	Baxter International
Industrial Average	21265.69	21138.16	<b>21182.53</b>	8.84	▲ 0.04%	21206.29	17140.24	<b>17.8</b>	7.2	<b>7.8</b>			
Transportation Avg	9368.36	9297.29	<b>9332.14</b>	-2.44	▲ -0.03%	9593.95	7093.40	<b>18.4</b>	3.2	<b>4.4</b>			
Utility Average	730.29	720.29	<b>724.77</b>	-6.10	▲ -0.83%	732.63	625.44	<b>6.3</b>	9.9	<b>9.6</b>			
Total Stock Market	25258.38	25129.26	<b>25211.76</b>	40.31	▲ 0.16%	25257.37	20583.16	<b>15.4</b>	8.3	<b>7.3</b>			
Barron's 400	651.66	644.17	<b>650.32</b>	5.13	▲ 0.79%	650.32	491.89	<b>21.9</b>	8.1	<b>7.1</b>			

#### Nasdaq Stock Market

Nasdaq Composite	6324.06	6282.93	<b>6321.76</b>	24.38	▲ 0.39%	6321.76	4594.44	<b>27.5</b>	17.4	<b>13.5</b>
Nasdaq 100	5895.18	5852.65	<b>5885.30</b>	7.71	▲ 0.13%	5885.30	4201.05	<b>30.4</b>	21.0	<b>15.8</b>

#### Standard & Poor's

500 Index	2439.27	2427.94	<b>2433.79</b>	0.65	▲ 0.03%	2439.07	2000.54	<b>15.0</b>	8.7	<b>7.7</b>
MidCap 400	1755.31	1733.58	<b>1750.76</b>	13.92	▲ 0.80%	1758.27	1416.66	<b>15.1</b>	5.4	<b>7.5</b>
SmallCap 600	860.87	844.41	<b>857.88</b>	11.68	▲ 1.38%	863.08	670.90	<b>18.7</b>	2.4	<b>8.5</b>

#### Other Indexes

Russell 2000	1419.32	1394.69	<b>1415.61</b>	18.94	▲ 1.36%	1419.43	1089.65	<b>19.8</b>	4.3	<b>6.7</b>
NYSE Composite	11702.64	11655.13	<b>11678.92</b>	11.19	▲ 0.10%	11718.70	9973.54	<b>10.3</b>	5.6	<b>2.3</b>
Value Line	523.91	519.22	<b>522.92</b>	2.94	▲ 0.57%	529.13	435.06	<b>11.1</b>	3.3	<b>1.7</b>
NYSE Arca Biotech	3680.25	3630.08	<b>3665.14</b>	23.03	▲ 0.63%	3690.05	2818.70	<b>14.1</b>	19.2	<b>11.2</b>
NYSE Arca Pharma	525.95	522.61	<b>523.93</b>	-0.81	▲ -0.16%	554.66	463.78	<b>-0.2</b>	8.8	<b>0.8</b>
KBW Bank	92.54	90.00	<b>91.71</b>	1.56	▲ 1.73%	99.33	60.27	<b>32.3</b>	-0.1	<b>9.0</b>
PHLX® Gold/Silver	85.97	84.34	<b>85.67</b>	-0.93	▲ -1.07%	112.86	73.03	<b>-7.2</b>	8.6	<b>-0.4</b>
PHLX® Oil Service	135.03	132.94	<b>133.30</b>	-0.49	▲ -0.37%	192.66	133.30	<b>-25.3</b>	-27.5	<b>-23.4</b>
PHLX® Semiconductor	1138.89	1117.79	<b>1138.25</b>	19.95	▲ 1.78%	1138.25	648.32	<b>60.1</b>	25.6	<b>22.6</b>
CBOE Volatility	10.53	9.73	<b>10.16</b>	-0.23	▲ -2.21%	25.76	9.75	<b>-30.6</b>	-27.6	<b>-1.8</b>

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

#### Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE MKT and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

#### Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Yahoo!	YHOO	11,589.0	55.30	-0.41	<b>-0.74</b>	55.71	54.32
VanEck Vectors Gold Miner	GDX	8,355.3	23.25	0.03	<b>0.13</b>	23.25	23.03
General Electric	GE	7,999.3	27.59	...	unch.	27.65	27.50
SPDR S&P 500	SPY	5,555.7	243.26	-0.52	<b>-0.21</b>	243.88	243.04
iShares MSCI Emg Markets	EEM	4,297.3	41.93	...	unch.	42.00	41.80
SPDR S&P O&G Exp Prd	XOP	4,047.2	31.54	0.11	<b>0.35</b>	31.72	31.40
Cisco Systems	CSCO	2,791.4	31.61	...	unch.	31.80	31.61
Baxter International	BAX	2,430.9	59.76	...	unch.	59.89	59.75

#### Percentage gainers...

Limoneira	LMNR	14.5	22.00	0.87	<b>4.12</b>	22.74	21.04
DISH Network Cl A	DISH						

## BANKING & FINANCE

# Wells Attempts a Pivot to Growth

After months of focus on scandal, bank faces challenges in trying to expand business again

BY EMILY GLAZER

**Wells Fargo** & Co. has spent roughly nine months working to reform the sales culture that led to a \$185 million fine, public humiliation and the departure of its chief executive. Now, the bank is confronting a new challenge: growing again.

So far, the San Francisco-based lender has focused on cutting costs and urging investors to be patient, though shareholders, analysts and some employees question how the bank will match its past performance without the sales tactics that got it in trouble.

Complicating the bank's challenge are broader factors including low interest rates and a sluggish U.S. economy. "If you turn the clock back 10 years ago, we were in an environment where the economy was growing more quickly and revenues, candidly, were a little bit easier to come by," Chief Executive Timothy Sloan said during an investor conference last week.

Wells Fargo was fined \$185 million in September by regulators for opening as many as 2.1 million accounts that used fictitious or unauthorized customer information. The bank and regulators disclosed then that the bank had fired 5,300 employees over five years for improper behavior including opening up accounts for customers without their knowledge.

Since the fall, the bank's revenue growth has slipped for the first time in years. Its shares are the worst performing of the four biggest U.S. banks both year to date and

since the November election. Asked about growth, a Wells Fargo spokeswoman noted the bank's diversified business model and strong, steady results as well as opportunities in its wholesale, wealth and investment management, and consumer businesses.

Getting the retail division right is crucial for Mr. Sloan and other Wells Fargo executives. It sits in the bank's community banking unit, which last year accounted for more than 50% of Wells Fargo's overall net income.

Wells Fargo's return on equity, a key measure of profitability, was down to 11.5% last quarter from its recent high above 14% in 2014.

Even as it contends with broader economic trends affecting all banks, Wells Fargo must address lingering and potentially distracting impacts of the scandal.

Agreements with regulators have put the bank in a less likely position to ask for approval on certain deals it would have pursued in the past.

In December, the bank was sanctioned by U.S. regulators over its "living will" contingency plan, required of all banks, on how it would avoid a taxpayer bailout if it were about to go bankrupt. In March, it was downgraded on its ability and willingness to serve lower-income populations. The bank later passed the living-will test, and it is cooperating with other investigations.

As it moves ahead, Wells Fargo has many among its 75,000 retail-bank employees who feel hamstrung by the company's new way of doing business. The bank eliminated product sales goals, concluding they had been emphasized too much and led employees to use questionable tactics to



The bank's shares are trailing other big U.S. banks this year.

vestor day.

Mary Mack, the executive in charge of Wells Fargo's retail branches, responded to Mr. Martinez that there is "alignment" between the business changes she has enacted and the bank's growth plans. She also told analysts Wells Fargo was increasing its "loans, deposits and investments."

She is also focused on shifting the bank's culture through manager training this summer and recent executive shuffling in her unit.

"We have to help people continue to get comfortable with the change and create clarity" for employees, she said in a recent interview.

In preparing for certain reviews recently, a bank finance manager advised some regional executives they should be prepared for conversations with Ms. Mack to shift from seeking stability post-scandal "to growth and strategies around spurring growth," according to an April email reviewed by The Wall Street Journal.

Yet some employees have expressed concern it isn't clear how to drive new business absent the bank's prior emphasis on product sales. One executive said questions among employees include: "How am I going to grow the business...with these constraints? How do I do it in a way that doesn't appear to be sales pressure?"

Meanwhile, Wells Fargo's numbers are falling. In March, the most recent data available, consumer checking-account openings at Wells Fargo fell 35% and credit-card applications dropped 42% from a year earlier.

While the decline is less severe than seen soon after the September announcement, bank executives said last week that they don't expect the credit-card business to bounce back for a few quarters.

## Goldman Readies Corporate Bond ETF

BY LIZ HOFFMAN

**Goldman Sachs Group** Inc. launched an exchange-traded fund Thursday that gives investors a cheap way to invest in corporate bonds.

The fund, which starts off with \$50 million, tracks an index of bonds issued by investment-grade rated firms.

It is one of three new funds Goldman plans to launch in the coming months that track fixed-income assets, branching out from traditional ETFs that mostly mirror baskets of stocks. The other two will focus on emerging-market government debt and riskier, lower-rated corporate bonds, according to recent filings.

Bond ETFs have emerged as a lucrative niche on Wall Street in recent years, promising buyers the steady income of bonds in a package that is as easy to trade as stocks. The ETF industry is still dominated by stock products, which account for more than three-quarters of the roughly \$4 trillion in exchange-traded products, according to BlackRock Inc.

But their growth has sparked concerns from the Securities and Exchange Commission and others that their popularity, combined with thin markets for many of the underlying bonds they hold, are a recipe for trouble during times of market turmoil.

Many corporate bonds don't trade often. So if the bond market declines and ETF investors head for the exits, fund managers might not be able to meet redemption requests without further driving down prices.

## Berkshire Resumes Workers' Comp Policy Sales in California After Pact



A worker at a repaving project in San Francisco

A unit of **Berkshire Hathaway** Inc. will be able to sell a revised version of its workers' compensation insurance policies in California following a settlement with the state's top insurance regulator.

Last year, California Insurance Commissioner Dave Jones said the unit's "EquityComp" policies circumvented a state law aimed at protecting small employers from unpredictable costs.

The Berkshire entities—California Insurance Co. and Applied Underwriters Captive Risk Assurance Co. Inc.—agreed in Sep-

tember to stop selling the policies in California without filing for state approval.

Both companies are units of Omaha-based Berkshire subsidiary Applied Underwriters.

Under the terms of the California settlement, the Applied Underwriters policies are now required to include more disclosures and can't be sold to small businesses.

The regulatory scrutiny into Applied Underwriters' policies is a rare blemish for one of the country's biggest companies.

Berkshire is run by billionaire investor Warren Buffett and owns

well-known brands including Geico, Dairy Queen and See's Candies. Berkshire is one of the country's top sellers of workers' compensation insurance.

"The revised product terms include lower rates, improved disclosures, and limiting sale of the product only to companies that can absorb the substantial risks," Mr. Jones said in a statement.

Applied Underwriters General Counsel Jeff Silver said the firm is "pleased to now resume selling this product in California."

Under EquityComp, one Berkshire insurance company would

sell a workers' compensation policy to a company, and then another unit would sell a side agreement to the company that changed the original policy's terms, according to the California insurance department. Those side agreements weren't submitted for review as required, the state said.

Applied Underwriters has also agreed to stop selling similar policies in Wisconsin.

EquityComp policies are designed so that the premiums paid by companies change based on the actual cost of claims incurred.

BY JULIE STEINBERG  
AND LIZA LIN

Two big private-equity players plan to raise billions of dollars to invest in Asian companies, a sign of how the region is becoming a hotter draw for global money after a slowdown during the past few years.

**Morgan Stanley** is talking to investors to gauge interest in a new \$2 billion Asia-focused private-equity fund it plans to launch during the next few months, said people familiar with the matter.

In addition, Hong Kong-based **All-Stars Investment** Ltd., an early investor in China's Uber equivalent, **Didi Chuxing Technology** Co., is seeking to raise \$800 million for a new private-equity fund aimed at late-stage Chinese technology startups, said All-Stars Chief Investment Officer Richard Ji.

The firms join a rush of private-equity funds raising money for investments in Asia in recent months, as yield-hungry investors are drawn by the region's continuing promise of growth.

Private-equity giant **KKR & Co.** last week closed a \$9.3 billion fund dedicated to investments in Asia, the largest such in the region, citing "rising consumption and urbanization trends," as well as attractive valuations.

**Carlyle Group** LP and **Warburg Pincus** LLC have also raised Asia or China funds during the past year.

The pickup suggests Asia-focused private-equity funds are ready to stock up on cash again after slowing to concentrate on using the money they had already collected, and to

let some surging valuations—particularly in Chinese startups—come down. Private-equity fundraising for Asia dropped to \$42 billion last year from \$68 billion in 2014, while unused capital rose to \$147 billion as of September 2016 from \$110 billion at the end of 2014, according to data provider Prequin.

Now, industry watchers say that many investments in Asia look reasonably priced again, while global investors are flush with cash from a few years of good private-equity returns.

## Private-Equity Funds Take Aim at Asia

BY JULIE STEINBERG  
AND LIZA LIN

Two big private-equity players plan to raise billions of dollars to invest in Asian companies, a sign of how the region is becoming a hotter draw for global money after a slowdown during the past few years.

**Morgan Stanley** is talking to investors to gauge interest in a new \$2 billion Asia-focused private-equity fund it plans to launch during the next few months, said people familiar with the matter.

In addition, Hong Kong-based **All-Stars Investment** Ltd., an early investor in China's Uber equivalent, **Didi Chuxing Technology** Co., is seeking to raise \$800 million for a new private-equity fund aimed at late-stage Chinese technology startups, said All-Stars Chief Investment Officer Richard Ji.

The firms join a rush of private-equity funds raising money for investments in Asia in recent months, as yield-hungry investors are drawn by the region's continuing promise of growth.

Private-equity giant **KKR & Co.** last week closed a \$9.3 billion fund dedicated to investments in Asia, the largest such in the region, citing "rising consumption and urbanization trends," as well as attractive valuations.

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## FINANCE WATCH

### HEDGE FUNDS

#### Elliott Adds Buyout Chief for Europe

Hedge fund Elliott Advisors has recruited a head of its European private-equity operations to give it greater firepower beyond the activism in stocks and bonds for which it is best known, said a person familiar with the matter.

The firm, the European affiliate of Paul Singer's **Elliott Management** Corp., hired Paul Best, who was previously managing director at Warburg Pincus, in the newly created role, said the person.

The move comes amid an increased appetite among investors to access private markets. Hedge-fund returns from actively trading public stock markets in recent years have often been poor, while concerns have grown that strong gains from passively tracking equity markets could quickly reverse.

Private-equity returns, in contrast, have been buoyant of late.

Funds produced an annualized 15.3% over the three years to September, according to a blended return from funds compiled by data group Prequin.

Hedge funds' annualized return was 5.6% over the same period.

Elliott, which runs \$32.7 billion and is well known for activist campaigns in stocks such as **Akzo Nobel** NV and **Arconic** Inc. and a lengthy and successful battle over payouts to holders of Argentine debt, has invested in private equity for years. Investments have included **Charter Court Financial Services** Ltd. and **Ark Data Centres**.

—Laurence Fletcher

### REGULATION

#### SEC Names Pelkin To Enforcement Post

The Securities and Exchange Commission announced Thursday that veteran litigator and former prosecutor Steven Peikin will co-direct its enforcement division.

Mr. Peikin has been a partner at **Sullivan & Cromwell** LLP, the law firm where SEC Chairman Jay Clayton worked before taking over the commission in May.

Mr. Peikin, 51 years old, will share the director role with Stephanie Avakian, who has served as the SEC's acting enforcement director in recent months. He is scheduled to start his new post June 26.

The Wall Street Journal reported May 26 that Mr. Clayton would hire Mr. Peikin as co-director and ask Ms. Avakian to remain as co-director. The decision to have two directors eases some of the hurdles created by Mr. Peikin's recent work for Wall Street clients such as **Goldman Sachs Group** Inc., since he will have to recuse himself from cases that involve clients of Sullivan & Cromwell.

The SEC said Thursday that Mr. Peikin will work partly from New York, where he lives, while Ms. Avakian will work at the SEC's Washington headquarters. The pair will have to determine how to deter wrongdoing while moderating the size of corporate financial penalties. Mr. Clayton has questioned big corporate fines, saying they hurt shareholders, and argues the SEC should target individual wrongdoers instead.

—Dave Michaels



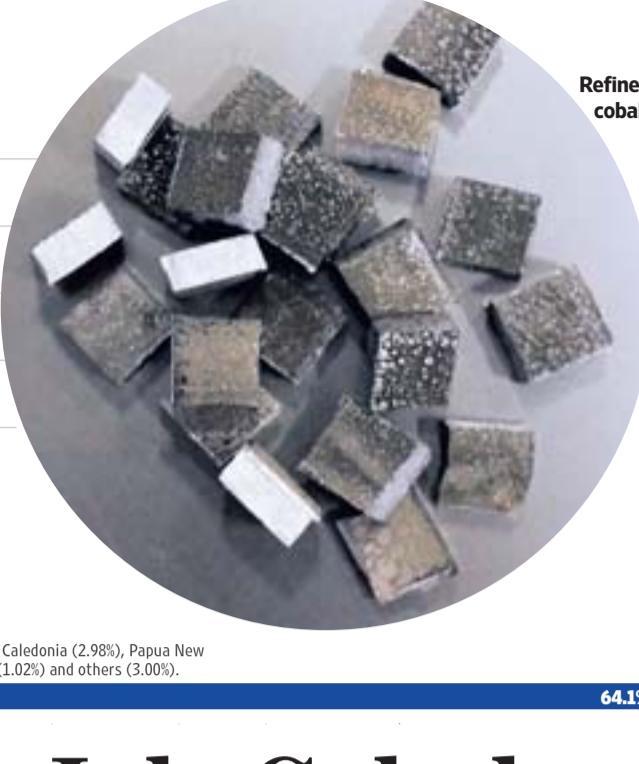
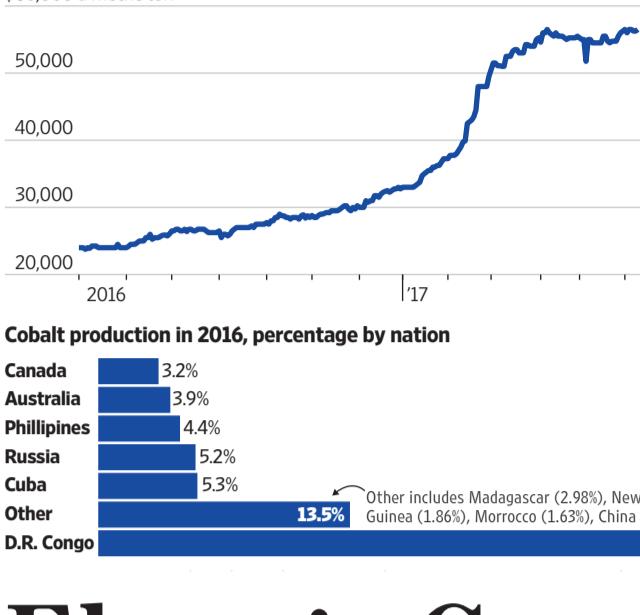
Activist investor Paul Singer leads Elliott Management Corp.

## MARKETS

### A Charged-Up Trade

Cobalt prices are skyrocketing as investors and battery manufacturers stock up, predicting a shortfall in the next few years.

#### London Metal Exchange cobalt price



#### Cobalt production in 2016, percentage by nation



## Electric Cars Jolt Cobalt

Prices are up 70% this year as some buyers amass all they can get in play on auto trend

By STEPHANIE YANG

Every few months, Robert Mitchell travels from his office near Portland, Ore., to a Connecticut warehouse and checks in on his biggest investment.

Mr. Mitchell's fund owns millions of

**COMMODITIES** dollars worth of cobalt.

He is so confident that its use in electric-car batteries will

cause demand to surge that he has been buying and storing more than a thousand metric tons of the stuff—worth more than \$56 million at current prices.

He feels he has little choice but to hold physical metal, because acquiring a cobalt position in financial markets is so hard.

"There's a lot of money looking for a home in cobalt," Mr. Mitchell said. "They really don't

have a great way to play it."

Cobalt has long been a component in tires, magnets and smartphones. Now, it is the latest material, along with lithium and copper, to benefit from its use in the lithium ion-batteries that power electric vehicles.

Slightly more than half of all cobalt bought or sold last year went toward rechargeable batteries, up from 20% in 2006, according to Benchmark Mineral Intelligence.

Battery manufacturers' soaring demand for the hard, silvery metal has propelled cobalt's value to its highest level since 2008.

Prices are up 70% this year through Wednesday at \$56,500 a metric ton, making it the top-performing commodity traded on a major futures exchange.

Yet there is a problem for many investors eager to add a position: How do you get it?

Reliable data on cobalt trading are hard to come by, since the majority of transactions occur directly between the handful of specialized trading

houses, producers and consumers of the metal. The ranks of traders shrank after the financial crisis and subsequent collapse in commodity prices drove many firms that deal in cobalt out of the business, traders said.

Physical trading activity still exceeds that of the seven-year-old futures market. While volume in cobalt futures on the London Metal Exchange quintupled during the first five months of 2017 over the same period last year, the lack of participants keeps prices vulnerable to sudden swings.

On May 4, for instance, prices dropped by more than \$3,000 a ton in one day, driven down by one seller before recovering, traders said.

Instead, some money managers have purchased shares of companies that produce cobalt.

But since cobalt is a by-product of copper and nickel mines, the big producers come with a lot of exposure to other metals. Copper is up 1.6% so far this year, but nickel has dropped by nearly 12%.

The dearth of options has prompted investors like Mr. Mitchell, the general partner of Portal Capital LLC, to buy the mineral instead.

Mr. Mitchell began buying cobalt in April of last year, when it was trading at nearly \$24,000 a metric ton. He also has taken positions in a number of minor metals, like uranium and germanium, that he felt were mispriced.

Last year, he began focusing on cobalt and lithium in a bid to play the rise of electric cars.

About 20% of his portfolio is in shares of companies that produce battery materials. The rest is in physical cobalt, which he stockpiles in two warehouses in 250-kilogram drums.

### 56,500

Price, in dollars, of a metric ton of cobalt as of Wednesday

## Pound Drops as Early Count Points To Tory Setback

By JON SINDREU  
AND ALISTAIR MACDONALD

The pound slumped after early counts suggested that Britain's ruling Conservative Party might have failed to retain its parliamentary majority in the U.K.'s general election.

An exit poll and a wave of actual vote counts rolling in during the night and into Friday morning indicated an unexpectedly strong showing from the main opposition Labour Party. Early Friday, the pound was down 1.4% at \$1.2779, down 1.3%.

Futures on the FTSE 100 and the S&P 500 were down 0.3% and 0.1% respectively.

The exit poll projected Prime Minister Theresa May's Conservative Party would remain the largest party in Parliament but would win 314 of Parliament's 650 seats, not enough to form a majority government. The British Broadcasting Corp.'s projection, based on the exit poll and actual counts, stood at 322 seats, still just shy of a majority.

Gauging the pound's reaction to the election is complicated, and some investors see the sort of hazy result implied by exit polls to be a danger zone for the currency.

"Maximum chaos would be if the Conservatives are only able to get somewhere between 290 to 325 seats," said foreign-exchange strategist Viraj Patel of Dutch bank ING in an email.

That isn't enough for a Tory majority, "but also potentially not enough to see a stable Labour-led coalition being formed quickly."

If the exit polls results hold, a prolonged period of uncertainty is likely to follow—just as Britain plows into complex negotiations over its departure from the European Union, which had begun by Mrs. May's government.

"Sterling looks like it's on a fairly precipitous decline already," said James Athey, a portfolio manager at Aberdeen Asset Management. "The prospect of a hung Parliament will just complicate Brexit negotiations."

Assuming the exit poll is accurate, British parties will jostle to put together a government. In recent past elections, exit polls have mainly predicted the election correctly but underestimated Conservative support in 2015, according to Japanese bank Nomura.

The Conservatives, as the incumbent government and the party with the most seats, will try to form a new administration either as a formal coalition with another party or by relying on other parties to help vote through its policies. But if the Conservatives can't build a majority large enough to govern, the Labour Party would get a chance to form a government.

Whichever of the two main parties forms a government could potentially draw on several centrist and center-left parties to build a parliamentary alliance, including the Scottish National Party and the Liberal Democrats. The Liberal Democrats say they want a second referendum, while the pro-EU SNP wants to be part of the Brexit negotiations and to keep Scotland in the single market.

"The U.K. can't really get on with Brexit, whatever Brexit means, until and unless we have a government with the legitimacy and the authority to negotiate that, and the chances of getting that with this result is much less than what markets would have thought," said Arnab Das, senior analyst at Invesco.

—Christopher Whittall and Mike Bird contributed to this article.

## Can Fatter Lambs Fatten Up Sales?

By BEN COLLINS

LUMSDEN, New Zealand—When healthy eating became the rage two decades ago, New Zealand—the world's biggest lamb exporter—made a bet the industry would later regret: Its farmers began rearing animals with less fat.

That decision, combined with factors as varied as poor marketing and a drop in wool prices, helped hasten the retreat of lamb and mutton from global dinner tables.

Per capita lamb and mutton consumption in developed countries fell by 36% between 1995 and 2015, while consumption of pork rose by 2.8% and chicken by nearly 40%, according to the Organization for Economic Cooperation and Development.

Sheep numbers in New Zealand, which together with Australia accounts for more than 70% of global lamb exports, fell to 27.6 million last year from more than 70 million at their peak in 1982.

Now, New Zealand is peddling fatty sheep again. Farmers are pinning hopes on a new lamb strain, Te Mana, which New Zealand started exporting last month after 10 years of experimental breeding.

New Zealand's sheep industry has had other challenges in addition to its animals' fat content. From the 1990s, a



Farmers in New Zealand developed fattier Te Mana lambs and have begun exports to high-end restaurants in Hong Kong.

slump in the price of wool and a later boom in dairy prices led farmers to switch to bovines from ovines. Another misstep was a sales strategy that focused on volume rather than quality, industry experts say.

"New Zealand has just been sending undifferentiated lambs to the world," said Peter Russell, head of marketing at **Alliance Group**, one of the country's biggest livestock cooperatives.

Engineering a turnaround will be tough. An internet survey of 2,000 American consumers last year found nearly 60% hadn't eaten lamb for at

least six months. Lamb and mutton prices have lagged along with popularity, rising only 12% in the decade through 2016, versus 48% for beef and 54% for chicken, according to World Bank data.

New Zealand's quest for a tastier sheep began in 2007, when 50 farmers from the Headwaters cooperative teamed up with the government and Alliance Group to launch a breeding project. The group, the Omega Lamb Project, analyzed 500 genetic lines of sheep, looking for high levels of intramuscular fat and the ability to thrive in the cold hill country to

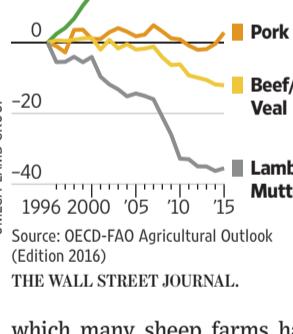
which many sheep farms had been pushed, after lowland pasture was taken by more-profitable crops and dairy cows.

The winner was Ram 211, a sheep that also had high levels of Omega-3, a fatty acid that around a fifth of Americans take as a nutritional supplement.

Exports of Te Mana lamb began in May, with farmers targeting Michelin-starred restaurants in Hong Kong—part of a strategy to project a premium image. The group plans to export to Europe, North America and Dubai later.

### Lean Times

Per capita lamb and mutton consumption has fallen hard in the 35 developed countries that make up the OECD.



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—Lucy Craymer contributed to this article.

## Financials Help S&P Eke Out Small Gain

By AKANE OTANI  
AND RIVA GOLD

Shares of financial companies helped the S&P 500 eke out a slight gain Thursday.

Major U.S. indexes drifted

between modest gains and losses during the session, extending a pattern of quiet trading that has left stocks little changed for the week.

Late Thursday, U.S. stock futures were mainly flat after U.K. exit polls suggested the governing Conservative Party failed to achieve an overall majority in Thursday's election. Early Friday in Asia, Japan's Nikkei 225 Stock Average was up 0.8% while South Korea's Kospi was up 0.7%.

In the U.S., strength in corporate earnings has kept stocks buoyant this year despite political crosswinds in the U.S. and elsewhere, some investors and analysts say.

"The market's just shrugging off all this swirling noise around it," said JJ Kinahan, chief market strategist at TD Ameritrade, who noted stocks' muted reaction to former Federal Bureau of Investigation Director James Comey's testimony before a Senate panel

Thursday.

The Dow Jones Industrial Average rose 8.84 points, or less than 0.1%, to 21182.53 after rising as much as 92 points earlier in the session. The S&P 500 added 0.65 point, or less than 0.1%, to 2433.79, and the Nasdaq Composite gained 24.38 points, or 0.4%, to 6321.76, posting its 38th closing record of the year.

The financial sector led gains in the S&P 500, and the KBW Nasdaq Bank Index of large U.S. commercial lenders rose 1.7%—its biggest daily increase since April 24. Dow components **J.P. Morgan Chase** rose \$1.04, or 1.2%, to \$84.95 and **Goldman Sachs Group** gained 2.98, or 1.4%, to 218.76, and were among the biggest gainers in the blue-chip index.

Shares of **Yahoo** jumped 5.16, or 10%, to 55.71, its highest close since 2000, following reports that about 2,100 people at the firm and at AOL would lose their jobs after **Verizon Communications** completes its acquisition of Yahoo. Yahoo shareholders approved the transaction Thursday.

**Nordstrom** shares rose 4.15, or 10%, to 44.63 after the department-store chain said members of the Nordstrom family had formed a group to consider going private.

## Treasury Prices Fall as ECB Holds Firm

By MIN ZENG

Prices of U.S. government bonds fell Thursday after a brief bout of strength, reflecting the ripples from the European Central Bank's latest sig-

nal that there is no hurry to pull back monetary stimulus.

The yield on the benchmark 10-year Treasury note settled at 2.195%, compared with 2.180% Wednesday. Yields rise as bond prices fall.

The ECB held interest-rate policy steady at its latest

meeting. ECB President Mario Draghi gave a nod during a news conference to the improvement in the eurozone's economy, but downgraded the central bank's inflation forecasts for the next two years, a reason he believes that ultra-loose monetary policy is still needed for economic recovery.

Mr. Draghi said he is ready to add stimulus if the growth outlook worsens.

The ECB's monthly bond purchases have played a role in pushing down global government bond yields. Reassurance that the ECB isn't ready

to taper bond buying soon ini-

tially supported Treasury prices Thursday, with the 10-year yield falling to 2.178%.

Selling soon resumed as Mr. Draghi's comments encouraged investors to buy riskier government bonds from various European countries, a sign some investors believe prices of that debt will get a bigger boost from the ECB's stimulus.

Among the big winners were government bonds in Italy where the 10-year bond yield fell more than 0.1 percentage point Thursday, according to Tradeweb. The 10-year bond yield in Spain was down about 0.08 percentage

point and the 10-year yield in Portugal was down 0.05 percentage point.

The yield on the 10-year German bund, the benchmark for eurozone's debt markets, fell to 0.245% earlier but traded at

# MARKETS

# Surge in Retailer Exposes Short Sellers

Appealing 2017 wager on sinking stocks can quickly create losses on unexpected news

By CHRIS DIETERICH

Thursday's 10% surge in the shares of Nordstrom Inc. underscores the risk facing investors plying one of 2017's most popular trades: betting against the slumping brick-and-mortar retail sector.

Shares of Nordstrom surged as much as 18% before settling up \$4.15 at \$44.63, its largest daily percentage gain in three years, after members of the family that founded the Seattle-based department-store retailer said they are considering taking it private.

Nearly \$1.2 billion in bets that Nordstrom shares would fall were in place headed into Thursday, according to S3 Partners, a financial analytics firm. That made Nordstrom, a high-end retailer with stores in malls and downtown shopping areas across the country, the biggest target in the faltering department-store business for so-called short sales, in dollar terms.

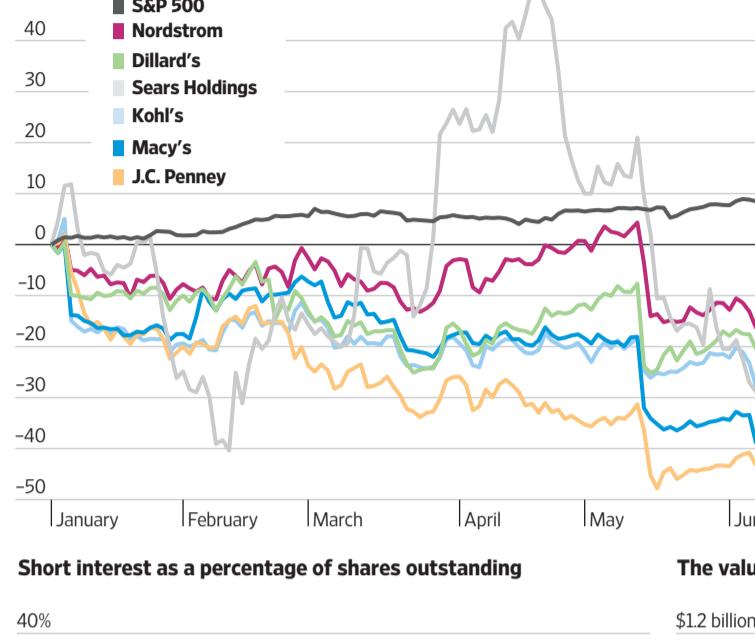
Short sellers borrow shares from other investors and sell them in the hope of buying them back at a lower price later. That has been an increasingly appealing bet as 2017 has progressed, reflecting seemingly relentless declines in the shares, results and outlooks of companies such as Macy's Inc., Kohl's Corp., Sears Holdings Corp. and numerous others.

Nordstrom's stock price had fallen 16% this year through Wednesday and bearish traders had accrued \$186 million in profits by wagering against the stock. Fully 17% of Nordstrom's 166 million shares outstanding were on loan to short sellers as of the middle of May, according to S&P Global

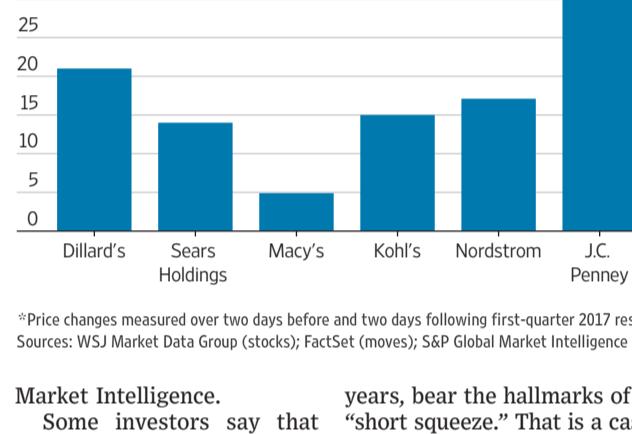
## Bumpy Ride

A tough year for major retail firms has pushed down their shares and, in many instances, created large price swings around highly anticipated quarterly earnings reports. The moves reflect in part big 'short' bets that the shares will continue falling.

### Percentage change in stock prices



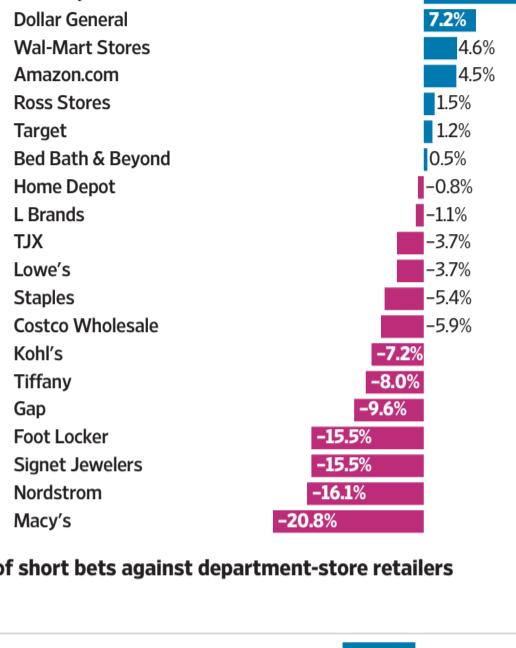
### Short interest as a percentage of shares outstanding



\*Price changes measured over two days before and two days following first-quarter 2017 results

Sources: WSJ Market Data Group (stocks); FactSet (moves); S&P Global Market Intelligence (interest); S3 Partners (value)

### Stock-price moves around\* earnings reports



### The value of short bets against department-store retailers



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which aims to seek out and profit from short-squeeze candidates. "These guys are leaning so hard in one direction that if the price swings the other way it can be painful," Mr. Lamensdorf said.

In Nordstrom, Thursday's stock pop had erased all of bears' year-to-date profit at one point in early trading, according to S3.

After Sears's string of volatile price moves, short sellers have lost more than \$31 million in 2017, even though the stock has fallen 26%.

Shorting such a volatile stock is expensive: The annualized interest rate that prospective shorts must pay to borrow shares of Sears is 80%, by far the highest among department-store operators.

Elsewhere in the sector, shorts continue to thrive. The shares of Kohl's, Macy's, J.C. Penney Co. and Dillard's Inc. have slumped between 28% and 45% this year, yielding tens of millions of dollars in profits for bears this year, according to S3.

Shares of department-store operators were again sent reeling earlier this week after Macy's chief financial officer warned that profit margins could face additional pressure in part because it is taking longer than expected to clear excess inventory.

Tension between bears waging on the demise of retailers and investors hoping to pick up shares at a bargain could persist in the months ahead, leading to more volatile price moves for retail stocks.

"Obviously, people are buying more things online, but it's premature to say that, for brick-and-mortar retailers, it's the death knell for them," said Karyn Cavanaugh, senior market strategist at Voya Investment Management. "As things get beaten up, the pendulum tends to swing too far."

—Akane Otani contributed to this article.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

# A Turnaround Brews at Citigroup

### Too Much of a Good Thing

Citigroup's common equity Tier 1 capital ratio



Source: the company

would take around two years for them to become profitable as borrowers start to build up balances and pay interest.

Separately, Citigroup acquired American Express's Costco credit-card business in June 2016. It initially had to book provisions for losses on existing loans, but gave guidance indicating that the portfolio would start contributing to the bottom line in the second half of 2017.

The risk, of course, is that defaults could be higher than expected, especially on its \$44 billion portfolio of cards issued in partnership with retailers, which target less-creditworthy borrowers. Given recent signs that consumers are getting overstretched on auto and student loans, this risk bears watching in the quarters ahead.

Nonetheless, the overall picture at Citigroup is of a bank finally turning the page on lingering issues. America's cheapest major bank looks like a good bet.

—Aaron Back

### OVERHEARD

Commercials usually appear on programs most likely to reach their target audience—for example, razors and pickup trucks during male-centric football games or catheters and reverse mortgages on cable news shows, where the median viewer is elderly.

But a car ad that will show on Fox & Friends and Morning Joe targets an audience of one: President Donald Trump. The commercials by foreign car makers such as Volkswagen and Toyota Motor touting their extensive manufacturing operations in the U.S. seem tailored to mollify their critic-in-chief and may be the best way to reach a president who reads sparingly and watches lots of TV.

They aren't the first ones to think of the idea. Comedian John Oliver paid for an ad starring a catheter-using cowboy to educate viewers about the nuclear triad "in case you're the kind of person who might really need to know that."

### For ECB, Slow Is the Way to Go

The European Central Bank is shifting policy by fractions of a degree by removing the suggestion of further cuts to already deeply negative rates. Markets shouldn't confuse the move however. The message remains very dovish.

Importantly, ECB staff, despite raising their growth outlook, cut forecasts for inflation to 1.5% in 2017, 1.3% in 2018 and 1.6% in 2019—still some distance from the target of "below, but close to" 2%. ECB President Mario Draghi continued to warn that there was still no sign of a convincing pickup in underlying inflation, despite saying risks to the growth outlook are now "broadly balanced."

He is clearly reluctant to close down his options. So while the ECB ended its easing bias on interest rates—a cheap concession, since no one expected a further rate cut—it officially remains ready to extend or expand its bond-purchase program.

That makes it hard to see Thursday's tweak as a real step toward the exit from ultraloose monetary policy.

But further bond buying may yet prove tricky. In the past two months, purchases of German bonds have fallen short of the amount indicated by the "capital key" that divides up buying across eurozone members by size. That has raised some concerns about scarcity of paper to buy.

Investors, judging by the calm in the euro and European interest rates, seem willing for now to be patient. At Mr. Draghi's snail's pace, substantive talk about the exit from either negative rates or bond buying may only come toward the end of the year.

—Richard Barley

# Nordstrom Buyout Could Make Sense, but Watch the Debt

### Deal Department

Debt/equity required to pay for a Nordstrom buyout

DEAL PRICE PER SHARE	ADDITIONAL CAPITAL REQUIRED (in billions)
\$44.63	\$5.22
47.70	5.65
52.00	6.16
60.60	7.17
64.90	7.68
69.20	8.19

Source: Gordon Haskett Research Advisors

ness. The family, which already owns nearly 30% of the company's stock, may find it easier to make investments necessary to compete outside the public eye. But at a time when industry conditions are shifting rapidly, taking on too much debt to do a deal might limit Nordstrom's options.

A buyout looks easier to pull off than in the recent past. Nordstrom's stock price is down about 45% from its record of \$82.32 set on March 20, 2015. After the stock jumped following the announcement Thursday, the market was valuing it at 6.8 times 2016 adjusted earnings before interest, taxes, depreciation

and amortization. That is still about 28% lower than the average of 9.4 times for retail leveraged buyouts since 2006, according to Gordon Haskett Research Advisors.

The research firm looked at a range of takeout multiples from 7 times to 9.5 times, implying a price of \$48 to \$69 a share, and calculated that they would require the buyers to raise \$5.65 billion to \$8.19 billion in additional capital. If that comes in the form of debt, it would leave the remaining company with leverage ranging from 5.4 times to 6.8 times net debt to Ebitdar, a retail measure that excludes

rent expense. By comparison, J.C. Penney's lease-adjusted leverage ratio is around 4.5 times, according to Morgan Stanley.

That could be difficult for the company to support, especially given that cash flow from operations—\$1.65 billion last year—is expected to decline.

To diminish this risk, the Nordstrom family might want to bring in another equity investor, such as Saks owner Hudson's Bay, or contribute additional cash of their own.

Going private will benefit Nordstrom only if it can fully enjoy the freedom to invest.

—Miriam Gottfried

For Nordstrom, going private has its appeal as the cri-

Kareem Abdul-Jabbar:  
How a jazz-filled home  
shaped his game



# MANSION

For outward show is a wonderful  
perverter of the reason.'

—Marcus Aurelius

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, June 9, 2017 | M1



## Austin's Weird and Crazy, Mixed-Up Architecture

In the Texas capital, rapid growth and evolving tastes have led to a hodgepodge of luxury home styles; some locals fear a loss of historical identity.



**STYLE GUIDE** Blake and Jamie Chandlee put a \$300,000 addition on their Italianate-style home, top left, in the Tarrytown neighborhood. John and Lisa Weinberger built a modern home, top right, for about \$1 million in Bouldin Creek. Scott and Cindy Trainer spent more than \$1 million to build their Zilker Park home, above, described as a combination of Midcentury Modern and classic James Bond.

BY NANCY KEATES

**JAMES BOND MEETS** Midcentury Modern. Italianate villa—with a sky bridge. A white stucco and steel home primarily designed for cars.

These are some of the luxury home styles you'll find in Austin, Texas, where the transformation of the city from laid-back college town to high-tech magnet is rapidly reshaping the architectural landscape.

New homes are going up fast. Single-family

home permits are up 138% over the past five years, according to census data. The median price for single-family homes has increased 48.2% from \$250,000 in April 2012 to \$370,600 in April 2017, according to the Austin Board of Realtors.

Please turn to page M8

## A SIMPLER AND MORE SEDUCTIVE SPAIN

More well-heeled expats are moving to Valencia, drawn to the city's sunny weather, beaches, culture and good schools. One downside: an abundance of outdoor cafes can make for noisy streets.

BY KATY MC LAUGHLIN

**BRENDON CRAIGIE** was searching for a city somewhere in the world with great weather, British schools and "undervalued real estate." A Google search suggested Valencia.

So last summer, Mr. Craigie—originally from London but living in Manhattan at the time—flew with his wife for the first time to Valencia, which lies on the eastern coast of Spain, about a 3½-hour drive south of Barcelona. They returned at the end of the year with their three children, enrolled them in a British school and

Please turn to page M7



**A NEW LIFE** Ellen Raphael in her family's 10,000-square-foot modern mansion in Los Monasterios, a country-club community.

INSIDE



**L.A. STORY**  
A home with a moat asks \$44 million M2



**CHOOSING COZY**  
A London couple embraces nooks M6



Walk in with *a daydream*

Walk out with *a dream kitchen*

Try out Sub-Zero and Wolf products in full-scale kitchens.

Talk details with resident experts. Get a taste of all that your new kitchen can be. To find your nearest showroom, visit [subzero-wolf.com/locator](http://subzero-wolf.com/locator).

SUB-ZERO WOLF

SHOWROOM

## MANSION

### PRIVATE PROPERTIES

# \$44 Million, With Moat, in L.A.



A just-finished 12,000-square-foot, modernist home in the exclusive Doheny Estates of Los Angeles will list for \$44 million.

The home, a glassy, three-level spread with five bedrooms and eight bathrooms, sits on a 0.8-acre bluff overlooking the ocean, according to listing agent Paul Lester of the Agency. The stone, glass and wood facade includes a "moat" water feature with fire pits that surround part of the structure.

The triple-height great room includes a walnut bar backed by a 26-foot-tall wall of shelving, which is currently stocked with a selection of scotch. The lower level, dug into the hillside, includes a wine-display room,

lounge, home theater and a "wellness" room with a European-inspired sauna and steam area.

The home will also include biometric fingerprint readers and "geofencing" technology, which can activate or lock the lights and electric sliding doors.

Mr. Lester said the owners tore down an existing villa and spent four years designing and building this home. He said the home wasn't built speculatively, and that the owners have decided to sell to relocate for their children.

The property sold for \$6.65 million in 2012 to a limited-liability company, according to public records. Mr. Lester wouldn't identify the owner,

saying it belongs to a French family. State filings show Jean-Jacques Allouche as the managing member of the LLC. Mr. Allouche couldn't be reached for comment.

At about \$3,666 a square foot, the home is priced to lure ultra-affluent buyers who might otherwise have to wait years for other under-construction mansions to finish, Mr. Lester said.

Nearby is the country's most expensive home wager: a 74,000-square-foot, \$500 million spec home now under construction.

Mr. Lester shares the listing with Branden and Rayni Williams of Hilton & Hyland.

—Stefanos Chen

## ROCKER JON BON JOVI LISTS MANHATTAN HOME FOR \$17.25 MILLION

Last year, rocker Jon Bon Jovi released an album titled "This House Is Not For Sale." Now he's looking to trade up, and is putting his downtown Manhattan duplex on the market for \$17.25 million.

A duplex on the fourth and fifth floors of West Village condominium 150 Charles Street, the apartment measures about 4,000 square feet, with three bedrooms plus a den that could be used as a bedroom, said listing agent Robby Browne of the Corcoran Group.

On the lower level there is a roughly 1,500-square-foot landscaped garden overlooking the Hudson River; on the upper level there is a terrace off the master bedroom. Mr. Bon Jovi and his wife, Dorothea, made some tweaks to the apartment's layout, Mr. Browne said.

Mr. Browne said the musician was

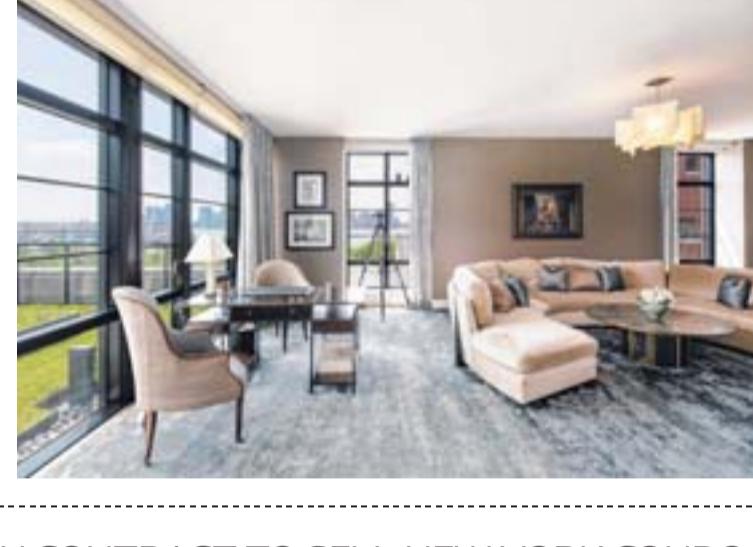
attracted to 150 Charles partly because of its amenities, including a doorman, an indoor swimming pool, a gym and a children's playroom.

The listing comes just two years after Mr. Bon Jovi paid \$12.88 million for the unit, according to public records. He signed a contract to buy the apartment from developer Witkoff in 2013, before the building was built, Mr. Browne said. Mr. Browne said

Mr. Bon Jovi, 55, and his wife, who have four children, decided they need more space and are looking at larger homes in the area.

Mr. Bon Jovi sold his Soho penthouse for \$34 million in 2015, according to public records. A New Jersey native, he has owned a riverfront mansion in Middletown, N.J., for years, and has a home in East Hampton.

—Candace Taylor



## ONETIME GROUCHO HOME HITS MARKET

The former Los Angeles home of the late Groucho Marx is going on the market for \$4.2 million.

Born Julius Henry Marx, the star of radio, film and television owned the home during his first years as the host of the game show "You Bet Your Life," which began as a radio broadcast in 1947 before debuting on television. He sold it for \$35,000 in 1949, according to Provident Title Company, which reviewed the ownership history for the Journal. Mr. Marx died in 1977.

The Sunset Plaza home is now returning to market seven months after it last sold, said agent Juliet Zacarias of Sotheby's International Realty. In November Neel Devani, 40, a financier turned real-estate investor, bought the home through a limited-liability company for \$3.45 million, public records show. He is selling the home after a Hollywood Regency-style face-lift.

The renovation of the circa 1935 home included a high-contrast, lacquered black-and-white finish on the facade, and the restoration of original



herringbone wood floors, moldings and wainscoting inside the four-bedroom, 4½ bath spread. The rear of the 10,000-square-foot lot includes a restored brick patio, pool and spa, and a half-bath with a steam shower.

Ms. Zacarias said the home, minutes from the celebrity-filled Bird Streets, is primed to sell quickly because the Hollywood Regency style is back in vogue. She added that a similar nearby home recently sold for about \$6.4 million. —Stefanos Chen

## KELSEY GRAMMER IN CONTRACT TO SELL NEW YORK CONDO

Actor Kelsey Grammer is under contract to sell his condo in New York's Chelsea neighborhood almost a year after it went on the market for \$9.75 million.

The 3,076-square-foot, three-bedroom apartment, located near the top of a 23-story glass tower designed by Pritzker Prize-winner Jean Nouvel, had been reduced to \$8.95 million in March and will close for "just below \$8 million," said listing agent Emily Beare with CORE. She shared the listing with Daniel Amell at the same brokerage.

"It takes forever and ever to get a deal done" in this price range, Ms. Beare said. When the listing first came on there were fewer options, but many pricey new units have cropped up since, she said, softening the market.

Mr. Grammer bought the unit for \$6.4 million in 2010 through a limited-liability company, records show. His publicist, Stan Rosenfield, confirmed that Mr. Grammer owned the apartment, and was selling because his family "had outgrown it." Mr.

Grammer, 62, has seven children; he is best known for his roles on the television shows "Cheers" and "Frasier," and will star in the Amazon series "The Last Tycoon."

The apartment will sell unfurnished, but was shown with the owner's personal belongings. Curious buyers might have connected the dots, Ms. Beare said—Mr. Grammer's piano, from the set of the sit-

com "Frasier," was prominently displayed.

The agents wouldn't identify the buyers. Ms. Lalehzar said they are a local family who viewed the property seven times.

—Stefanos Chen

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## MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

# RENTAL RETURNS LURE LANDLORDS

Investors in single-family rental homes get the highest returns in these cities; strategy seen as hedge against market volatility



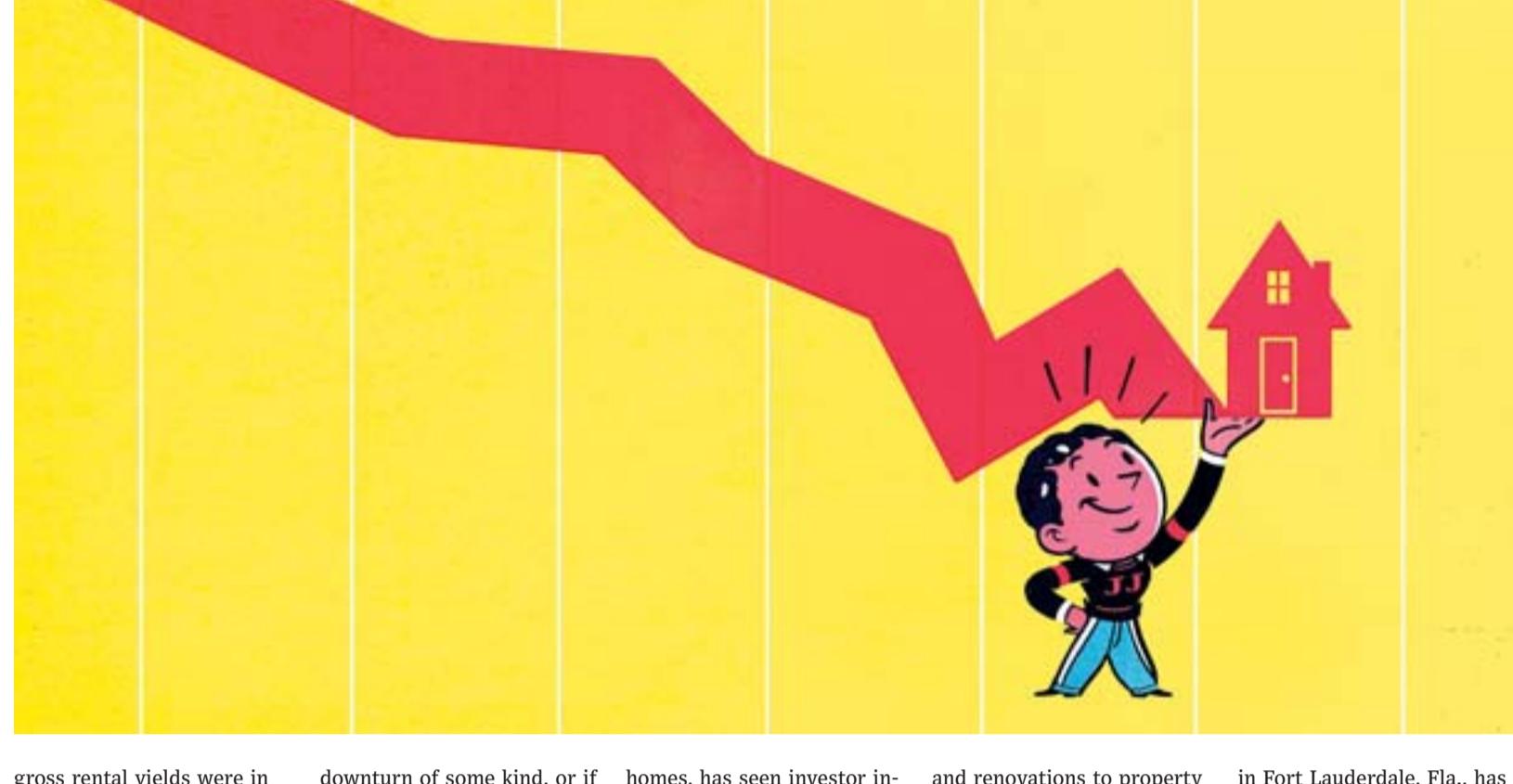
Some investors concerned about stock-market volatility are

choosing a different place to park their money, buying homes in moderately priced markets and then renting them out.

Kelly Vail, a 39-year-old technology change-management consultant in Dublin, Calif., purchased a four-bedroom house in Twinsburg, Ohio, for \$175,000 in February, as an investment. After doing some research, she decided on this Cleveland suburb because of its demographics, strong job market and good schools. Her tenant pays monthly rent of \$1,730, and Ms. Vail nets \$350 in positive cash flow each month.

"In my 20s, I believed that you invest your 401(k) in the stock market, but I had a negative experience," she says. "I would rather have a passive income stream to live off of—and it's a great way to diversify." Ms. Vail is in the process of purchasing a second single-family home to rent.

The highest returns are typically available in areas where housing prices are lower, such as parts of the Southeast, Rust Belt and Midwest, says Daren Blomquist, senior vice president at Attom Data Solutions, a real-estate data provider in Irvine, Calif. In a recent analysis of single-family rental returns in 375 U.S. counties with a population of at least 100,000, Attom found that the highest



CHRIS GASH

gross rental yields were in Clayton County, Ga., in the Atlanta metro area (23.7%). After expenses, Mr.

Blomquist says investors are probably getting a 10% to 15% net yield, which is the rate of return on a real-estate investment after expenses are subtracted.

Good returns on single-family rentals are harder to come by in high-price coastal markets or other hot spots such as Denver or Austin, Texas. For example, Arlington County, Va., in the Washington, D.C., metro area has an annual gross rental yield of 3.4%.

Mr. Blomquist says that many investors focus on starter homes selling for under \$200,000. "If there's a

downturn of some kind, or if you need to sell that property, you'll have the biggest pool of potential buyers," he says. "You have the most potential renters as well."

Steve Hovland, director of research at HomeUnion, an online real-estate investment management firm, says typical properties cost between \$100,000 and \$400,000 and have at least three bedrooms and two baths—a size in demand with tenants and one that offers attractive yields. The net yield can range from 3% to 9%, depending on where the rental property is located, he says.

Irvine, Calif.-based HomeUnion, which helps investors select, acquire, manage and ultimately sell single-family

homes, has seen investor interest grow since its inception in 2014. The firm's closed-sales volume last year alone was over twice that of 2015, and current assets under management surpassed \$100 million, up from \$20 million at the end of 2015.

Some investors take comfort in the steady income stream coming from these properties. "Everybody needs a home, but not everybody is going to qualify for a mortgage," says Ms. Vail. "So there will always be a demand for rentals."

For those interested in investing in rental homes, here are a few things to consider:

- **Maintenance costs**  
**money.** Single-family rentals have expenses, from repairs

and renovations to property taxes, insurance, routine maintenance and management fees—Mr. Blomquist says a rule of thumb is to expect that 40% of gross rental income will go toward expenses—and that cuts into returns. So can vacancies.

- **Invest for the long term.** Real estate isn't liquid, so consider your investment to be long term. The average holding period for single-family rentals is five to seven years. "That's when you're going to get your most bang for the buck for this investment," says Mr. Hovland.

- **Consider condos.** Andy Weiser, a real-estate agent with Better Homes and Gardens Real Estate Florida 1st

in Fort Lauderdale, Fla., has a number of clients purchasing condominiums for investment at prices less than \$100,000. "A lot are afraid there is going to be a correction in the stock market," he says. "Instead of spending a lot of money on a house, you can buy a few apartments." He says that none of the properties would be considered "sexy," but that since they command lower rents, there is strong demand by potential tenants. He recommends purchasing only in condominium projects that welcome investors—and paying cash. "You could have a problem if the building has too many investors," he says. "Banks don't want to finance loans in those buildings."

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## MANSION

HOUSE CALL | KAREEM ABDUL-JABBAR

# Jazz Shaped His Game

The former NBA star grew up as an only child in Manhattan, with music driving his sense of style and teamwork

Jazz was always on the turntable at home in New York. My dad had begun his career as a jazz trombonist. When I was 12, he took me to a Latin club where he played with the Mon Rivera Band. I was so proud of him. That night, the dance floor was packed with Cuban and Puerto Rican couples. I wanted to dance, too, but I was too nervous.

I was an only child, and when I was born my parents shared a two-bedroom apartment in Harlem on 11th Street with another family. That's how it was in the late 1940s. Harlem had the worst population density in the city.

By October 1950, we moved to the Dyckman Houses, a new public-housing complex in the Inwood section of northern Manhattan.

We lived on the fifth floor, and I had my own bedroom, a rarity among my friends. My window faced west and I could see the top of the Cloisters museum in Fort Tryon Park. The medieval buildings looked like castles and inspired many hours of "Three Musketeers" fantasies.

My father, Al, was a bill collector for a furniture store in Harlem. My mother, Cora, was a seamstress at a department store in the Bronx. She was determined that I get good grades. She also pushed my father to take the city's civil-service test. He passed and became a police sergeant in 1955.

I spent first grade attending P.S. 52 nearby. Then in May, my parents transferred me to St. Jude School nearby. The school made me repeat first grade, and I'm still not sure of their reasoning. Life was harsher there. The white kids were more bigoted.

I first became interested in basketball when I was 7, after I saw the 1954 film, "Go Man Go," a romanticized retelling of the Harlem Globetrotters story. I wanted to do

what they were doing.

At St. Jude's, Sister Hannah had a powerful influence on me. In seventh and eighth grades, she praised my writing and told me to develop my basketball skills as a way to get a college scholarship. I'm still in touch with her today.

By the eighth grade, I was 6-foot-9. My parents bought me a 7-foot bed, but the bigger challenge was not hitting my head on the apartment's door frames.

Though my family had moved out of Harlem when I was 3, we never stopped socializing there. Even as a teenager, I got my hair cut in Harlem because there were no black barbers in Inwood. I'd watch basketball games there and visit record stores for jazz albums.

In my bedroom, I had a poster of Miles Davis. Jazz defined my whole sense of style, from fashion to how I moved on the court. There was a cool elegance and teamwork about the music that permeated every part of me.

At the end of junior high school, I decided to attend Power Memorial Academy, a parochial high school on West 61st Street. My friend, Arthur, went there.

On the weekends, the place to play basketball was at Harlem's Rucker Park, at 155th and Frederick Douglass Boulevard. Rucker was all about showmanship—the spinning dunk, the fancy dribble, the impossible pass. The players always pushed the limits, and the people watching loved it. Winning



**HOOKED** Kareem Abdul-Jabbar, right, in March; in 1961, above, with his parents, Al and Cora Alcindor, in their home on graduation day from St. Jude's; and right, playing for the L.A. Lakers in 1986.

wasn't enough. You had to look fine doing it.

In ninth grade at Power, I got bumped up to play with the varsity team and at first failed spectacularly. But I worked hard at improving. By the end of the season, we were Second Team All-City. When I was a junior, we won the national championship.

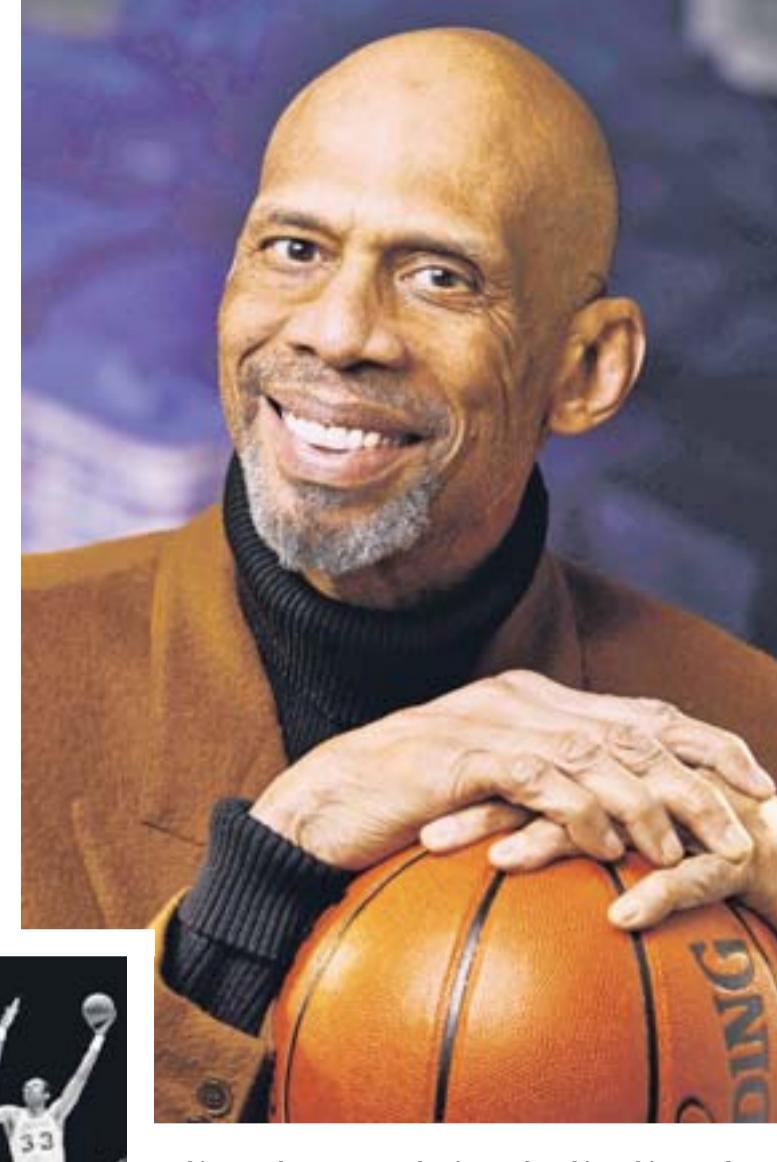
I knew I'd attend college on a scholarship. The key was choosing the right one. One day, a letter arrived from Jackie Robinson. When I read his words encouraging me to attend UCLA, it felt great. That



Jackie even knew I existed was a huge honor. At UCLA, coach John Wooden and I became friends. He emphasized the importance of playing an unselfish game and told me to use my skyhook shot only when I could wind up in front of the basket to grab the rebound if I missed.

In 1969, the Milwaukee Bucks drafted me, and we won an NBA championship. Six years later I was traded to the Lakers, where we won five titles in 14 seasons.

When my house in Los Angeles burned to the ground in 1983 due to faulty wiring, I lost everything, including my entire vinyl jazz col-



CLOCKWISE FROM TOP: JOHN NIENHUIS; ASSOCIATED PRESS; PRIVATE COLLECTION OF KAREEM ABDUL-JABBAR

lection and Jackie Robinson's letter. Fortunately my mom kept my trophies at our home in New York.

Today, I live in Corona del Mar, Calif. I always have jazz CDs playing. The interior has lots of open space and big windows with views of the Pacific and Catalina Island. But the doorways are the best part. They're all way over 7 feet high.

—As told to Marc Myers

*Kareem Abdul-Jabbar, 70, played 20 seasons in the NBA and won six championships. He is a contributing editor for the Washington Post and the Hollywood Reporter, and is the author of 12 books, including his latest, "Coach Wooden and Me: Our 50-Year Friendship On and Off the Court" (Grand Central).*



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**UNDISCOVERED TREASURE** East 60s/Fifth Ave. Co-Excl. 25' limestone Beaux-Arts mansion, 11,550SF +/-, 8+ BR, exquisite finishes, extraordinary light. \$36.5M. WEB# 16612140. Paula Del Nunzio 212-906-9207

**5TH AVE-FULL FL IN PREWAR CO-OP** East 83rd/Fifth Ave. Co-Excl. Grand 12 room residence w/ 56' of frontage on 5th Ave. Soaring ceilings, oversized windows, great light. \$29.5M. WEB# 16094718. John Burger 212-906-9274

**FULL FLOOR PARK AVENUE HOME** Upper East Side. 6BR, 6.5 bath full floor home w/ lib, FDR, pantry & staff rooms. Soaring ceilings, top white glove Co-op. \$23M. WEB# 15944342. Judith Durham Smith 212-906-9311

Lisa K. Lippman 212-588-5606

**MINT TOWNHOUSE OFF PARK AVE** East 60s/Park-Lex. Renovated 20' elevated townhouse w/ 5 stories & 8,200 +/- SF. 7BR, 6.5 bath. Lovely garden + 2 terraces. \$19.95M. WEB# 14575707. John Burger 212-906-9274

Lauren Elizabeth Bankart 212-588-5698



▲ **NEWLY BUILT 6-STORY MANSION** 80s & Park/Mad. Impeccably built single-family. Approx 8,375SF interior/2,040SF exterior, elevator to roof, smart home. \$27.95M. WEB# 16727070. David E. Kornmeier 212-588-5642

Maren Faiella 212-452-4462

**2,000+ SQUARE FOOT TERRACE** 78th & Park Ave. Room to roam inside & out. Grand 13 room apt w/ 4BRs, 5 baths, lib, FDR, EIK, 4 staff rooms, needs work. \$14.5M. WEB# 16660977. Mary K. Rutherford 212-906-9211

Leslie R. Coleman 212-906-9387

Noah D. Doplins 212-906-9263

**PRISTINE 8 RMS ON FIFTH AVENUE** 70s & Fifth Avenue. J.E.R. Carpenter classic, prewar perfection, 3BR, hi ceil, E, N expos, sun-filled EIK, FDR, 2FP, top Co-op, 24hr DM, gym. \$9.5M. WEB# 16690127.

Russell K. Miller 212-906-9360

Mary Beth Flynn 212-906-9215

**PERFECTION IN MURRAY HILL** East 36th/Lex. Magnificently renovated, 3BR, 4 bath home, chef's EIK in FS building with fitness center. Sorry, no pets. \$3M. WEB# 16471614. Edward F. Johnston, III 212-906-9284

Elayne Roskin 212-906-9336

**2BR CONDO BEAUTY** East 79th. Sun-flooded, split 2BR, 2.5 bath, W/D, charming enclosed balcony. FS boutique Condo, prime location. \$2.4M. WEB# 15883747. Talia Kahn 212-317-7731



Caroline L. Brown



Caroline E. Y. Guthrie



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## WEST SIDE



▲ **CPW JEWEL IN THE CROWN** Central Park West. Rarely available high floor mint prewar Co-op w/ full Central Park views. 3BR, 2.5 bath, CAC, W/D, WKIT. \$6.5M. WEB# 16347074. Linda Stillwell 212-452-6233

Dennis G. Stillwell 212-452-6234

Tate Kelly 212-452-6235

**HISTORIC 22' SINGLE FAMILY** 76th/RSD. Mansion-sized rooms. 8,000SF house. 2 kitchens, elevator, fab garden + terraces with views. \$16.9M. WEB# 14299611. Wolf Jakubowski 212-588-5630

**TROPHY CPW PENTHOUSE** Central Park West. Dazzling Candela duplex PH; spectacular wrap terrace floating over park. 8.5 rooms, pristine cond. 3 WBFs. \$12.5M. WEB# 16120237. Kathryn Steinberg 212-396-5868



▲ **LOFT LUXE** Midtown West. Penthouse duplex Condo 2BR, 2.5 baths, 1,700SF interior & 300SF exterior of perfectly designed space. City views. \$2.5M. WEB# 16633384. Mike Lubin 212-317-3672

**FANTASTIC OPPORTUNITY** Upper West Side. Opportunity to combine apartments 4B and 4C at 75 Central Park West spanning 65' along the park. \$9.75M. WEB# 16316956. Gregory M. Roache 212-588-5662

**VIEWS, LIGHT, LOCATION, CONDO** Upper West Side. Beautiful three bedroom with views of Central Park, the Hudson River and the Manhattan cityscape. \$3.995M. WEB# 16348331. Leslie J.W. Singer 212-588-5675

John Venekamp 212-588-5619

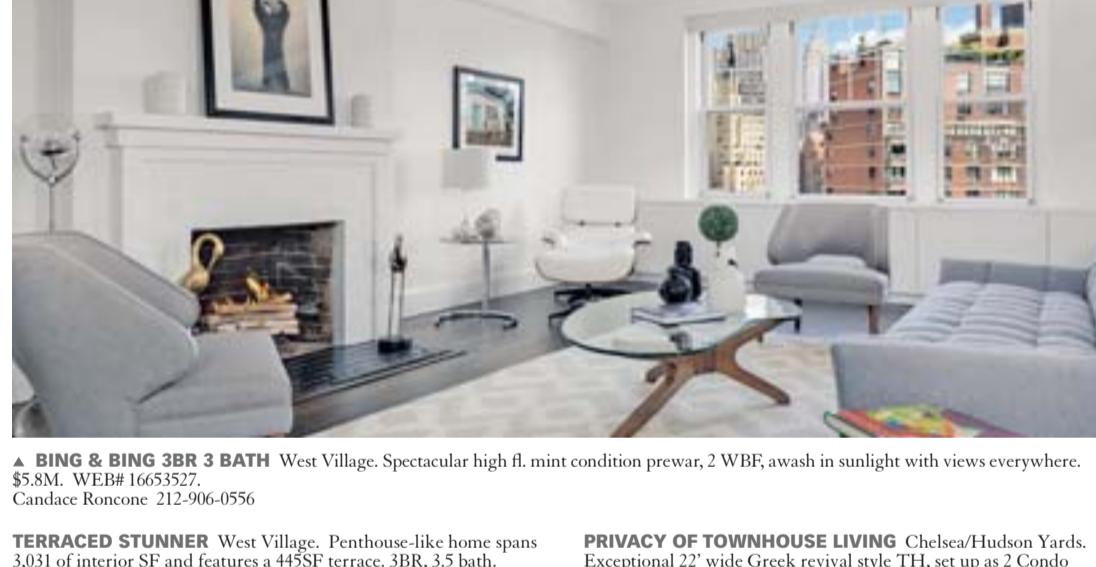
Marjorie Flannigan MacLachlan 212-588-5643

**PREWAR CONDO IN MIDTOWN** West 55th. Prewar 2BR, 2 bath off of 5th Ave w/ a formal DR. Thru-wall A/C, WBF, & abundance of storage. FS Condo. \$2.425M. WEB# 16640718. Wendy J. Sarasohn 212-906-9366

Jamie S. Joseph 212-906-9369

Tania K. Isacoff 212-906-9376

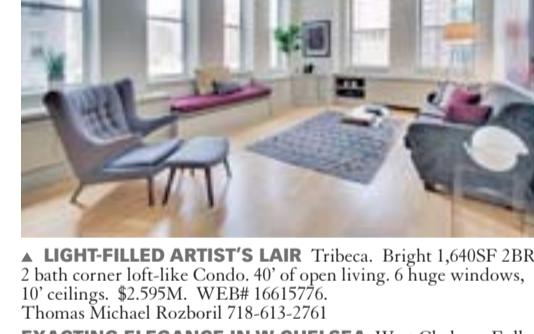
## DOWNTOWN



▲ **BING & BING 3BR 3 BATH** West Village. Spectacular high fl. mint condition prewar, 2 WBF, awash in sunlight with views everywhere. \$5.8M. WEB# 16653527. Candace Roncone 212-906-0556

**TERRACED STUNNER** West Village. Penthouse-like home spans 3,031 of interior SF and features a 445SF terrace. 3BR, 3.5 bath. \$16.995M. WEB# 15418754. Richard Ziegelasch 212-452-6274

**PRIVACY OF TOWNHOUSE LIVING** Chelsea/Hudson Yards. Exceptional 22' wide Greek revival style TH, set up as 2 Condo units: a triplex and garden duplex. \$7.5M. WEB# 15426458. Lisa V. Vaamonde 212-906-0504



▲ **LIGHT-FILLED ARTIST'S LAIR** Tribeca. Bright 1,640SF 2BR, 2 bath corner loft-like Condo. 40' of open living, 6 huge windows, 10' ceilings. \$2.595M. WEB# 16615776. Thomas Michael Rozboril 718-613-2761

**EXACTING ELEGANCE IN W CHELSEA** West Chelsea. Full-service premier luxury Condo: 2BR, 2.5 bath home at Foster + Partners' 551 W21. \$4.495M. WEB# 14852918. Erin Boisson Aries 212-317-3680

Nic Botero 212-317-3664

**PREWAR GOLD COAST CONDOMINIUM** Central Village. Mint cond. West 9th St prewar duplex Condo. Approx 1,734SF, 2BR, 2 bath w/ approx 1,000SF shared garden. \$3.88M. WEB# 16444231. Amanda J. Young 212-712-1130

A.N. Young 212-452-6204

**TRENDY 4BR, 3 BATH CO-OP LOFT** SoHo. 3 interior BR. Spacious LR w/ large windows, open kit, 11'4" ceil, 2,350SF. Key lock elv. Storage, FT super. \$3.495M. WEB# 16576877. Julianne Frei 212-396-5886

Drew Glick 212-396-5883

Sophie Joseph 212-452-6247

**LUXURIOUS CARRIAGE HOUSE** Brooklyn Heights. Over 4,700SF of meticulous craftsmanship. Parking, garden, deck, and roof deck. 2FPs, prime location. \$8.9M. WEB# 16015254. Brian Lehner 718-858-5423

**AGE OF INNOCENCE GRANDEUR** Brooklyn Heights. Totaling over 3,000SF with 10 rooms spanning the parlor and garden level. \$3.85M. WEB# 16174774. Jill Seligson Braver 718-858-5905

Natalie Rabau 718-613-2782

**TRIPLEX OVER GARDEN RENTAL** Park Slope. 5BR, 5 bath, brand new owner's triplex + large garden rental. 1,624SF, central A/C. \$3.25M. WEB# 16244411. Terry Naini 212-452-6267

**STUNNING TRIPLEX LIVING** Carroll Gardens. Co-Excl. 2,500SF triplex w/ 4 private outdoor spaces. 4BR, 3.5 baths. Top-of-the-line renovations. \$2.99M. WEB# 16693894. Sal "Cappi" Capozucca 718-399-4103

Victoria Capozucca 718-399-4164

**GRANDE DAME** Prospect Park South. Spectacular home in Prospect Park S with seven bedrooms, stunning gourmet kitchen and details galore. \$2.395M. WEB# 16747792. Charles L. Ruoff 718-399-4126

**HAVE IT ALL, 3 BEDROOM CONDO** Carroll Gardens. 1,450SF, 3BR, 2 bath sought-after corner unit. Doorman, courtyard, gym, laundry and parking. \$1.549M. WEB# 16444687. Sal "Cappi" Capozucca 718-399-4103

Victoria Capozucca 718-399-4164

## BROOKLYN



▲ **SMART & GOOD LOOKING 3 FAM TH** Prospect Heights. Currently configured as owner duplex & garden unit, TH w/ 10' ceilings, orig. details, charming garden deck. \$2.495M. WEB# 16748038. Nadine Adamson 212-452-4503

Kelsey Hall 212-396-5828

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## MANSION

### INSIDE STORY

# Skin-Care CEO Gives Her House a Makeover

Sabrina Tan transformed a 'dark' suburban Singapore property into a modern 'garden city' home

BY KRISTIANO ANG

**SABRINA TAN**, a former tech executive, decided to found her own skin-care company after spending thousands of dollars on a "vanity graveyard" of cosmetics that weren't working for her. In 2008, the Singapore-based businesswoman created Skin Inc., whose products are now sold in Sephora and in boutiques around the world.

"I come from tech and have a problem-solving background," says Ms. Tan, who previously worked in marketing-executive positions at IBM and Oracle, and occasionally peppers her speech with techie buzzwords such as "disruption."

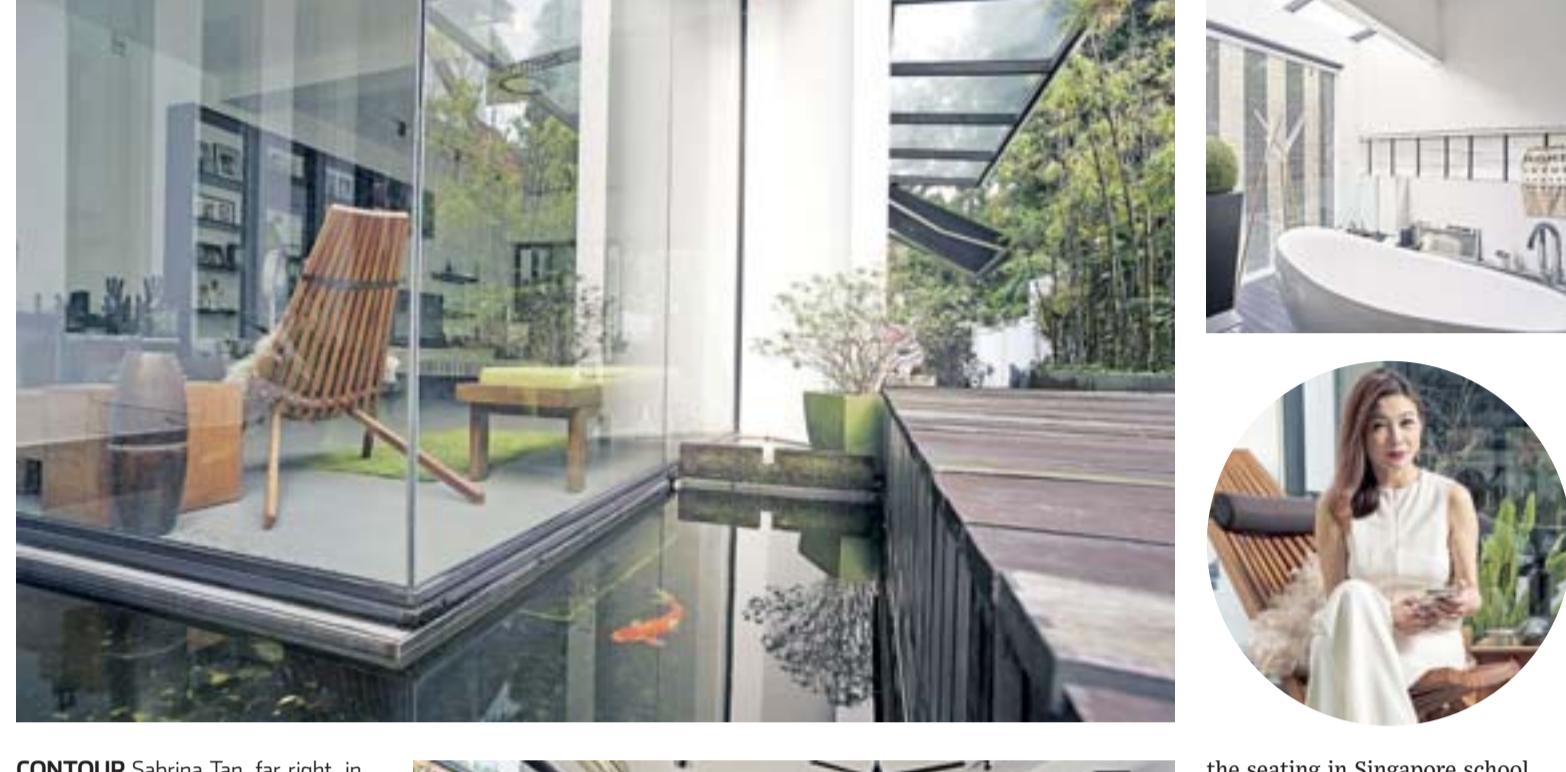
A year after launching Skin Inc., she took on another problem-solving challenge: turning a dark, unwelcoming home in the Singapore suburbs into a light-filled space for her family.

Ms. Tan, 43 years old, and her husband, Lim Teck Wee, spent about \$2 million in 2009 on a 4,200-square-foot, semidetached home in Kovan, a suburb about 8 miles from Singapore's financial district.

They had previously lived nearby, and recalled thinking of the property as a "dark haunted house" when they passed it on walks. But she liked the location, which was close to other family members, and she saw a chance to create the roomy family home she desired.

Ms. Tan tore down everything but the structural pillars, transforming the three-story building into a bright, two-story, six-bedroom and three-bathroom home. The effort took about \$700,000 and one trouble-filled year.

Halfway through the process, the interior architect went bankrupt, leaving Ms. Tan to take



**CONTOUR** Sabrina Tan, far right, in her Singapore home. Clockwise from above, a view of the garden from the dining room; the master bath, the living room and glass wall.

charge. She wanted a modernist home that referenced Singapore's "garden city" effort to create more green spaces that began in the late 1960s, and that committed to a green environment. The Tans had the front of the house moved back slightly to give more space to their frangipani-dominated garden.

In another nod to the past, the facade was painted white with black window frames, reminiscent of colonial-era villas.

Along the first floor, a wall of glass offers views of a small koi pond. "I hate walls and wanted to bring the light in," says Ms. Tan.

She kept spaces open. The stairs



YING YI CHUA FOR THE WALL STREET JOURNAL (4)

to the bedrooms have no rises—in part, Ms. Tan says, so they could see their children—an 11-year-old son and 13-year-old daughter—when they played behind it.

Inside, the centerpiece of the Tans' home is the living room. A black ceiling fan was inspired by

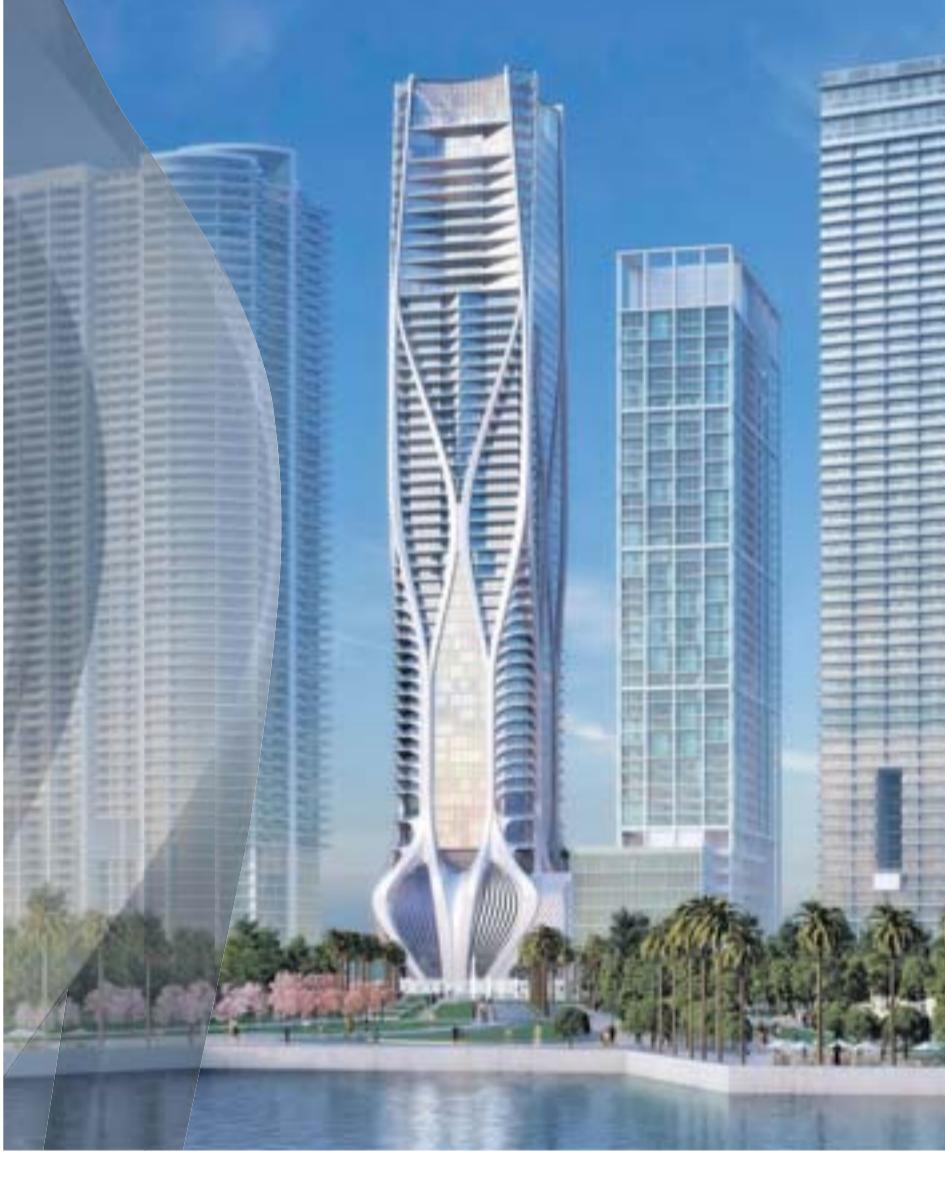
the white fans of Singapore's *kopi-tiams*, or open-air cafes. Furniture includes a sunken table, and several pieces Ms. Tan bought at Gräfunkt, a voguish local retailer.

The dining table is nearly 10 feet long with a bench on one side, which Ms. Tan says reminds her of

the seating in Singapore school cafeterias. It is also useful for the large gatherings the Tans host for business associates and their church group.

The wall on the other end of the dining space has metallic wallpaper imported from Korea. Nearby is the indoor dry kitchen, for light cooking, that features black Italian granite and a frosted mirror backsplash.

Upstairs, Ms. Tan's master bedroom has a two-story ceiling with a large window looking onto a terrace garden. Ms. Tan is most proud of the suite's indoor-outdoor bath, fitted with an egg-shaped bathtub, that has an opening onto the terrace covered only by shades. It was inspired, she says, by Japanese Zen gardens and the Hyatt Hotels baths she uses on her travels. The space, she adds, is where she can relax.



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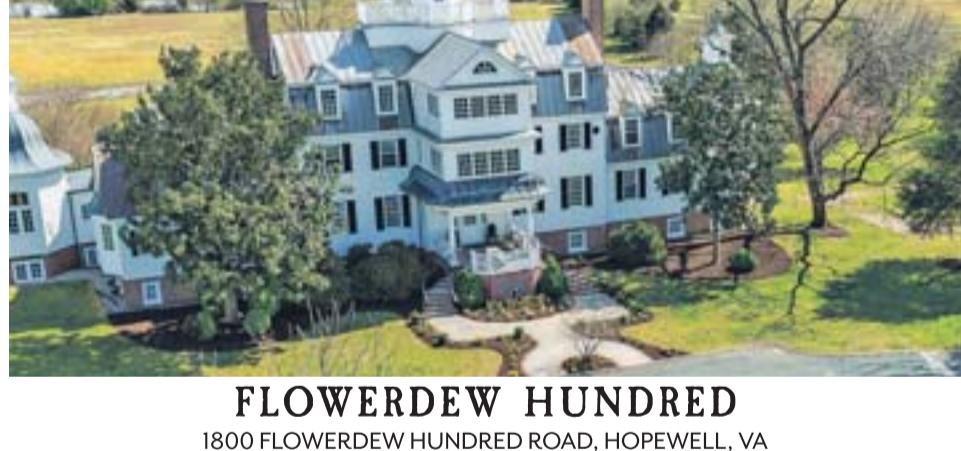
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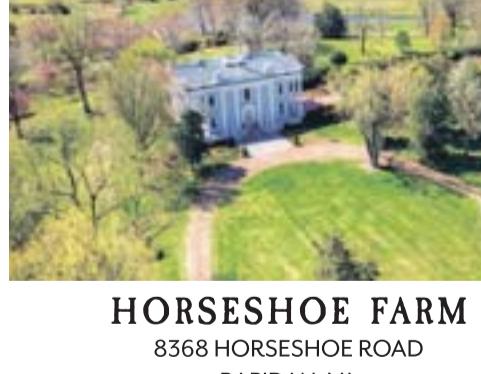
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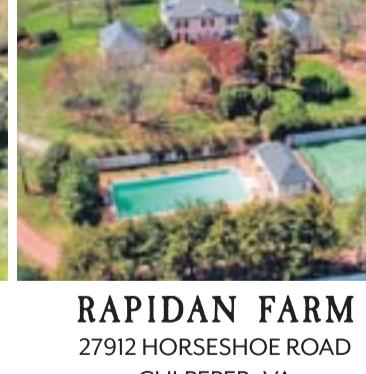


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## MANSION

### BALANCE SHEET

# A Couple Committed to Nooks and Crannies

Londoners who once embraced wide-open floorplans opt for a cozier layout in their \$1.4 million renovation

BY RUTH BLOOMFIELD

#### OPEN-PLAN LAYOUTS

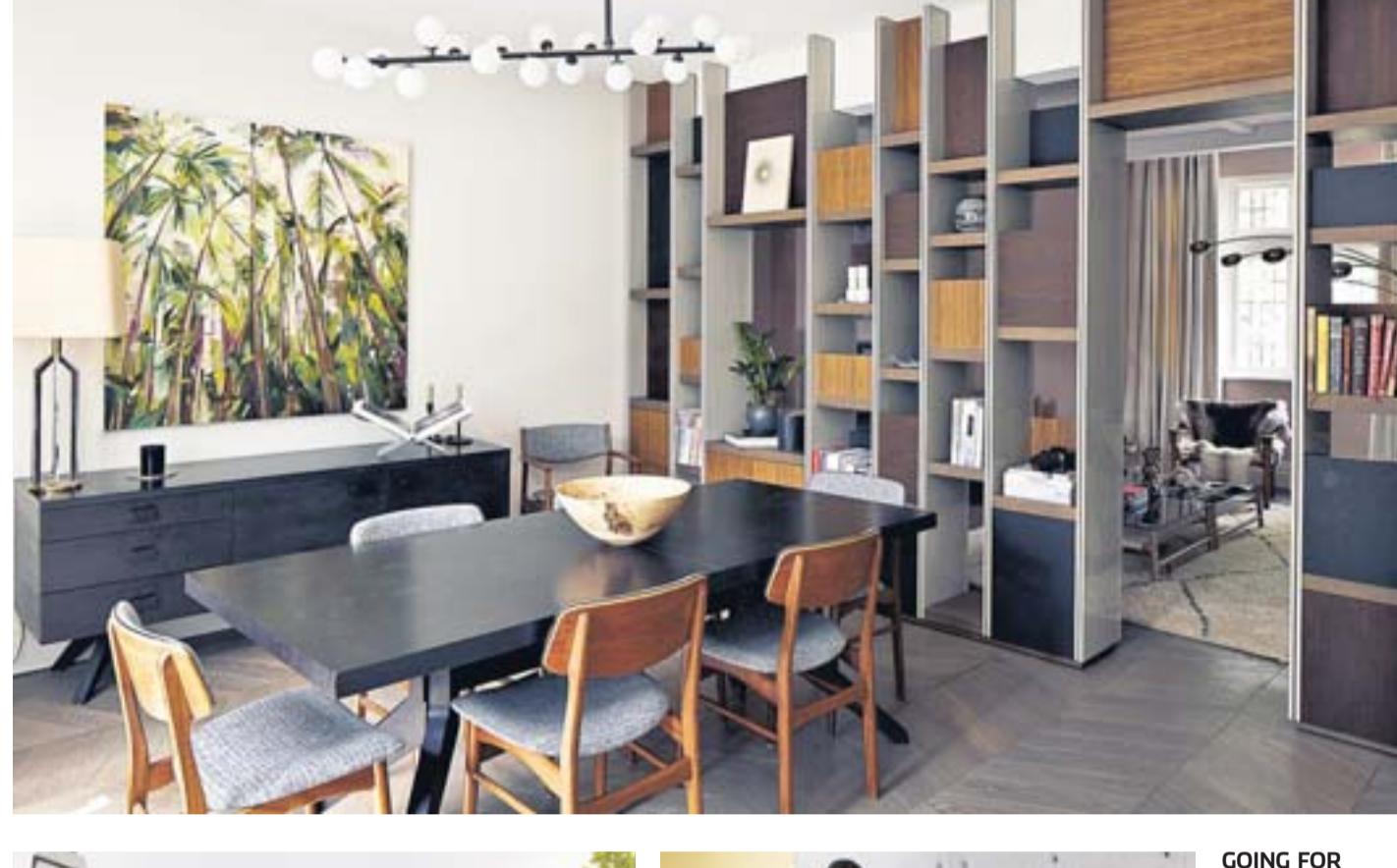
might be all the rage, but for Jessica and Cem Savas, the reality of living without walls had its drawbacks: "We liked the airiness of the open plan," Mrs. Savas said, "but we wanted some more cozy, private spaces."

So when the couple moved from their open-plan property to a fixer-upper in London's Clapham neighborhood, they took a hybrid approach, opting for partial walls and open bookcases to separate and define rooms, as well as a separate basement level designed as a guest suite.

The project was the couple's most ambitious home remodel, although not their first attempt at modernizing a period house. The U.S.-born Mrs. Savas, 36, and Mr. Savas, 38, from Germany, moved to London in 2007 when Mrs. Savas's job in finance was transferred to the British capital. Since then the couple has made a habit of buying homes in need of TLC, renovating them, and then moving on.

"As soon as we finish a house we get quite antsy," admitted Jessica, who quit her finance job and now works as an interior designer and property developer full time. "We are always looking to experiment; it is about the challenge."

Their most recent challenge was an Arts and Crafts-style home built in 1913 that would have originally featured intricate



#### KEY COSTS

Purchase price

**\$1.8 million**

Basement

**\$540,000**

Interiors and updates

**\$474,000**

Concrete and foundation

**\$135,000**

Kitchen and cabinetry

**\$122,000**

Windows, glass doors

**\$84,000**

Home automation

**\$45,000**

Living room and fireplaces

**\$15,000**

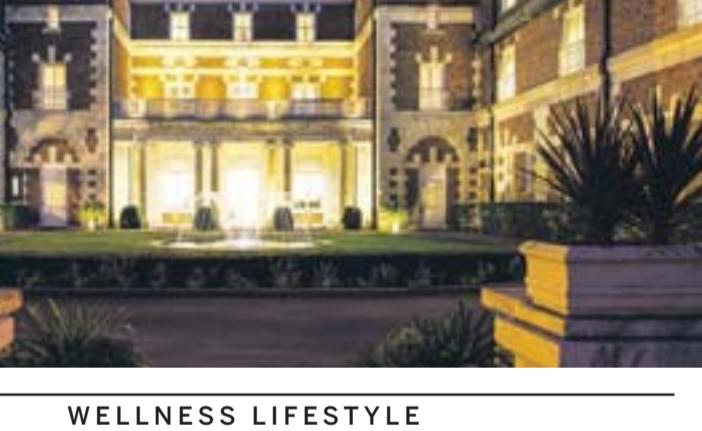
**TOTAL:**

**\$3.215 million**



**GOING FOR BOLD** A bookcase, above, separates the living room from the dining room in this 1913 Arts and Crafts home, far left. Cem and Jessica Savas, left, in living room of their addition. Below, the kitchen is part of the new extension, where sliding, floor-to-ceiling glass doors lead to the backyard, with multiple outdoor-seating areas.

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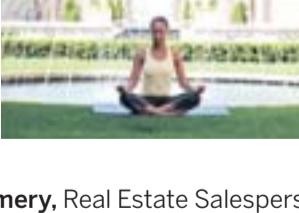
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woodwork and paneling. But the four-bedroom, 2,300-square-foot house that Mr. and Mrs. Savas bought in 2014 for \$1.8 million had lost most of its original features during the 1950s and 1960s. Instead, it boasted electric fireplaces and linoleum flooring—not the kind of period piece they were after.

But they loved its secluded—and spacious by London standards—backyard. "It was like this very surprising oasis," said Mr. Savas, who is the co-owner of Plentiful.com, a home-services marketplace. "We thought we could do something outside the box. We wanted to go bold."

The couple enlisted the help of architect Micah

Sarut, managing director of Inter Urban Studios, asking for a self-contained guest apartment and a tranquil master bedroom.

Mr. Sarut's solution was an extension projecting into the yard, with sliding, floor-to-ceiling glass doors. Outside, they created seating areas, a vegetable garden and raised planters full of lush shrubs and flowers.

The house already had a generous entrance foyer leading to a living room at the front of the house. A handmade oak shelving unit partially separates this room from the adjacent dining room, where an existing bay window has been enlarged into an alcove to create a

sunny work area. This space leads to the kitchen and a second living room in the new extension.

To give extra space for guests, a new basement level has been dug, creating a two- to three-bedroom apartment, brightened by a series of light wells and skylights. Upstairs, the main house has an en suite master bedroom with dressing room. Three guest rooms and two bathrooms are also located upstairs.

"It was not...[only]...about the need to create extra space, but about creating space that was beyond the traditional cellular arrangement the house had—of one box-shaped room, then another," said Mr. Sarut. "It was about creating a sequence of semi-open spaces which each had different personalities."

Work on the \$1.4 million build began in late 2014. By the start of 2016, Mr. and Mrs. Savas were finally able to move into their new home. "How was the build? It was exciting—but it was way too long," said Mrs. Savas. Since its completion the house has been appraised by local estate agents at between \$3.9 million and \$4.5 million.

Like many expensive habits, renovating old houses can be addictive, and the Savases' love of a challenge means that, even after spending so much time and money on their house, they might not stay put. "We walk around the house and think about what we might do differently next time and what we might do again," said Mrs. Savas. "Will we be living here in two years' time? The likelihood is no."



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HAMPTONS, NORTH FORK  
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# Luxury Developers Take It All Outside

By Joseph Dobrian

**T**aking it outside" seems to be the main objective of luxury home design in the Hamptons and nearby areas. Developer John Kean, president of Kean Development in Cold Spring Harbor, N.Y., says today's clients want outdoor entertainment features, sophisticated below-ground space, and an open indoor living area.

"These trends have been especially noticeable in the past five years," he says. "People want large covered porches, outdoor bars and outdoor kitchens."

Swimming pools are not just 20-by-40-foot rectangles: they have sun-shelves and plunge baths. We're adding outdoor putting greens with sand traps.

"Indoors, people want a more open floor plan—not the kind of house their parents had. There's not as much sitting formally in the living room. Today's entertainment revolves around the kitchen, with an open family area and dining area."

Downstairs, popular features include bowling alleys, golf simulators and movie theaters, Mr. Kean adds. In the Hamptons, outdoors is where it's at, but when the sun has gone down guests tend to gravitate to those lower levels, which typically offer activities for all ages.

## ESTATE HOMES

Mr. Kean is especially enthusiastic about a project called Olde Towne, which he says is the largest subdivision of estate homes, a couple of blocks from the ocean in Southampton's estate section.

"It's the last farmland that hasn't been developed," he says.

SURFACE ARCHITECTURAL PHOTOGRAPHY



Large covered porches are a noticeable trend among Hamptons buyers.

## BUYERS ARE ASKING FOR COVERED PORCHES; OUTDOOR FIREPLACES AND FIRE PITS ARE MUSTS."

"We're putting up 10 new homes on 49-plus acres, all priced in the \$30 million to \$40 million range. We're the architect, landscaper and builder of each home. This development includes one of the largest tree-moving projects in the United States: 350 50-foot-plus high linden and sycamore trees to line the streets, to make it look like an established neighborhood.

"We'll have approximately 2.5 miles of 10-foot privet hedges surrounding the properties, for absolute privacy."

## HOME ENTERTAINING

Judi Desiderio, CEO and president of Town and Country Hamptons, which has eight offices in the Hamptons and on the North Fork, agrees that today's buyers and builders are focusing more on entertaining at home, and adding al fresco dining areas,

kitchens, not to mention fire pits.

"People want to bring the water elements into the house," she says, "or as near to the house as they can. [Buyers] are asking for outdoor fireplaces—and fire pits are a must. Everyone today wants twice the entertainment space they used to build."

Ms. Desiderio advises newcomers to make friends with local chefs and caterers.

"If nice weather is forecast for the weekend, people will be burning up your phone: you might have to entertain 40 people in your back yard on a Saturday evening—and if I have to entertain on the fly, I'd much rather do it at home than try to book a table at peak time in the new hot restaurant."

Joseph Dobrian is a freelance writer specializing in real estate.

SURFACE ARCHITECTURAL PHOTOGRAPHY



The most popular homes have pools with sun-shelves and plunge baths.



## VIBRANT LIFESTYLE



"Olde Towne" is Kean Development's newest Hamptons luxury community. This exclusive setting, steps from the ocean and minutes from the Village in Southampton's estate section, harbors a lush, mature landscape sculpted with privet and specimen trees on 43+ acres bordered by meadow and preserve. As one of the country's premier design-build companies, Kean is creating a vibrant Hamptons lifestyle with beautifully appointed residences on 4+ acres with private pools, spas, pool houses and tennis courts. Olde Towne was the largest private land holding in the Village and undoubtedly is Southampton's most prestigious new address.

Olde Towne comprises a total of 10 parcels. This pristine property echoes the grand, iconic Hamptons estates with lovely, vibrant gardens and verdant, level lawns. Of the numerous expansive parcels that Kean is building, Tower House and Hampton House have been sold, Twin Peaks is available and the fourth, Summer House, will be available in June. Occupying approximately 16,000 square feet, these classic Hamptons beauties are impeccable. Three levels of sumptuous details reveal refreshing, modern appointments and state-of-the-art amenities.



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## MANSION

# SIMPLER SPAIN

Continued from page M1

rented, for about \$5,600-a-month, a 10,000-square-foot modern mansion with views of the sea and mountains in Los Monasterios, a country-club community about 25 minutes north of Valencia.

"We didn't want another London or New York, which is why we didn't want Madrid or Barcelona," Spain's first- and second-largest cities, said Mr. Craigie, who left his post as chief executive officer of Hotwire PR, a public-relations firm headquartered in London. He is now collaborating with his wife, Ellen Raphael, who works as a consultant, on a book about the future of the industry, and working on building a new public-relations firm, he said.

Spain's third-largest city has a population of just under 800,000. It is attracting a growing number of expats who move to the region purely for lifestyle reasons as opposed to corporate relocation, real-estate agents say.

The area is known for some of Spain's best weather, with nearly year-round sunshine. There are orange tree-lined streets, beaches, bike paths, good restaurants and the City of Arts and Sciences, a collection of futurist museums and cultural buildings designed in large part by native-son architect Santiago Calatrava. The Jardín del Turia, a lush urban park that snakes through the city like the river it used to be, offers ample space for sports, picnicking and cultural events. Valencia is also the birthplace of paella. Luxury apartments sell for about half as much in Valencia as in Barcelona, said Alejandro Aznar, an agent with Engel & Völkers Valencia.

Real-estate transactions in the first two months of this year were up 9.4% compared with the same year-earlier period, said Juan Luis Herrero, Valencian partner of Lucas Fox, a Barcelona-based real-estate company that specializes in luxury sales to foreigners. Prices across Valencia are up 4.6% compared with the first quarter of last year, while prices in the historic Old Town area of the city have risen by 8.9%, Mr. Herrero said.

On a drizzling day in April, Mr. Aznar and his colleague, agent Jorgen Cordy, led a tour of two apartments on the market in the city's upscale Eixample neighborhood. The first was a roughly 3,100-square-foot home in a 1914 building designed by Francisco Javier Goerlich, considered one of Valencia's leading architects of Modernisme, a style characterized by nature-based motifs and curved lines. The apartment, with five bedrooms and three bathrooms, is listed for \$1.69 million.

Another apartment, steps from the Mercado Colón, a Gaudí-like market occupied by upscale cafes and shops, is on the market for \$1.35 million. The highlight of the three-bedroom apartment is a



**SOMETHING OLD, SOMETHING NEW** A section of Valencia, top left; the City of Arts and Sciences, a collection of futurist museums and cultural buildings designed in large part by native-son architect Santiago Calatrava, above.



**MAKING THE MOVE** Brendon Craigie and Ellen Raphael and their home; having moved at the end of last year, they are now looking to purchase a house in the same neighborhood.



curved staircase leading to the front door. Mosaic-tiled floors and curvy, wood-encased windows exemplify Modernisme style.

Marcus Collardin, 50, a private-equity investor who most recently lived in San Francisco, moved this week to Valencia with his fiancée and infant. He said he began searching for a new home after the presidential election. As a dual U.S. and German citizen, he had his choice of European countries, but wanted warm weather. Rejecting Barcelona as "overrun by tourists," he flew to Valencia in November to explore the city.

In February, Mr. Collardin closed on a 2,700-square-foot, five-bedroom apartment for \$750,000. Transaction costs added about \$100,000 and remodeling about \$110,000 more, he said.

"I love the architecture, the juxtaposition of old and new, the beaches and unbelievable weather," Mr. Collardin said of Va-

lencia. And "it's much cheaper than San Francisco," he added.

Mr. Craigie and Ms. Raphael enlisted the services of Christa Brokke, owner of moving2valencia Relocation Support. In 2004, Ms. Brokke and her husband, both orig-

inally from Holland, moved to Valencia where they live with their two children, she said.

Most of Ms. Brokke's clients want to live in the central Eixample area, which is home to many popular bars and restaurants. In

the most elegant part of the neighborhood, she advises clients that restored properties run between about \$450,000 and \$2.8 million; rentals range from about \$1,700 to \$5,000. Prices can be highly negotiable, said Ms. Brokke, a sentiment echoed by Mr. Aznar, who said negotiability for luxury properties can be 15% to 20%.

On a recent tour of properties in Los Monasterios, where Mr. Craigie is currently looking to buy a house, agent Paul Mollá of brokerage Class Home Inmobiliaria pointed out the homes of famous soccer players and business executives. The neighborhood population is approximately 40% expats, said Mr. Mollá, who are drawn to the community mainly because of an American school, a British school and other private schools nearby. Large, modern houses, with pools and views of both the Mediterranean and the Sierra Calderona mountains, range roughly between \$675,000 and \$3.4 million; rents start at about \$1,900 and go up to about \$6,800.

Negatives to life in Valencia include an unemployment rate a point higher than Spain's overall 18.75%. Locals grumble about corruption and public-works boondoggles, such as a second provincial airport that has barely been used. Another quibble: noisy streets. A tradition of festivals, plus lots of cafes with outdoor seating, make for a loud cityscape. Valencia's economy, traditionally based on exports of citrus, furniture, ceramics, and automotive parts, increasingly relies on tourism, which is evident everywhere.

Mr. Craigie said his family loves the school, the surrounding mountains and sea, and the quick commute into the city and airport. Another favorite thing: the local cuisine.

"The food is really good, fresh produce is amazing here, and it's not expensive," said Mr. Craigie.

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## MANSION



**OLD WORLD** Blake and Jamie Chandlee with their children, left, and dog, Ellie Mae. The couple enlarged the area over the garage to create more space. Above, the loggia; below, an entryway.



# IN AUSTIN, A HODGEPODGE OF HOMES

Continued from page M1

Meanwhile, city ordinances designed to limit the size and density of new homes have had some unintended consequences. To get around size restrictions, homeowners are adding more carports and screened-in porches, which qualify for a larger exemption than garages. The result: some odd workarounds and construction quirks that add to the eclectic look of many new or renovated homes.

Right now, the landscape is "fluid," says Matt Fajkus, principal of Austin firm Matt Fajkus Architecture. "Sometimes, while we are working on a house, the entire neighborhood will change," he says. "It's an interesting challenge. Are you designing something for the way the neighborhood is now or how the neighborhood will be?"

In older neighborhoods near downtown, tiny, dilapidated shacks sit across the street from new boxy white contemporaries. Frank Lloyd Wright-inspired mansions are catty-corner to what look like breezy beach bungalows.

Mr. Fajkus, who is also an associate professor of architecture at the University of Texas, recently finished designing a 1,000-square-foot, one-bedroom home in the Bouldin Creek neighborhood that cost about \$1 million to build. The modern white stucco and steel house was

designed around a couple's vast vintage-car collection and includes 2,000 square feet of garage and outdoor space. The home's upper-level cantilevers are 20 feet out from the box-shaped lower level.

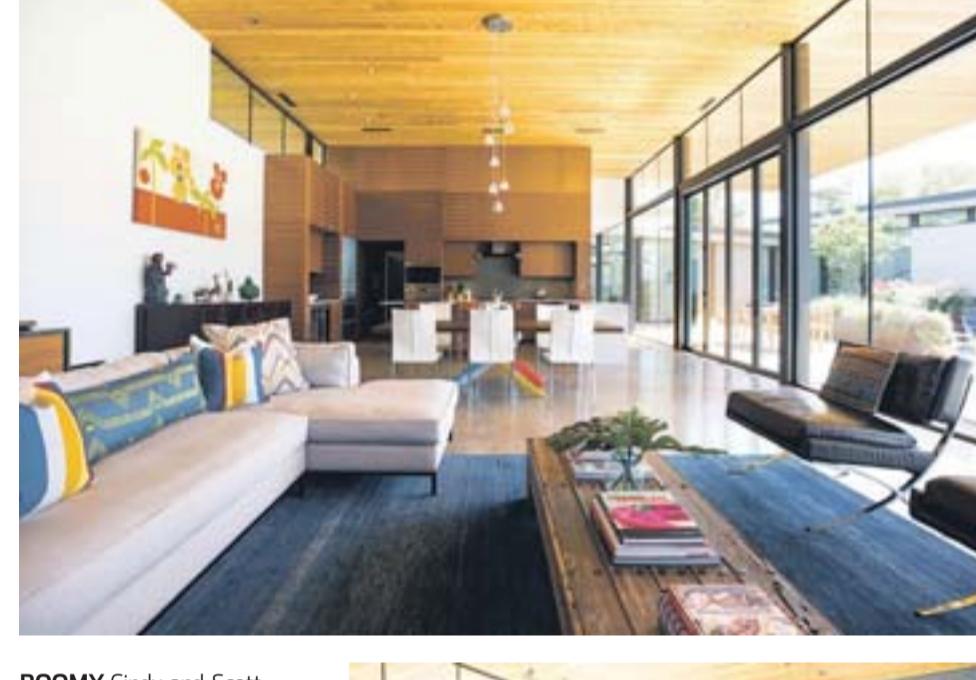
The owners, John and Lisa Weinberger, moved from Chicago to Austin in 2014, when many homes in Bouldin Creek were run-down. They bought a new four-bedroom spec house, then bought the lot next door and built their new modern home—mainly used as a place to put their cars.

"Houses are coming down by the week," says Mr. Weinberger, 85, an auto-dealer ship owner and car racer.

Just down the block from the Weinberger property, a plain 1,412-square-foot house is listed for sale—with marketing that suggests it is ideal as a teardown or gut renovation. ("What a lot!") The asking price: \$650,000.

The rapid change has some locals fearing that Austin will lose its identity. "It's not just the streetscape and character we are losing, it's also visual elements of our city's past," says Kathie Tovo, an Austin City Council member and the city's mayor pro tempore.

Scott and Cindy Trainer recently custom built a 3,700-square-foot, four-bedroom brick-and-stucco home for over \$1 million last year in the Zilker Park neighborhood.



**ROOMY** Cindy and Scott Trainer, right, and the open-plan home they built for over \$1 million, above. Below, Suzi.



Asked to describe the style, Mr. Trainer hesitates: It's a combination of Midcentury Modern and classic James Bond, he says, pointing out both the long cedar roof overhangs and the floor-to-ceiling steel-framed glass walls.

Austin Architect Michael Hsu, whose firm designed the Trainers' house, says "luxury is being redefined here." The only unifying stylistic theme he sees is what he calls "casual modernism," which he describes as modernism that is authentic and accessible. His clients are moving to Austin from places like New York, Los Angeles and San Francisco because they want a lifestyle shift; they don't want the kinds of homes they've left behind. "Everyone deserves a place to live of their choosing. There's not a prescription for Austin for how you should be."

Mr. Trainer, 57, moved to Austin in 1982 from upstate



New York after visiting his brother. He got an environmental-engineering job and moved to the Zilker Park area, first buying a small bungalow for \$56,000, renovating it and selling it for \$100,000 in 1991. That same year he bought a 1/4-acre lot for \$50,000 and built a three-story home, selling it in 2011 for \$1.3 million because he and his 46-year-old wife, a real-estate agent, wanted a home better suited for their two children.

Their new house replaced a larger, 4,500-square-foot home with a pool they bought for \$650,000 that hadn't been updated since 1959. Mr. Trainer, who became a commercial real-estate developer in 2004, had admired the property for years because it is on a bluff overlooking a large park and part of the Austin skyline.

The house, slightly angled, is designed with minimal windows facing the street.

footage under the ordinance, but garages do. As a result, more carports have been built, affecting the appearance of the neighborhoods.

Recently, the city has proposed a new land-development code that may further change the face of neighborhoods. Dubbed CodeNext, the goal is to update and consolidate regulations and deal with the issues of neighborhood density, affordability and livability.

"The goal is to preserve what we love and improve what we don't," says Alina Carnahan, who is working on CodeNext for the city.

Jamie Chandlee, a 2005 graduate of the University of Texas, moved back to Austin in 2010 to take a job with Facebook, which had just opened an office there. She met her future husband, Blake, who also worked for Facebook, and in 2012 they moved into a five-bedroom, five-bathroom mansion they bought in the Tarrytown neighborhood.

Two years ago, the couple embarked on a \$300,000 addition to their 6,000-square-foot home, built in the Italianate style, with a red-tile roof and rounded rooms. They wanted a playroom but couldn't change the footprint of the house because of limits on "impervious surfaces"—which is any surface like a roof or driveway—that can't absorb rainwater.

So they asked Hugh Jefferson Randolph—the home's original architect—to enlarge the space over the garage and link it to the second story of the main house with a sky bridge. The addition gives their Old World-style home some decidedly modern touches.

Currently, the City of Austin has what it calls "McMansion regulations" that limit the scale and bulk of new construction, remodels, and additions to make sure homes are compatible with existing neighborhoods.

While the goal of the McMansion ordinance was to preserve the character of neighborhoods and has helped curb size, some detractors say it has also had negative effects. For example, carports, which are not fully enclosed spaces, don't count as square

"There's a lot of variety. That's what makes Austin unique," says Mrs. Chandlee.



**CAR CARE** The rooftop lounge, above left, of John and Lisa Weinberger's one-bedroom home, which was built primarily as a place to keep their collection of vintage cars, above right. The couple live mainly in a four-bedroom house that's next door to this one.

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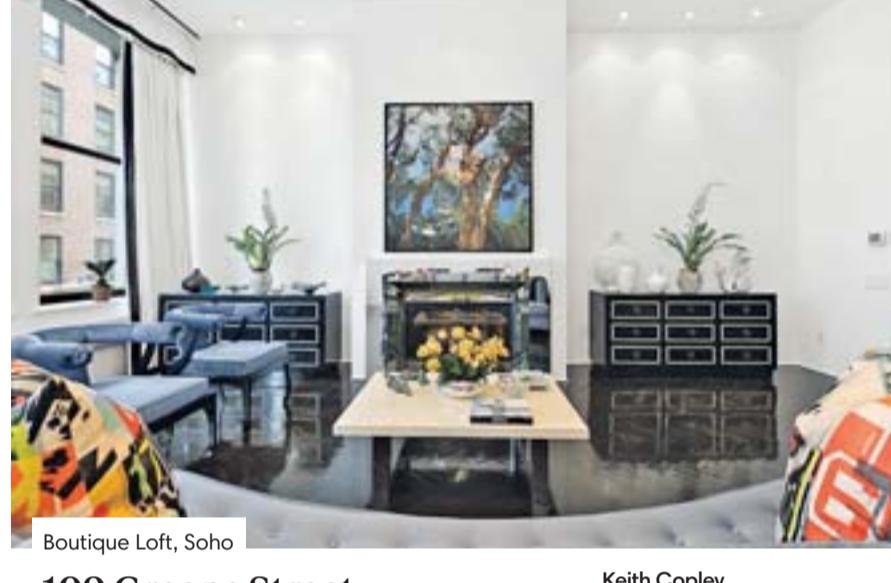
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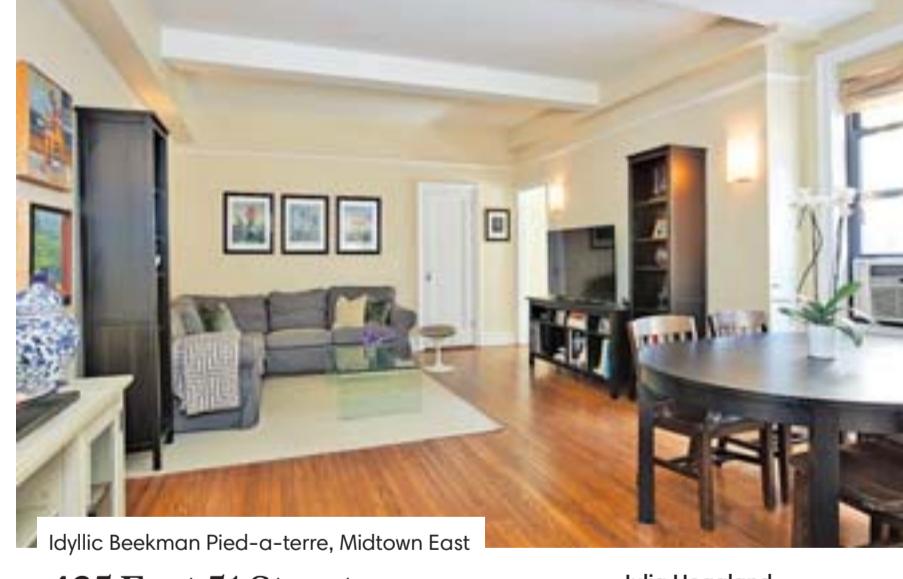
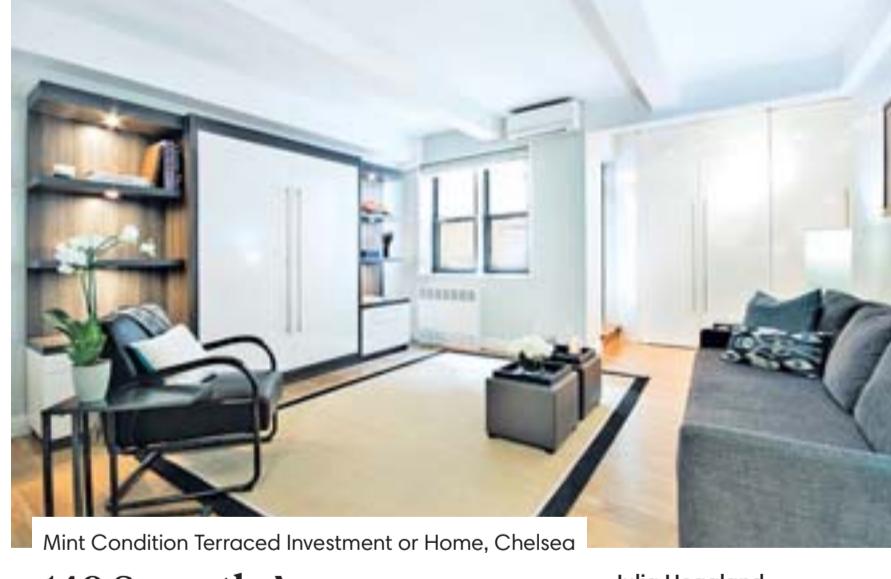
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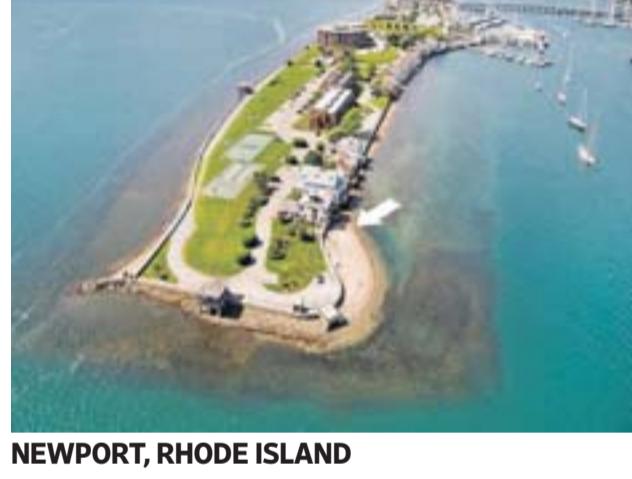
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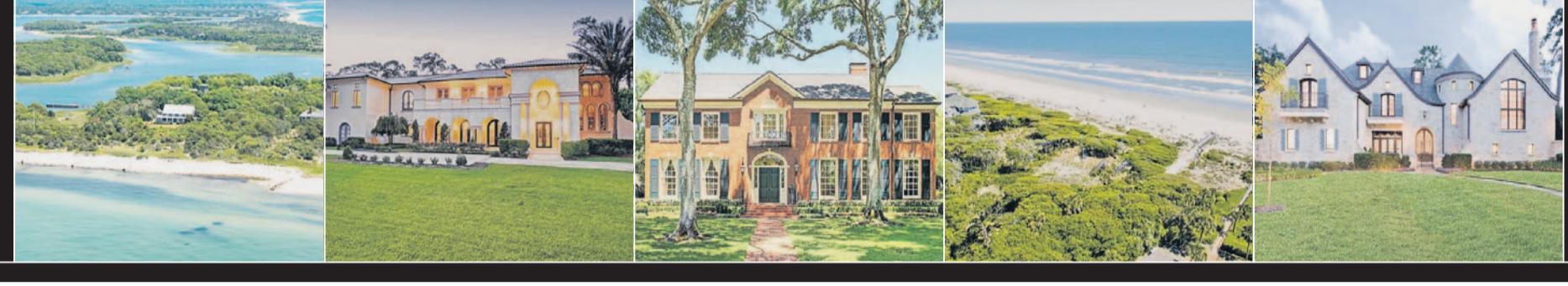
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# Where Quality Is Crystal Clear

A TROPHY RANCH IS A RARE FIND AND A GOOD INVESTMENT, SAY THE EXPERTS.  
ALL YOU HAVE TO DO IS RECOGNIZE ITS BEST ATTRIBUTES

By Tonie Auer

**N**atural wonders will always be valued at the highest level because they can't be replicated, says Austin-based Riley-McLean Land founder and broker Tim W. Riley. Location is the main attribute that makes these properties stand out; demand blossoms if they also offer riverfront access or stunning views.

"A trophy ranch is the A+ of the land market; they're very rare, like fine art or a rare coin," says

Joseph Burns, owner/broker at Lone Eagle Land Brokerage just outside of Telluride. "I'm always looking for A+ property. You can sometimes find them in a C or D condition, but you need to be able to spot it in the rough; that might mean the property has a gorgeous waterfall or stream, but a rustic, small, older house."

"In Colorado, the focus is water and stream beds," he adds. "A ranch with rights to a river and maybe a national forest nearby can escalate to an A+ property. It all goes back to location."

Mr. Burns has the ranch listing

for the \$30 million Buckhorn Mountain Ranch, spread across 6,573 deeded acres of high desert land at the base of Storm King Peak, 15 miles south of Montrose, Colorado. "The ranch also encompasses 6,003 acres of leased Bureau of Land Management land for a total of 12,575 acres under its control," he says.

This property is a working cattle ranch with a full complement of livestock facilities, as well as a hunting retreat with habitat for mule deer and elk, and ranching facilities. There are 400 acres of irrigated pastures and hay meadows, numerous stock ponds for cattle and wildlife, and three irrigation storage ponds.

"The properties always sell," Mr. Burns says. "It can take three to four years to sell a ranch in the \$30 million range or higher. Among other reasons, one is that there are only so many people who can write that check."

### UNIQUE PROPERTIES

John Wampler II, founder of The Rose City Team at RE/MAX Tyler in Tyler, Texas, says the search, evaluation and purchase of a trophy property is completely different than a traditional real-estate transaction.

"Not only are the buyers unique, but so are the properties," Mr. Wampler says. "Because no two properties are alike, benchmarking is difficult. You have to consider the many tangible and intangible assets, whether it be physically, geographically or historically; identifying the assets such as acreage, structures on the property, and pricing the

amenities and/or production for the property. If they have cattle, hay production, oil and gas

**"A RANCH WITH RIGHTS  
TO A RIVER OR A  
NATIONAL FOREST  
NEARBY CAN ESCALATE  
TO AN A+ PROPERTY."**

operations, or use the property for trophy hunting excursions—anything that is income producing—the broker has to assess a profit-and-loss sheet of the property to find what present and future market value [it] has."

There are also intangible assets, like 18-hole golf courses, professional gyms, big-screen movie theaters, and more. One of Mr. Wampler's listings, the T BAR W Ranch in Mineola, Texas, features 367 acres on sale for \$8.9 million. Home to a nationally renowned Longhorn cattle operation, it also has top-of-the-line equestrian facilities, including a 6,215-square-foot, 12-stall, European-influenced horse barn.

### WATER FEATURES

Austin-based Riley-McLean Land founder and broker Tim W. Riley says the number-one driver of value in the Hill Country market is water from creeks and rivers, to streams, ponds or lakes. Ranches with year-round and clear, flowing water features are highly



Tim W. Riley.



John Wampler II.

JOHN HOWELL PHOTOGRAPHY

JOHN WAMPLER

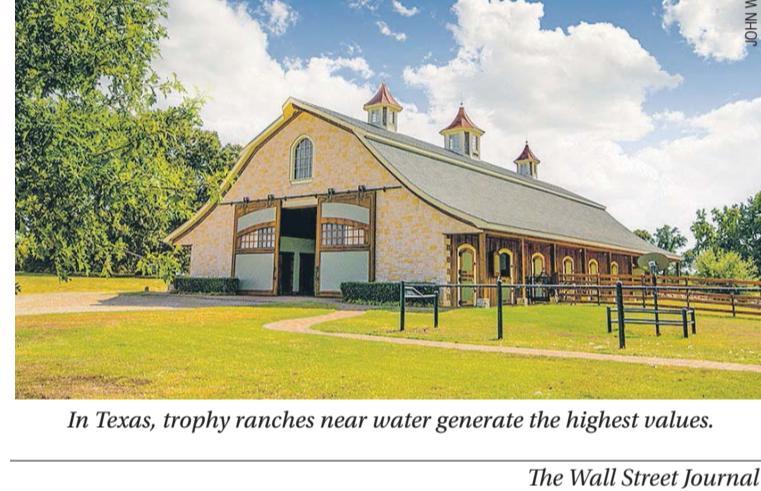
sought after, and if the creek or stream runs through the center of the ranch there is a premium for the additional waterfront privacy.

Hardwood trees, vistas, fertile soils and evidence of quality land stewardship are also highly valued attributes among buyers.

Like Mr. Wampler, Mr. Riley describes ranch valuation as an art, because no two are the same. The highest values are placed on one-of-a-kind natural features: springs, crystal-clear streams, swimming holes, grottos, magnificent vistas, and extraordinary trees, he says.

His Pedernales Blue Hole Ranch listing is a good example of a natural water feature with the Pedernales Falls, an iconic landmark of Texas Hill Country yet only an hour from Austin.

"Recreational ranches offer an opportunity to make a quality investment, enjoy the asset during your ownership and not lose sleep wondering whether or not it will be there when you wake up," Mr. Riley says.



In Texas, trophy ranches near water generate the highest values.

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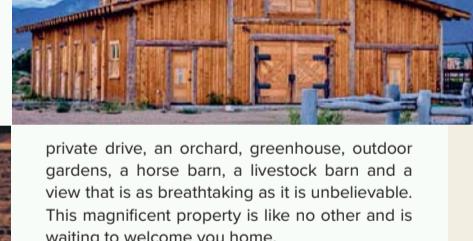
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This 27,300 sq ft ranch is nestled in the mountains of Taos, New Mexico, and sits on 190 acres of sustainable farming land. The Blackstone Ranch was built for the adventurer, the artist, entrepreneur, visionary and for anyone looking to escape to paradise. Constructed in 2004, the ranch is fully furnished with hand-crafted designs, boasts 30 bedrooms, 4 kitchens, living capacity and parking for 150. Property includes 15 buildings total,



private drive, an orchard, greenhouse, outdoor gardens, a horse barn, a livestock barn and a view that is as breathtaking as it is unbelievable. This magnificent property is like no other and is waiting to welcome you home. Visit [www.bsrtaos.com](http://www.bsrtaos.com) for extensive information regarding the Blackstone Ranch and your opportunity to experience tranquility.

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## Land, Ranch & Recreational Properties

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# New Amenities Trending In Trophy Ranches

By Tonie Auer



The Double Diamond Ranch in Waller County comprises a 6,000-square-foot home on 156 acres, and a creek.

**A**s trends come and go, one thing remains steadfast in the demand for luxury homes on trophy ranches and farms: personal choice. "Buyers want to personalize their properties," says Deitra Robertson, ALC (Accredited Land Consultant and member of the REALTORS Land Institute) at Deitra Robertson Real Estate, Inc., just outside of Houston. "I specialize in the recreational lifestyle ranches and horse properties in the \$2 million to \$5 million price point: many of my buyers want to build their own home in that price point and put their signature on their property."

A property that already has a high-end home with larger square footage is sometimes harder to sell than a large piece of property with a smaller home, Ms. Robertson says. Restored vintage farm houses that can be used as a guest house or a place to stay on their land until they build their dream house are always popular.

### COMFORT AND RELAXATION

Of the trends she's seeing, most buyers want great indoor/outdoor spaces with pools, sporting clays ranges, and comfort so they can relax and entertain family and friends. Open, light and airy are popular descriptions, but with less structure than a mansion in a city.

She recently sold a magazine publisher's ranch less than an hour from Houston with more than 1,300 acres, and comments, "There are not a lot of properties here that large."

### "BUYERS WANT TO BUILD THEIR OWN HOME AND PUT THEIR SIGNATURE ON THEIR PROPERTY."

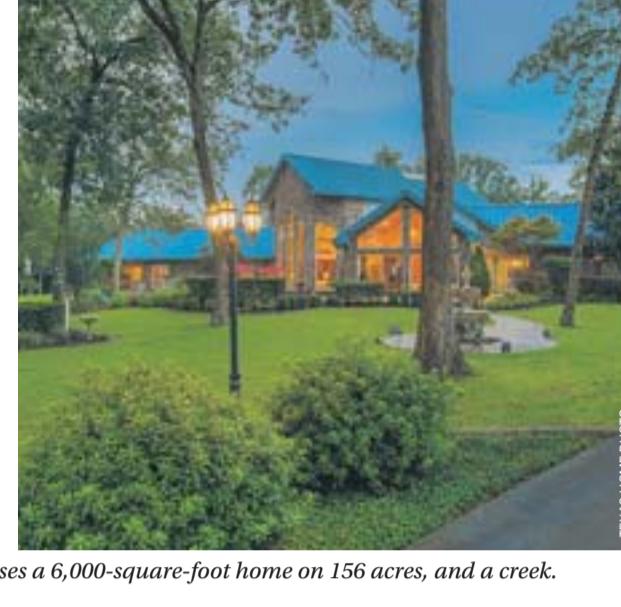
Ms. Robertson currently has a listing for the Double Diamond Ranch, a \$4,899,000 property with 156 acres in Waller County, featuring a private gated entrance, 6,000-square-foot home with natural lighting, covered riding area, ponds, heavily wooded acreage for hunting and recreation, and a creek that runs through a portion of the property.

### RESORT RANCHES

Investors and buyers looking for trophy ranches of several hundred to thousands of acres usually have to leave Texas to buy those properties in places like Colorado or Wyoming, she adds. Buyers gravitate to ranches close to resort areas, as well. Those sites tend to have deeded with about 2,000 acres and may be adjacent to leased land with a grazing permit, water rights, etc.

Buyers there also tend to like the big log homes with more rustic designs.

Tonie Auer is a freelance writer specializing in real estate.



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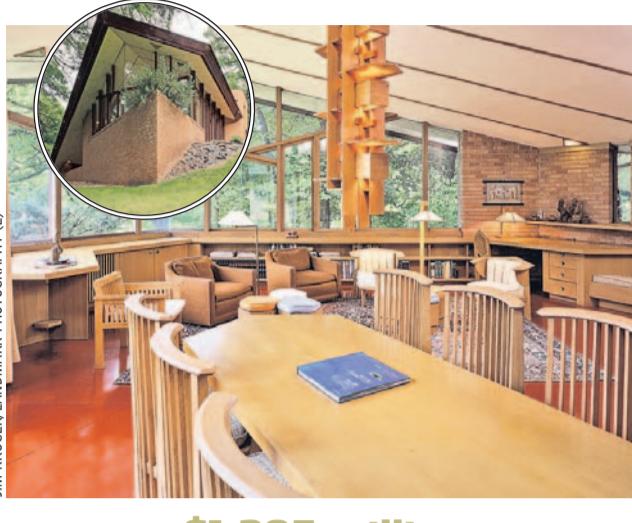
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**\$1.875 million**

Bernardsville, N.J.

Three bedrooms, three bathrooms, one half-bath

Designed in 1940, this was the first of four homes the architect built in New Jersey. The 2,500-square-foot house, on 7 acres, follows Wright's Usonian design as an L-shape, single-story home surrounded by landscaping. The property includes an artist studio. Agent: Roger Christman, Weichert Realtors

**\$1.9 million**

Glencoe, Ill.

Five bedrooms, four bathrooms, one half-bath

Known as the Sherman Booth House, this is the largest of six "Prairie homes" Wright designed in the area. The three-story, 3,900-square-foot house has a roof deck and outdoor fireplace. Agent: Pamela Tilton, Jameson Sotheby's International Realty

—Emily Nonko

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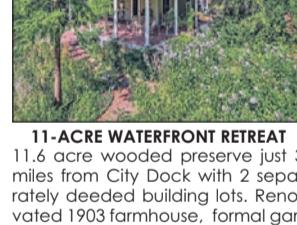
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Chic Contemporary home on 3.2 acres offers well-designed rooms, 3 en suite bedrooms, chef's kitchen, additional space above garage, plus deeded beach rights and mooring. \$2,485,000

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Architecturally designed waterfront residence with incredible lake views and sunsets! Stone patios lead to a sweeping, level lawn to water's edge, beach area and cabana. \$2,450,000

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**STAMFORD, CONNECTICUT**  
Beautiful approach. Gracious Colonial home on 2.75 acres w/pool/spa featuring marble entry, high/ceilinged rooms, gourmet kitchen, 2 family rooms, theater, 5 en suites. \$2,300,000

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