

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, JUNE 16, 2017 ~ VOL. CCLXIX NO. 139

WSJ.com

★★★★ \$3.00

DJIA 21359.90 ▼ 14.66 0.1% NASDAQ 6165.50 ▼ 0.5% STOXX 600 386.05 ▼ 0.4% 10-YR. TREAS. ▼ 7/32, yield 2.160% OIL \$44.46 ▼ \$0.27 GOLD \$1,252.20 ▼ \$20.60 EURO \$1.1146 YEN 110.93

What's News

Business & Finance

Facebook, which is under intense political pressure, said it has expanded its use of artificial intelligence to identify potential terrorist posts. A1

◆ **Quant funds** have lagged behind more traditional investments so far this year, but continue to pull in money. A1

◆ **Kroger posted** lower sales and cut its earnings outlook for the year, sending the grocer's shares down 19%. B1

◆ **Nestlé put** its U.S. confectionery business up for sale, as the firm grapples with changing consumer tastes. B1

◆ **Prosecutors have** broadened efforts to seize assets allegedly bought with funds stolen in the IMDB scandal. B1

◆ **Nike is cutting** over 1,000 jobs, or 2% of its global workforce, as the sneaker giant battles slowing sales. B1

◆ **The Justice Department** is coming under criticism over a fund for Madoff victims that has yet to make a payout. B5

◆ **Uber was sued** for breach of privacy by a woman who was raped in India by a driver for the ride-hailing firm. B2

◆ **The Nasdaq declined** again as tech stocks resumed their slide. The Dow eased 14.66 points to 21359.90. B11

◆ **The NYSE and Nasdaq** slammed a plan by Bats to shake up closing auctions. B6

◆ **Liquor makers sold** more spirits and mixed drinks last year as sales of beer and wine declined. B3

◆ **The DOE will award** \$258 million to tech firms to build new supercomputers as the U.S. competes with China. B4

World-Wide

◆ **The Senate voted** 98-2 to expand sanctions on Moscow and wrest more control of Russia policy from the administration. A1

◆ **Conservatives are** signaling concern that a Senate health bill doesn't do enough to curb Medicaid spending or reduce premiums. A4

◆ **Trump blasted** reports Mueller is probing whether the president obstructed justice, saying that he is the target of baseless attacks. A6

◆ **The president will issue** a directive aimed at scaling back Obama's changes to U.S.-Cuba policy. A2

◆ **Greece's creditors** agreed to release the next tranche of its bailout but put off a final decision on debt relief until August 2018. A8, B10

◆ **Rep. Scalise underwent** surgery again and remained in critical condition after being shot on Wednesday. A4

◆ **The U.S. student** who was imprisoned in North Korea has suffered severe brain damage, doctors said. A3

◆ **Feuding Arab nations'** diplomats are squaring off in a bid to bend Trump to their positions on Qatar's future. A9

◆ **Southern Syria** has become a volatile flashpoint between the U.S. and Iran as they vie for control. A9

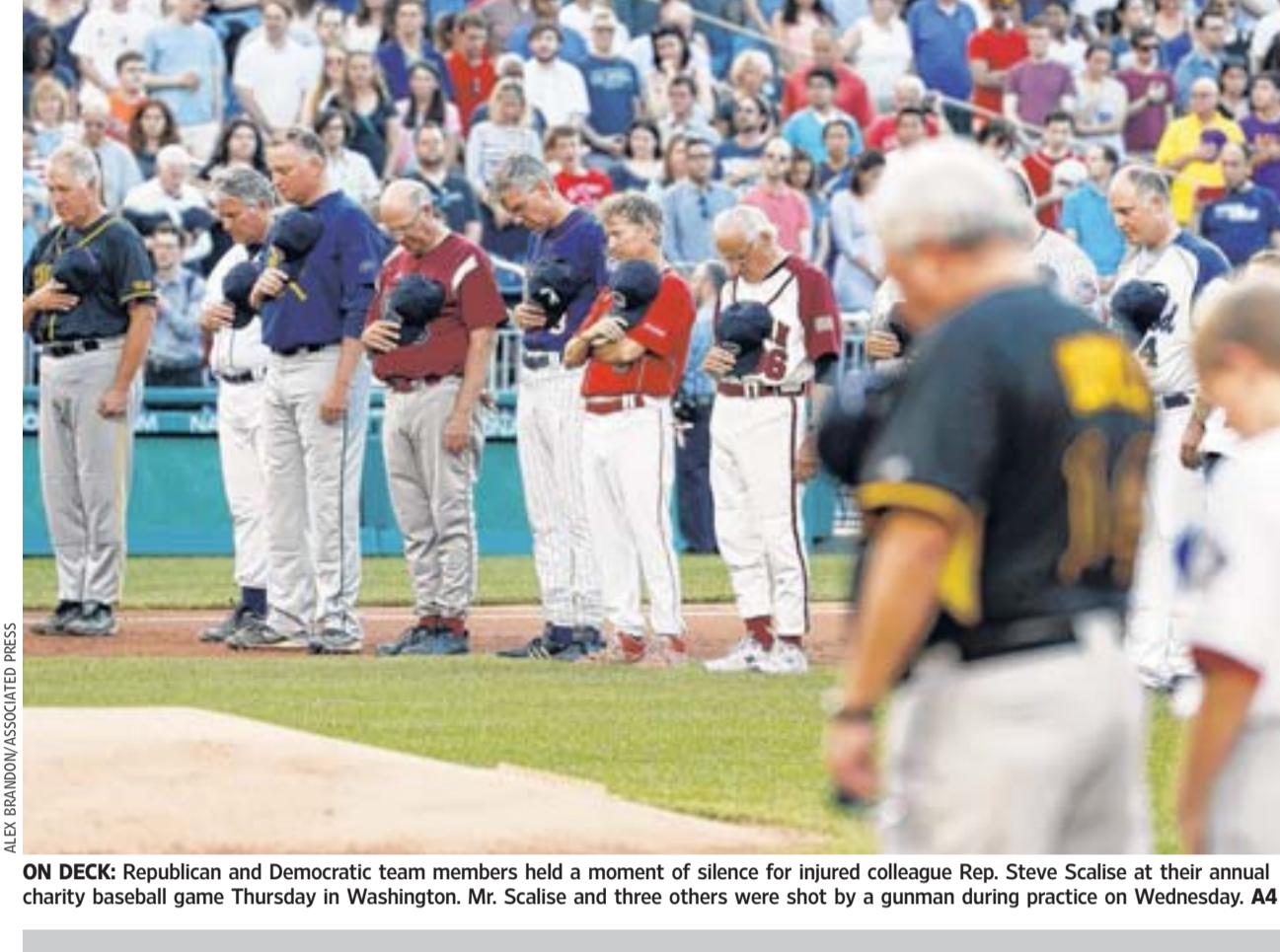
◆ **Washington police** issued arrest warrants for Erdogan bodyguards who are accused of assaulting protesters. A6

◆ **The U.K. government** came under mounting pressure over a London high-rise fire that killed at least 17. A8

CONTENTS Opinion A15-17
Business News B3 Sports A14
Crossword A13 Streetwise B1
Head on Street B12 Technology B4
Life & Arts A12-13 U.S. News A2-6
Mansion M1-12 Weather A13
Markets B11-12 World News A8-10

2 4 5 3 2 >
245908631411
Copyright 2017 Dow Jones & Company. All Rights Reserved

Somber Moment for Beltway Players, but Game Must Go On



ON DECK: Republican and Democratic team members held a moment of silence for injured colleague Rep. Steve Scalise at their annual charity baseball game Thursday in Washington. Mr. Scalise and three others were shot by a gunman during practice on Wednesday. A4

Facebook Scans for Terror Using AI

By SAM SCHECHNER

Even when algorithms flagged content for removal, these firms generally turned to humans to make a final call.

Tech companies have sharply boosted the volume of content they have removed in the past two years, but these efforts haven't proven effective enough to tamp down a groundswell of criticism from governments and advertisers.

They have accused Facebook, Google parent Alphabet Inc. and others of complacency over the proliferation of inappropriate content—in particular, posts or videos

deemed as extremist propaganda or communication—on their social networks.

British Prime Minister Theresa May ratcheted up complaints this month in the wake of a series of deadly terror attacks in the U.K., and sought new international agreements to regulate the internet and force technology companies to preemptively filter content.

In response, Facebook disclosed new software that it says it is using to better police its content. One tool, in use for several months now, combs the site, including live

videos, for known terrorist imagery, like beheading videos, to stop them from being reposted, executives said Thursday. The tool, however, doesn't identify violent videos like the Cleveland murder that was posted on Facebook in April.

Another set of algorithms attempts to identify—and sometimes block—propagandists to prevent them from opening new accounts after Please see TERROR page A4

◆ EU says resurgent al Qaeda seeks to eclipse ISIS..... A9

Senate Seeks Wider Russian Penalties

Under bipartisan bill, president needs OK from Senate to lift Russian sanctions

The U.S. Senate overwhelmingly passed a bill Thursday to expand sanctions on Moscow and wrest more control of Russia policy from the Trump administration, bucking criticism of the legislation from European allies, the State Department and the Kremlin.

By Paul Sonne and Natalie Andrews in Washington and Anton Troianovski in Berlin

The bipartisan bill, which passed on a 98-2 vote, requires that the administration receive congressional approval to lift existing sanctions on Russia. It also broadens sanctions on Russia's energy sector, mandates punishment of malicious cyber actors and crimps financing available to Russia's banking and energy sectors.

The result is the strongest rebuke yet from U.S. lawmakers to Moscow over Russia's alleged interference in the 2016 U.S. presidential campaign, which is cited specifically in the legislation.

Sen. John McCain (R. Ariz.) chairman of the Senate Armed Services Committee, said the Please see RUSSIA page A8

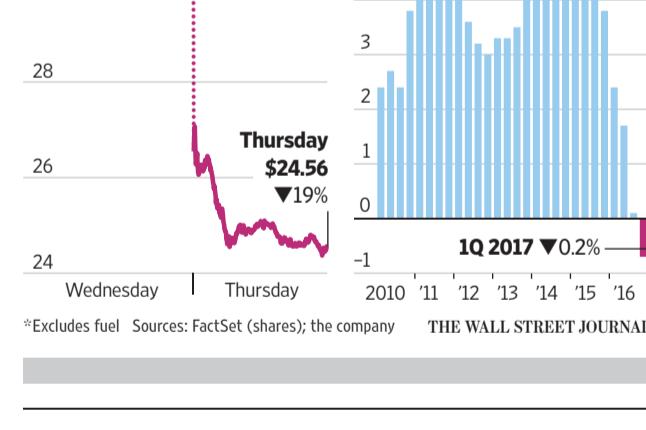
◆ Putin says U.S. political wrangle led to sanctions.... A8

Empty Carts Hit Kroger Aisles

Kroger shares dropped steeply after the grocer lowered its earnings forecast for this year, citing increasing competition. The news triggered a selloff across the food-retail sector. B1

Kroger share price

For the past two days



Once-Hot Quant Funds Get Lukewarm Start to Year

By GREGORY ZUCKERMAN AND LAURENCE FLETCHER

This year is shaping up to be a dismal one for so-called quant funds, typically some of Wall Street's hottest investors.

At Two Sigma Investments LLC, the \$45 billion firm's flagship Compass fund is down 2.5% this year through May 31, fund investors say. In 2016, the fund climbed 10.33% for the year and 15% in 2015.

AHL Dimension, a \$5.2 billion fund that is the biggest managed by Man Group PLC's Man AHL unit, is up just 2.2% this year, through June 9, after dropping 1.5% last year.

And Winton Group's \$10.5

billion Winton Futures Fund rose just 1.4% through June 7. It fell 3% last year and climbed less than 1% in 2015. The firm recently cut fees charged to its investors.

Overall, quant funds, which use sophisticated statistical models often developed by Ph.D.s rather than trade based on human research and intuition to find attractive trades,

rose 1.44% this year, through May, according to data-tracker HFR. That compares with a gain of 8.7% for the Standard & Poor's 500 index and a rise of 5.7% for the Vanguard Balanced Index Fund, which invests 60% in stocks and 40% in bonds, highlighting how far quant

hedge funds are lagging behind more traditional investments.

"You will see some very, very bad May numbers for a lot of firms," says Andrew Fishman, president of Schonfeld Strategic Advisors LLC, which invests about \$16 billion in various quantitative strategies.

So far, the weakness hasn't stunted investor interest.

Through the first quarter of this year, \$4.6 billion of net new money was invested in quant funds, even as over \$10 billion was withdrawn from non-quant funds, HFR says. Quants now are responsible for 27% of all U.S. stock trades by investors, according to the Tabb Group, a

Please see SLUMP page A2

MOVING AT THE SPEED OF DIAL-UP

Across much of rural America, slow and costly broadband bars access to the new economy

By JENNIFER LEVITZ AND VALERIE BAUERLEIN

CALEDONIA, Mo.—Jeanne Wilson Johnson raises sheep and angora goats, and to sell the wool and mohair online she drives 4 miles to the parking lot of Roy's gas station, the closest spot for decent internet access.

At her 420-acre farm, Ms. Johnson pays \$170 a month for a satellite internet service too slow to upload photos, much less conduct business.

As in many rural communities, broadband here lags behind in both speed and available connections. Federal data shows only a fraction of Washington County's 25,000 residents, including Ms. Johnson, have internet service fast enough to stream videos or access the cloud, activities that residents 80 miles away in St. Louis take for granted.

"We don't feel like we're worth it," said Ms. Johnson, 60 years old.

Delivering up-to-date broadband service to distant reaches of the U.S. would cost hundreds of billions of dollars, experts estimate, an expense government, industry and consumers haven't been willing to pay.

In many rural communities, where available broadband speed and capacity barely surpass old-fashioned dial-up connections, residents sacrifice not only their online pastimes but also chances at a better living. In a generation, the travails of small-town America have overtaken the ills of the city, and this stubborn technology disconnect is both a cause and a symptom.

Counties without modern internet connections can't at Please see RURAL page A11

INSIDE



AN ISLAND ESCAPE FROM THE HAMPTONS

MANSION, MI



CHINA'S QUANTUM LEAP FORWARD

WORLD NEWS, A10



'CARS 3' CALLS FOR A PIT STOP

LIFE & ARTS, A12

In a Worst-Case Scenario, the Bell Tolls for 'Whom'

An object of neglect, the word has purists battling to save it

BY SPENCER JAKAB

checkmarked elite, have complained about that oversight. "The 'whoms' put up a good fight, but we ultimately opted for a more natural cadence and the 'whos' won out," says Twitter spokeswoman Brielle Villalba.

Correct grammar? Certainly not.

Plenty of Twitter users, including members of the blue-

tems engineer at Google.

Mr. Steiner, a German who lives and works in Hamburg, says Twitter's language annoys him. "As a non-native speaker, I make a lot of effort to learn the language, and the people who should know better don't," he says.

In his spare time, he wrote a free browser plugin that aut

Please see WHOM page A6

U.S. NEWS

Trump Directive to Narrow Obama's Cuba Opening

By FELICIA SCHWARTZ

WASHINGTON—President Donald Trump will issue a policy directive on Friday aimed at scaling back some of the changes made by his predecessor to U.S.-Cuba policy, taking aim at tourist travel and transactions with Cuba's military but leaving many of former President Barack Obama's steps toward normalization.

Speaking from Miami, Mr. Trump will direct the Treasury and Commerce departments to prohibit direct financial transactions with Cuba's military and intelligence services, White House officials said

Thursday. The directive will allow exceptions for airlines and cruise lines and will aim to not disrupt business under way, they said.

Perhaps the most tangible effect of the changes will be the elimination of loosened travel regulations that allowed individuals to self-certify their travel as cultural exchange without joining a tour group.

That regulation essentially lifted the travel ban, allowing anyone who wanted to go to Cuba from the U.S. to go, as long as they declared their trip was aimed at engaging with Cubans. Tourist travel by U.S. citizens to Cuba is forbidden

by law, but the changes undertaken by the Obama administration basically allowed for it.

Longer term, lawyers and others who have been working with companies to explore deals on the island said, the shift could affect companies that have been looking into business opportunities but haven't made it very far. But the effects will depend on how final regulations are crafted.

The White House said it hopes its Friday announcement will encourage the Cuban government to take steps to allow free elections, release political prisoners and directly pay Cuban workers, among

other changes.

Mr. Obama, beginning in December 2014, moved to normalize ties and loosen the

Tourist travel and transactions with the Cuban military will be curbed.

longstanding U.S. embargo, including by easing trade and travel regulations, restoring diplomatic ties, making a presidential visit to the island, and

eliminating the "wet foot, dry foot" policy that allowed Cuban émigrés who reached U.S. soil without visas to stay in the country and apply for a green card after one year.

While the individual cultural travel rule will be terminated, many of the regulations to relax trade and travel will remain, along with some of the measures that allowed increased telecommunications services. The countries' embassies will remain open and the "wet foot, dry foot" policy won't be reinstated.

Individual travel will remain legal through more than 10 categories, including re-

search and humanitarian work, and family visits.

Collin Laverty, president of Cuba Educational Travel, said it is unclear how the Treasury and Commerce departments will interpret Mr. Trump's directive. But he said his company ahead of the directive on Thursday changed the hotel reservations for 25 groups over the next six months from one connected to a Cuban military entity to other hotels that don't have military ties.

"If you look at the growth over the last two years, the travel of Americans has exploded, and you'll see that slow down," Mr. Laverty said.

Blimp Crashes Near U.S. Open In Wisconsin

ERIN, Wis.—A small blimp crashed near the U.S. Open on Thursday, seriously injuring the pilot and grabbing the attention of fans and golfers alike as they watched the fiery, smoking craft fall into an open field.

Sheriff's officials said the pilot was the only one on board the blimp.

The blimp, operated by Florida-based AirSign, was being used for advertising as it floated above the golf tournament and had been airborne for several hours before it went down, authorities said. The Washington County Sheriff's Office said its initial investigation shows the blimp may have experienced mechanical problems.

A deputy at a security post reported seeing the aircraft on fire or smoking and rapidly descending about 11:15 a.m.

Justin Maynard, a sales manager for AirSign, said the company's operations team on the ground in Erin had no definitive information on the pilot's condition, other than the pilot was expected to be OK.

—Associated Press



CHARLIE RIEDEL/ASSOCIATED PRESS

U.S. WATCH

COSBY TRIAL

Jury Tells Judge It Is Deadlocked in Case

Jurors in the Bill Cosby sexual-assault trial said Thursday they were deadlocked on their fourth day of deliberations, raising the possibility of a mistrial in the case outside Philadelphia.

Judge Steven O'Neill ordered the jury to continue trying to reach a verdict after they sent a note to him, after roughly 30 hours of deliberations, saying they couldn't come to a consensus on any of the counts.

Prosecutors charged Mr. Cosby, 79 years old, with three counts of aggravated indecent sexual assault and he faces up to 10 years in prison.

Andrea Constand, a former Temple University employee, accused the entertainer of drugging and molesting her after inviting her to his home in 2004.

Mr. Cosby has maintained his innocence and said that any sexual contact that occurred was consensual.

Since the jurors began deliberating Monday, they have asked for clarification or to review testimony from the trial six times.

—Kris Maher

SOUTH DAKOTA

Polygamous Leader Is Captured After Tip

Lyle Jeffs, the leader of a polygamist group that broke away from the Mormon Church, was captured in South Dakota after nearly a year on the run, the Federal Bureau of Investigation said Thursday.

Mr. Jeffs, whose family for decades has led the Fundamentalist Church of Jesus Christ of Latter-day Saints, appeared in a Sioux Falls, S.D., court on Thursday. He will be sent back to Utah, where he faces federal money-laundering charges.

Mr. Jeffs was arrested Wednesday night near Yankton, S.D., following a tip from local residents who recognized him, the FBI said.

Mr. Jeffs has served as the de facto head of the FLDS since 2011, when his brother, Warren Jeffs, was sentenced to life in prison for sexually assaulting underage girls.

Lyle Jeffs was indicted last year, along with several other members of the FLDS, and charged with taking part in a conspiracy to defraud the federal food-stamp program.

—Ian Lovett

SLUMP

Continued from Page One
research and consulting firm in New York.

At the same time, more traditional investors are turning to sophisticated computer models to guide their trading, adding to the flow of money backing quant strategies.

The disappointing recent performance raises questions among some investors about whether too much money is pursuing quant strategies and whether performance is beginning to suffer as a result.

"There are so many different types of bets quant firms can

make over so many different time horizons and with so many data sets, so I'm not worried yet," says Mr. Fishman, whose fund is up about 7% so far this year, according to investors. "But there are definitely a lot of guys chasing similar ideas."

So-called trend-following firms—quant funds that bet on the continued momentum of certain investments—have been especially weak performers, partly because some trends that worked over the past year or so, such as rising oil prices and a climb in the value of the U.S. dollar, haven't continued. Surprising strength for Treasuries and a lack of overall market volatility are among other reasons for the losses, investors say.

GSA Capital Partners LLP, a \$7.8 billion firm that spun out of Deutsche Bank in 2005, saw its \$3.8 billion Trend fund drop 7.6% through June 8, even as the fund received \$1 billion of new cash this year, said a person familiar with the matter. The flagship fund run by Leda Braga's Systematica Investments, the \$5.5 billion BlueTrend Fund Ltd., is up less than 1% this year, through June 2. The fund, which takes riskier bets on market moves than many of its peers, fell nearly 11% last year.

The broad remit of quantitative funds makes it hard to generalize about them. Some firms hold investments for seconds while others hold for seasons, for example, and many pursue

multiple strategies.

And some are up a lot. Renaissance Technologies LLC's \$14 billion Renaissance Institutional Equities LP fund, or RIEF, rose over 10.5% this year, through May, investors say, while the \$11 billion Renaissance Institutional Diversified Alpha Int. LP fund rose about 13.5% this year.

"Renaissance has other inputs in its algorithms besides trend following," explaining the outperformance, says Amanda Haynes-Dale, co-founder of Pan Reliance Capital Advisors, a Renaissance client.

The firm has thousands of trading signals it relies on—from economic-data points to the value of global assets in real

time—and employs computer science, statistics and more.

Some quant firms with struggling funds have others with better results. Man AHL's Evolution fund rose 9.9% through June 9, for instance. Systematica's \$1 billion Systematica Alternative Markets Fund Ltd. is up 8.7% this year, profiting from niche trades on credit derivatives and Czech interest rates, according to an investor letter seen by The Wall Street Journal.

Some investors turn to some of these strategies for uncorrelated returns, those that don't move in lockstep with stocks. So they may not be disappointed with the funds' performance, as long as they hold up during a downturn.

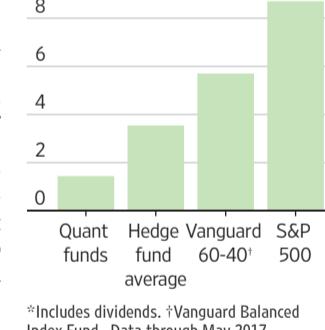
Still, some funds are changing their methods to adjust to the new environment, which some quants say has been challenging amid the market swings since the U.S. election.

Florin Court Capital, a London fund backed by Swedish investment firm Brummer & Partners, has largely stopped trying to make money from momentum trades in developed markets, a strategy still used by

Computer Problems

Quant-driven hedge funds have fallen behind the market in 2017.

Year-to-date return*



*Includes dividends. [†]Vanguard Balanced Index Fund. Data through May 2017. Source: HFR

many trend-following firms and other quants. It has shifted to more complex trades, such as taking advantage of small differences in various maturities of a single bond.

Florin's founder Doug Greenig says trend-following funds trading developed markets had been "languishing" and managers needed to look for new sources of returns.

MAKE YOUR OWN FATHER'S DAY GIFT SET A WEEK OF POLOS

SELECT SEVEN OF OUR ICONIC SUPIMA® COTTON PERFORMANCE POLOS,
PRESENTED IN OUR SIGNATURE GIFT BOX FOR \$350*

(OR \$69.50 EACH)

Brooks Brothers

BROOKSBROTHERS.COM

*IN STORES ONLY. ONLINE CHOOSE FROM FOUR PRESELECTED BOX SETS.

CORRECTIONS & AMPLIFICATIONS

Ryan Petersen founded Flexport Inc. A graphic titled "Technology Companies to Watch" in Thursday's Journal Report on tech startups incorrectly said that Trae Stephens also was a founder. Separately, Ben Rubin, Itai Danino, and Sima Sistani founded Life On Air Inc. in 2012. The graphic incorrectly said that Roi Tirosh also was a founder and that the company was founded in 2013.

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

THE WALL STREET JOURNAL
(USPS 664-889) (Eastern Edition ISSN 0099-9660)
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)
Editorial and publication headquarters: 1211 Avenue of the Americas, New York, NY 10036
Published daily except Sundays and general legal holidays.
Periodicals postage paid at New York, NY, and other mailing offices.
Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicago, IL 60620.
All advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, NY 10036. The Journal reserves the right not to accept an advertiser's order. Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax 212-416-2891; email: wsj.letters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
CONTACT CUSTOMER SUPPORT.

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

U.S. NEWS



The Carson River has received so much snowmelt in recent weeks that officials worry the flood threat to the community isn't over.

States Brace for Snowpack

California, Nevada cities prep for inflows from melting snow after wettest winter

BY JIM CARLTON

BISHOP, Calif.—The great melt off of the Sierra Nevada's historic snowpack has begun, and that could spell trouble for communities in California and Nevada where reservoirs stand near capacity and rivers are swollen from one of the wettest winters on record.

The rising waters haven't caused much flooding yet, although at least a dozen drowning deaths in rivers have been reported in recent weeks of people caught up in swift and cold currents. Water managers say they have left enough room in most reservoirs to handle the runoff.

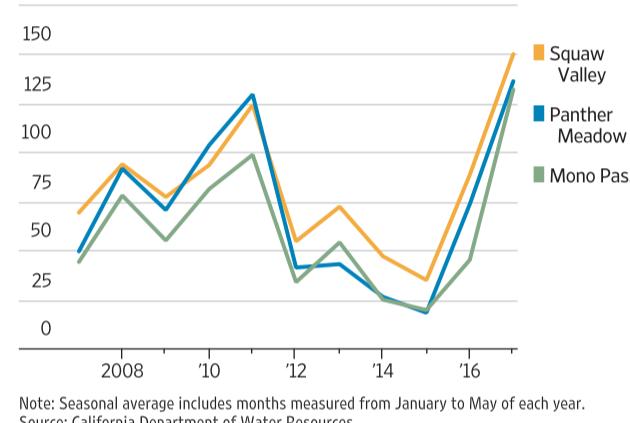
With heavy snow in the southern Sierra this year, one of the biggest property risks from rapid snowmelt is to infrastructure the city of Los Angeles maintains as part of its extensive system of funneling mountain water 200 miles south from the Owens Valley.

It is among the biggest snowpacks on record mountainwide, and the largest in places such as the southern Sierra Nevada that tower above the Owen Lake area.

State and local officials warn the worst could be to come, if mountains that have been buried under more than double their normal amount of snow get hit with much more precipitation in the coming

Wintery Mix

Average seasonal snow depth of three locations in California



Note: Seasonal average includes months measured from January to May of each year.

Source: California Department of Water Resources

THE WALL STREET JOURNAL.

weeks. The Mammoth Mountain Ski Area, for example, still has up to 20 feet of snow on the ground and has plans to stay open through August.

Another foot of snow fell at high elevations above Lake Tahoe last weekend, in a rare

Heavy snow in the southern Sierra is a risk to infrastructure of Los Angeles.

June wintry storm.

"The real wild card is if we get hit with a big rain event," said Frank Gehrke, chief snow surveyor for the California Department of Water Resources. "That could throw the whole system into tilt." Runoff prob-

lems also are of concern in Colorado and other mountain states that received heavy snow this winter.

Canada already has faced severe runoff problems, after a heat wave this spring resulted in major flooding in Quebec and British Columbia.

Rapid snowmelt in the Sierra Nevada has caused widespread damage in the past. In 1997, a deluge of rain from a succession of tropical storms in midwinter melted so much snow that rivers surged out of their banks—leaving nine people dead and an estimated \$2 billion in damage in Northern and Central California.

In anticipation of the threat this year, Los Angeles Mayor Eric Garcetti issued a disaster declaration to expedite work to protect an estimated \$1.1 billion in equipment for dust control on Owens Lake.

That equipment includes pumps and pipelines to help keep down dust, as part of a court-ordered agreement to help mitigate Los Angeles's diversion of waters flowing into the desert lake which resulted in it drying out a century ago.

Crews since then have been busy putting in sandbags, K-Rail barriers and taking other steps to keep equipment dry, while working upstream to reduce the amount of water in some streams.

Some places have already had close calls with disaster. In February, local officials in Churchill County, Nev., about 60 miles east of Reno noticed Lake Lahontan had risen to fill one-fifth of its 295,000 acre-foot capacity in just five days—posing a flooding threat to the city of Fallon about 6 miles downstream.

"I woke up thinking, 'My gosh, this is going to be catastrophic. We have to do something,'" said Churchill County Commissioner Pete Olsen, who helped initiate work on an emergency water diversion.

State and local crews along with the Truckee-Carson Irrigation District within days began clearing debris out of the Carson River, which empties out of the lake and runs through the town of 8,600 residents, and built a detour for the excess water.

A hastily built weir was installed to divert the water south of Fallon. So much snowmelt water has poured into the river since then that officials believe they have averted flooding, but worry the threat to the community isn't over.

Detainee Suffered Brain Tissue Loss

BY JON KAMP

Otto Warmbier, the U.S. student imprisoned in North Korea for more than a year before his release this week, has suffered extensive loss of brain tissue and is in a state of "unresponsive wakefulness," doctors treating him said Thursday.

The doctors in Cincinnati have limited medical data from North Korea, and the reasons for Mr. Warmbier's injury remain unclear. Doctors said the damage to his brain is consistent with lack of oxygen caused by cardiopulmonary arrest, which in someone his age—22 years old—could be caused by intoxication or trauma.

The physicians didn't offer a prognosis, citing the wishes of Mr. Warmbier's family, but indicated he suffered a profound injury and faces a difficult road ahead.

"He shows no signs of understanding language, responding to verbal commands or awareness of his surroundings," said Daniel Kanter, medical director in the Neuroscience Intensive Care Unit at the **University of Cincinnati** Medical Center.

The North Koreans told U.S. officials during a secret meeting last week that Mr. Warmbier lost consciousness after contracting botulism and taking a sleeping pill. Mr. Warmbier's doctors said they saw no

evidence of botulism but stressed they had very limited information about his condition before his arrival in Cincinnati.

The doctors also didn't see signs of trauma to his bones or skin. Scans provided by the North Koreans indicate he suffered a brain injury at least 14 months ago, Dr. Kanter said.

The North Koreans detained the University of Virginia student at the Pyongyang airport in January 2016 and sentenced him to 15 years of hard labor for allegedly defacing a political poster while on tour there.

Mr. Warmbier's father, Fred Warmbier, said he was relieved to have his son home, but was angry because he was "so brutally treated for so long."

"We have few answers. There's no excuse for the way the North Koreans treated our son," Fred Warmbier said, speaking from his son's former high school in the Cincinnati suburb of Wyoming.

In a one-sentence statement Thursday, the state-run Korean Central News Agency said the U.S. student was sent home "on humanitarian grounds."

When his son returned home Tuesday night, Mr. Warmbier said he knelt down beside him and embraced him.

"These things are tough to process but he's with us," Mr. Warmbier said. "We're trying to make him comfortable."

Montblanc for UNICEF Collection
Crafted for New Heights.
Montblanc supports unicef
www.montblanc.com/unicef

Boston · Garden City
King of Prussia · McLean
New York

©TIFFANY & CO. SWISS WATCHES SAGL 2017



The day you were born he became a father. The day you turned to him for advice he became a dad. Happy Father's Day.

TIFFANY & Co.

NEW YORK SINCE 1837

TIFFANY CT60®
800 843 3269 | TiffanyCT60.com

CANALI 1934

THE SPRING SUMMER SALE

Shop at our boutiques

NEW YORK BEVERLY HILLS COSTA MESA
LAS VEGAS MIAMI ATLANTA
HOUSTON DALLAS WASHINGTON DC

Or online at CANALI.COM

YOUR FAVORITE 4 LETTER WORD

SALE

DESIGNER COLLECTIONS

UP TO

60% OFF*

BARNEYS.COM NEW YORK BEVERLY HILLS SAN FRANCISCO
CHICAGO BOSTON LAS VEGAS SEATTLE
FOR INSIDER FASHION ACCESS: THEWINDOW.BARNEYS.COM

BARNEY'S
NEW YORK

*60% discounts only applicable to select merchandise. Discounts for other merchandise may vary and specific exclusions may apply, see store associate for details.

U.S. NEWS

Senate Health Bill Alarms Conservatives

WASHINGTON—Conservatives inside and outside the Senate GOP are sounding alarms over the emerging shape of the chamber's bill to dismantle the Affordable Care Act, a sign that the faction's support may be increasingly difficult to secure.

By Kristina Peterson,
Louise Radnofsky
and Stephanie Armour

Pressure from outside groups has intensified in recent days, and conservative lawmakers have signaled their concern the Senate bill doesn't do enough to curb spending on the Medicaid program for the poor or to reduce health-care premiums—two top goals.

"We're not there yet," Sen. Ted Cruz (R., Texas), a leading conservative, said Thursday. Negotiations over the bill's contours remain fluid as Republican senators wrangle over its central tenets. No Republicans have taken a fixed position for or against the bill, in part because its language hasn't yet been finalized. But President Donald Trump's recent private disparagement of

the bill passed by the House last month as too stingy suggests the Senate legislation is likely to only tilt more toward the chamber's centrists.

That is making it a harder sell for conservative senators including Rand Paul of Kentucky and Mike Lee of Utah. Senate Majority Leader Mitch McConnell (R., Ky.), whose party holds a 52-48 majority in the Senate, can afford to lose no more than two votes. No lawmakers in the Democratic caucus support an ACA repeal.

"I have some grave concerns about what we're doing so far," Mr. Lee said Sunday. Getting the conservatives on board with the bill was "always going to be difficult," Sen. Lindsey Graham (R., S.C.) said Thursday.

Outside conservative groups have meanwhile begun speaking out more forcefully. "Everything we're hearing right now is frustrating," said Jason Pye, director of public policy at FreedomWorks.

Senate GOP leaders have said they hope to vote on a health overhaul by Congress' July 4 recess. That prospect seems increasingly remote.

Lawmakers Grapple With Key Issues

The Senate health bill is still a work in progress, with no official text yet. Republican senators are grappling, say people familiar with the talks, over a number of central questions.

Medicaid

The Senate bill would phase out the enhanced federal funding for new enrollees in the 31 states that expanded Medicaid under the ACA, but there is disagreement over how long that phasing out should take. Some lawmakers are looking at three years beyond the House health-

care bill's deadline of Jan. 1, 2020, and others favor seven years beyond that date.

Cost-sharing subsidies to insurers

Senators are considering a measure that would provide \$10 billion a year in 2018 and 2019 to offset the cost to insurers of reducing out-of-pocket costs for low-income consumers on the ACA exchanges. A number of insurers have said they would have to raise premiums or leave the exchanges in 2018 without this funding.

Taxes

A number of ACA taxes may be retained, depending on how provisions are scored by the Congressional Budget Of-

fice. The Senate bill must save \$133 billion under a procedural rule to pass with a simple majority.

The bill could preserve the ACA's so-called Cadillac tax, a levy on generous employer health plans. That tax has been suspended by Congress, and under the Senate bill it might not take effect until 2026. Retention of this tax is vigorously opposed by employer groups.

The bill could include a sales tax on health insurance and an excise tax on certain medical devices. The taxes are largely needed to pay for additional spending in the Senate bill, such as beefed-up tax credits.

—Stephanie Armour

The Senate bill retains many elements of the House legislation, rolling back much of the ACA, the 2010 law. Both bills would enact new tax credits to help people buy insurance and would curtail the open-ended federal funding for new enrollees of Medicaid.

But GOP senators have made clear their bill will pursue a slower phaseout of fed-

eral funding to the 31 states that expanded Medicaid under the ACA. To pay for some of their changes, including expenses such as beefed-up tax credits, Senate Republicans may keep or delay the repeal of some ACA taxes that would be more quickly eliminated under the House version.

GOP senators are also ex-

pected to preserve more of the

ACA's insurance regulations that conservatives want to loosen. For instance, the Senate bill will likely require insurers to cover people with pre-existing conditions without charging higher premiums.

Mr. Trump recently appeared to back the Senate bill's shift toward the GOP centrists, some of whom are up for re-election next year.

In a closed-door meeting at the White House with senators this week, Mr. Trump called the House bill "mean" and said the Senate bill should be more generous, GOP aides said.

It isn't clear if conservative senators can redirect the course of a bill that appears to be drifting to the left.

The problem for GOP leaders is that pulling the bill toward conservatives could cost the support of centrists and others wary of deep cuts to Medicaid, including Sens. Susan Collins of Maine and Rob Portman of Ohio.

"I've seen heavy lifts before, but getting Ted Cruz and Susan Collins on a health bill sounds like one heck of a challenge," said Sen. Ron Wyden (D., Ore.). He added that in his view, none of the Senate's proposed changes fundamentally alter the House bill.

The House bill would cut \$834 billion in 10 years from Medicaid, and leave 23 million more people uninsured compared with current law, the Congressional Budget Office says.

♦ Health-care stocks are this year's surprise winners..... B11

Top of the Judicial Ladder



COURT POMP: Associate Justice Neil Gorsuch, left, stands with Chief Justice John Roberts following Justice Gorsuch's formal investiture ceremony at the Supreme Court. Thursday's event, which President Donald Trump attended, was purely ceremonial. Justice Gorsuch began his work at the court in April when he was sworn in.

TERROR

Continued from Page One
they have already been kicked off the platform. Another experimental tool uses AI that has been trained to identify language used by terrorist propagandists.

Facebook declined to say what portion of extremist material it removes is being blocked or removed automatically, and what percentage is reviewed by humans.

The firm's moves reflect a growing willingness to trust machines to help even in part with thorny tasks like distinguishing inappropriate content from satire or news coverage—something firms resisted after a spate of attacks just two years ago as a potential threat to free speech.

One factor in the changed approach, Facebook executives say, has been the improved ability of algorithms to identify unambiguously terrorist content in some cases, while referring other content for human review.

While an Islamic State propaganda photo posted without a caption may be an easy removal for an algorithm, the same image with a caption might for instance require human review, said Monika Bickert, Facebook's head of global policy management. Similarly a beheading video that has previously been removed is easy to block. Short clips of the same video, or a never-before-seen but similar looking video, might need a reviewer to check if they are part of a



Facebook says its new software can better police content. Above, a Facebook data storage center in 2013.

Facebook's moves reflect a growing willingness to trust machines.

on technology companies to go beyond deleting content that is flagged, and instead identify it beforehand to prevent publication.

"There have been promises made. They are insufficient," said French President Emmanuel Macron on Tuesday.

Facebook said it would add about 3,000 new moderators to its community operations team that takes down content that violates Facebook poli-

cies, expanding the team by two-thirds. Across the company, Facebook says it has 150 people focused on counterterrorism as their core job.

Facebook already has rolled out software to identify other questionable content such as child pornography and fake news stories. Ahead of French and German elections this year, the company began tagging "disputed" stories when outside news organizations ruled them as false.

The issue of content removal remains at times fraught for Silicon Valley companies, whose values often place a premium on permitting debate. At times, firms have also acknowledged that algorithms have gone too far. Last July, Facebook was criti-

cized for removing live video from Minnesota woman Diamond Reynolds, who showed her boyfriend, Philando Castile, dying after being shot by a police officer during a traffic stop. Facebook blamed the removal on a technical glitch and restored the video.

Social-media firms including Facebook, Yahoo Inc. and Twitter Inc. are adamant that they want to stamp out terrorism on their platforms.

Twitter says it is expanding its use of automated technology to combat terrorist content, too. From July through December last year, Twitter said internal tools flagged 74% of the 376,890 accounts it removed.

YouTube said it uses automated software to block users from uploading videos that have already been flagged and removed from the site, adding that more than half of the content removed for terrorism in the last six months was removed at least in part using such technology.

Along with Facebook, it is collaborating with the other social media firms on a shared database of previously identified terrorist imagery, first announced in December, which allows the companies to more quickly identify posts that use them. But the company doesn't use technology to screen new content for policy violations, saying computers lack the nuance to determine the difference between propaganda and newsworthy or religious speech in a previously uncategorized video.

—Jack Nicas
Contributed to this article.

Scalise Remains In Critical Condition

BY LOUISE RADNOFSKY AND KRISTINA PETERSON

WASHINGTON—Rep. Steve Scalise underwent surgery again and remained in critical condition Thursday evening, a day after the House's third-ranking congressman was shot during a baseball practice.

Mr. Scalise was at MedStar Washington Hospital Center after suffering a gunshot wound to the hip that led to extensive internal damage as the bullet crossed his pelvis. The hospital had said Wednesday night that the lawmaker had had two procedures and blood transfusions.

The hospital said Thursday evening that Mr. Scalise's surgery was related to his internal injuries and a broken bone in his leg, that he remained in critical condition but had improved in the last 24 hours, and that he would require additional operations and be in the hospital "for some time."

"It's been much more difficult than people even thought," President Donald Trump said in comments at a White House event Thursday. "He's going to be OK, we hope."

The Capitol largely returned to business Thursday, with the House holding votes it had suspended a day earlier and GOP senators returning their focus to health-care negotiations. But lawmakers from both parties spoke about how unsettled they felt after Wednesday's shooting on both the House and Senate floor and the need to ratchet down the partisan rancor.

"The level of nastiness, vitriol and hate that has seeped into our politics must be excised," Senate Minority Leader Chuck Schumer (D., N.Y.) said on the Senate floor.

The baseball game pitting Democrats against Republicans proceeded Thursday night, and organizers of the charity event reported a surge in ticket sales.

There was little expectation that the shooting would erase the deep lines dividing the parties on key policy issues. But lawmakers at the game openly showed affection for their colleagues across the aisle. House Minority Whip Steny Hoyer (D., Md.) planned to wear a "Team Scalise" jersey to the game.

On Wednesday morning, a gunman opened fire as about 22 Republican congressmen and others gathered at a baseball field in Alexandria, Va., to practice for Thursday night's game.

In addition to Mr. Scalise, a Capitol Police officer, a lobbyist and a young congressional aide were shot. Another congressman and police officer sustained minor injuries.

Officials identified the suspected gunman as James T. Hodgkinson, a 66-year-old home inspector who had had run-ins with neighbors in an Illinois suburb of St. Louis. Mr. Hodgkinson was killed by police, officials said.



A NEW FOREFRONT: THE SCIENCE OF WELLNESS

UChicago Medicine unveils institute that brings together immunology, microbiome, genetics and big data

The University of Chicago Medicine has been at the forefront of medical care since 1927, when it first opened to patients on Chicago's South Side and launched a medical school. Since then, it has been home to breakthroughs that have led to 12 Nobel Prizes in physiology and medicine. Now — thanks to a \$100 million gift from Janet and Craig Duchossois and The Duchossois Family Foundation — UChicago Medicine has an opportunity to develop a new science of wellness based on how the immune system, microbiome and genetics interact to harness the body's natural defenses and maintain health.

This new area of study will be tackled by a team of scientists, physicians, data analysts and commercialization specialists who will identify, develop and disseminate practices and treatments that break new ground in improving health. They will work to help educate young physicians and students in this new science and support entrepreneurship to aggressively bring breakthroughs to market.

Imagine a future where peanuts could safely return to school menus. Or probiotics and prebiotics improve the effectiveness of cancer and antidepressant drugs. Or antibiotics reduce the impact of Alzheimer's disease. That future is getting closer to reality, thanks to the \$100 million gift. **The Duchossois Family Institute: Harnessing the Microbiome and Immunity for Human Health** represents a new forefront of science. Only at UChicago Medicine.



The Duchossois Family Foundation: (standing, from left) Craig J. Duchossois, Janet J. Duchossois, Ilaria F. Woodward, Jessica P. Swoyer Green, Dayle P. Duchossois-Fortino; (seated, from left) Ashley D. Joyce, Richard L. Duchossois, Kimberly T. Duchossois

AT THE FOREFRONT OF MEDICINE®



THE UNIVERSITY OF
CHICAGO MEDICINE

U.S. NEWS

Trump Rebukes Widening Probe Of 'Phony Story'

BY PETER NICHOLAS

President Donald Trump vented his unhappiness Thursday over a federal investigation that is now looking into his conduct in the White House, saying he is the target of baseless attacks and getting harsher treatment than his Democratic opponent in the 2016 presidential election.

By 8 a.m., Mr. Trump tweeted twice about Special Counsel Robert Mueller's widening probe into Russia's alleged interference in last year's election, calling it "the single greatest WITCH HUNT in American political history - led by some very bad and conflicted people!"

In the late afternoon, the GOP president returned to the Russia probe, suggesting that it is unfair to investigate whether he obstructed justice given how Hillary Clinton, the 2016 Democratic presidential nominee, was treated.

In one tweet he wrote, "Why is that Hillary Clinton's family and Dems dealings with Russia are not looked at, but my non-dealings are?"

Asked for a comment, Mrs. Clinton's former campaign chairman, John Podesta, wrote in an email: "Psychotic transference."

Mr. Mueller's office is now looking into whether Mr. Trump obstructed justice in a chain of events that included the president's decision last month to fire James Comey as FBI director. Mr. Comey was overseeing a probe into whether associates of Mr. Trump colluded with Russia to influence the 2016 election.

Russia has denied any government interference in the election, and Mr. Trump has denied his campaign colluded with Moscow.

In another afternoon tweet, the president made reference to a meeting on an airport tarmac in Phoenix last year between former President Bill Clinton and then-Attorney General Loretta Lynch. Critics said the meeting was improper, coming at a time when the FBI was investigating Mrs. Clinton's use of a private email system when she served as secretary of state.

Mr. Trump's tweet suggested, without offering any substantiation, that Mrs. Clinton set up the meeting between her husband and Ms. Lynch.

Using the nickname he gave her in the campaign, Mr. Trump mentioned Mrs. Clinton's email practices and tweeted that "Crooked H ... had husband meet w/AG days before she was cleared - & they talk about obstruction?"

Ms. Lynch has said the airport tarmac meeting consisted of nothing more than a cordial conversation about grandchildren and other pleasantries, but that she regretted it.

Mrs. Clinton's former campaign spokesman, Nick Merrill, tweeted: "The most surefire indication that the right is running scared is when they turn things back to false attacks on Hillary Clinton."

Advisers to Mr. Trump have urged him not to tweet about the Russia investigation, cautioning that his comments could provide fodder for Mr. Mueller's investigation.



ALEX BRANDON/ASSOCIATED PRESS

Wanted-poster photos of Turkish security officers whom police in Washington seek to arrest.

D.C. Police Issue Warrants For Turkish Security Officers

BY DION NISSENBAUM

WASHINGTON—Police in the nation's capital issued arrest warrants and wanted posters Thursday for a dozen members of the Turkish president's security team who are accused of assaulting demonstrators protesting the visit of Recep Tayyip Erdogan to Washington last month.

The unusual prosecution of a foreign leader's security team sets the stage for a diplomatic showdown between Turkey and the U.S., which risks alienating an unpredictable ally over the incident.

Mr. Erdogan quickly vowed to fight efforts to prosecute his bodyguards. The Turkish

Foreign Ministry criticized the charges as "unacceptable." And the ministry summoned the U.S. ambassador to its office in Ankara to express the government's concern.

In Washington, Metropolitan Police Chief Peter Newsham said the Turkish security officers would face charges if they return to the U.S., even if they come back to protect Mr. Erdogan.

"If they attempt to enter the United States, they will be arrested," Mr. Newsham said.

Unless the U.S. decides to request extradition of the Turkish suspects, the security officials aren't expected to return voluntarily to face charges, making it unlikely that

they will be arrested. State Department spokeswoman Heather Nauert refused Thursday to say if the U.S. would seek extradition, but left the door open for that possibility.

"This is not over," she said.

Secretary of State Rex Tillerson said in a statement that the charges "send a clear message that the United States does not tolerate individuals who use intimidation and violence to stifle freedom of speech and legitimate political expression."

Seven of the 12 Turkish security officials are facing felony assault charges for their alleged role in beating demonstrators.

—Margaret Coker in Istanbul contributed to this article.

WASHINGTON WIRE

STATE DEPARTMENT

U.S. Blacklists Leaders Of Islamic State Group

The State Department blacklisted three senior leaders of Islamic State extremist group, including a key planner of the March 2016 Brussels terror attack and the November 2015 Paris attack.

The move Thursday to sanction Oussama Atar, a Belgian-Moroccan national, comes as U.S. and Belgian officials are increasingly worried he could be planning more attacks.

The U.S. also designated Mohammad Shafi Armar, described as a head recruiter for an Islamic State group in India, and Mohammed Isa Yousif Saqr Al-Binali, a senior member of Islamic State, the State Department said. Additionally, the Treasury Department took steps to disrupt an Iraq-based financial network that has helped Islamic State move money inside and outside of Islamic State-controlled territory.

—Felicia Schwartz and Valentina Pop

VICE PRESIDENT

Pence Hires Outside Legal Counsel

Vice President Mike Pence has hired outside legal counsel to oversee his response to investigations into possible collusion between Russia and President Donald Trump's 2016 campaign.

Mr. Pence's office confirmed he has retained Richard Cullen of McGuire Woods to assist him in responding to inquiries by the special counsel. Mr. Cullen previously served as Virginia attorney general and U.S. attorney for the Eastern District of Virginia.

—Associated Press

WHOM

Continued from Page One
automatically corrects the "who" to "whom." He "fixed the internet," gushed one user of the program.

Mr. Steiner has a kindred spirit in British scriptwriter James T. Harding, who recalls that, as a teenager, he used to go through music videos and correct the soundtracks. That was around the time he established an imaginary group called the Grand Order of the Whomic Empire. Today, the case-sensitive Mr. Harding runs a lightly visited Facebook group, the Whom Appreciation Society.

As for when "whom" is appropriate: It is the correct choice if the word is the object of a preposition or a verb, such as in Hemingway's "For Whom the Bell Tolls." The choice should be "who" if the



COLUMBIA PICTURES/SEVENTY COLLECTION

The Ghostbusters films horrified grammar mavens everywhere with a theme song repeating the refrain: 'Who ya gonna call?'

word serves as the subject of a sentence or clause.

Ben Yagoda cares about such matters as the author of several books on language and a professor of English and journalism at the University of

Delaware. Still, he doesn't insist on 100% whom-compliance either. For Twitter, he says, "It would be worse to say 'whom to follow.' It's so stilted. I mean, here you are on social media with all these

exclamation points and what-ever."

The writer Calvin Trillin has gone further: "As far as I'm concerned, 'whom' is a word that was invented to make everyone sound like a

butler," he once wrote.

Think about it: Would anyone listen to a band called "The Whom"? And for that matter, would the signature phrases of "Ghostbusters" and a certain Bo Diddley song have worked if they read "Whom ya gonna call?" and "Whom Do You Love?"

Even Mr. Harding, sponsor of the Whom Appreciation Society, makes concessions in scripts for how people talk.

Arrayed in galactic war against these accommodating types is Doctor Whom, a "grammatically correct TimeLord" created by Adam Roberts, who, besides being a professor of 19th-century literature at Royal Holloway, University of London, is a prolific writer of science fiction.

In a nod to the subtitle of Lynne Truss's grammar best seller "Eats, Shoots & Leaves"—which is "The Zero Tolerance Approach to Punctuation"—Doctor Whom has adopted a "zero tolerance approach to parodication," according to the cover of a book about him, as he travels through time righting grammatical and other wrongs.

"I'm a grammar pedant in a lighthearted way," says Mr. Roberts. "There's a difference between being a grammar Nazi and a Nazi." Mr. Roberts continues to use "whom" when it is proper and encourages others to do so too, because "there's just something elegant about it."

There could be other advantages. Wired magazine in 2014 sifted through thousands of profiles at dating sites Match.com and OkCupid trying to figure out what sorts of things made someone a more desirable date. Among other tips for success—be into yoga, don't mention religion, learn to surf—Wired found that men who used "whom" had 31%

greater success at getting dates.

"This changes everything!" wrote the University of Pennsylvania's normally buttoned-down Language Log. "It's not just about the inflectional marking of relative and interrogative pronouns any more, people; it's about getting more sex!"

Carelessly throwing around "whom," though, can raise the risk of the misstep known as a hypercorrection: using what the speaker thinks is correct grammar, but isn't.

Mr. Yagoda sees this with his students. They might write, "I will talk to whomever knows the answer."

The correct word there, of course, is "whoever." Reason: The object of the preposition "to" isn't the word that comes right after it but the whole clause that follows, and "whoever" is that clause's subject.

"Whom" has hung on somewhat better with the written than the spoken word, but it is losing ground there, too. A scan of thousands of titles through Google Books shows one use of "whom" for every five of "who" in the year 1800.

By the start of the 20th century it was one to every six, and by the beginning of the 21st century it was one to 11.

So, is "whom" headed the way of "thou," a word people now encounter mostly when reading religious texts or Shakespeare?

Edward Sapir, an anthropologist and linguist of the

**Think about it:
Would anybody
listen to a band
called 'The Whom'?**

last century, predicted in a 1921 book on language that "within a couple of hundred years from to-day not even the most learned jurist will be saying 'Whom did you see?... No logical or historical argument will avail to save this hapless 'whom.'"

Mr. Yagoda thinks the word will hang on as an object of prepositions, if not of verbs. He never expects to see a letter starting with "To who it may concern."

Mr. Harding sees reason to lament the way his generation has largely stopped using "whom."

"It's a shame in a way, because they're missing out on a way to correct people and be annoying."

1 SYSTEM SOLD EVERY 6 SECONDS

Each SimpliSafe system is a complete security arsenal – featured in the HGTV® Smart Home 2017. From motion and entry sensors to a high-definition security camera, you'll have everything you need to keep your family safe.

Save 10% when you order today

PLUS get free shipping and a FREE keychain remote (\$25 value).

SimpliSafe.com/WS



SimpliSafe™



30 DAY Risk Free Trial | FREE Shipping | \$100 off

Free footrest with code: FreeFootrest

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available

PAID ADVERTISEMENT

Skills for a Strong Economy

As members of the Business Roundtable and CEOs of many of the largest employers in the country, we know firsthand the importance of a strong, skilled workforce to America's economic future. Business Roundtable members take our responsibility as CEOs seriously to help ensure that American workers can succeed in the jobs of today and tomorrow.

A new Business Roundtable report provides powerful profiles of what the private sector is doing to help workers, students, companies and communities thrive. From mentoring programs and modern-day apprenticeships to partnerships with higher education, we are innovating and investing to close the skills gap.

We applaud the President's commitment to industry-driven apprenticeships as a powerful tool to build the skilled workforce prepared for the jobs of the 21st Century. Business Roundtable accepts the President's challenge to improve and expand apprenticeship opportunities in the United States.

We know that by working together—across party lines and in every community—we can build a workforce that is capable, innovative and flexible, where all Americans have the opportunity to prosper.

To learn more about how leading companies are expanding opportunities for American workers, please visit businessroundtable.org/skills.

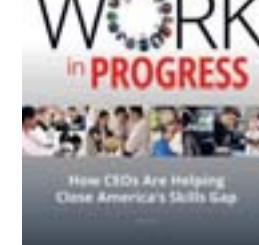


More Than Leaders. Leadership.

| | | | | | |
|--|--|---|--|--|---|
| Inge G. Thulin, <i>3M</i> | Robert W. Dudley, <i>BP p.l.c.</i> | Darren W. Woods, <i>Exxon Mobil Corporation</i> | Dennis R. Glass, <i>Lincoln Financial Group</i> | Robert E. Moritz, <i>PricewaterhouseCoopers International Limited</i> | Rob Speyer, <i>Tishman Speyer</i> |
| Ajita Rajendra, <i>A. O. Smith Corporation</i> | Timothy M. Ring, <i>C. R. Bard, Inc.</i> | Mark A. Weinberger, <i>EY</i> | Marilyn A. Hewson, <i>Lockheed Martin Corporation</i> | Daniel J. Houston, <i>Principal</i> | Russell K. Girling, <i>TransCanada Corporation</i> |
| Greg Scheu, <i>ABB</i> | Michael P. Gregoire, <i>CA Technologies</i> | Gary Norcross, <i>FIS</i> | Bhavesh V. Patel, <i>LyondellBasell Industries N.V.</i> | David S. Taylor, <i>The Procter & Gamble Company</i> | Alan D. Schnitzer, <i>The Travelers Companies, Inc.</i> |
| Julie Sweet, <i>Accenture</i> | George S. Barrett, <i>Cardinal Health, Inc.</i> | David T. Seaton, <i>Fluor Corporation</i> | Jeff Gennette, <i>Macy's Inc.</i> | John R. Strangfeld, <i>Prudential Financial, Inc.</i> | M. Troy Woods, <i>TSYS</i> |
| Carlos A. Rodriguez, <i>ADP</i> | Jim Umpleby, <i>Caterpillar Inc.</i> | Richard C. Adkerson, <i>Freeport-McMoRan Inc.</i> | Mark Trudeau, <i>Mallinckrodt Pharmaceuticals</i> | Steven M. Mollenkopf, <i>Qualcomm Incorporated</i> | Peter J. Davoren, <i>Turner Construction Company</i> |
| Michael S. Burke, <i>AECOM</i> | Robert E. Sulentic, <i>CBRE Group, Inc.</i> | Daniel J. McCarthy, <i>Frontier Communications Corporation</i> | Lee M. Tillman, <i>Marathon Oil Corporation</i> | Thomas A. Kennedy, <i>Raytheon Company</i> | Oscar Munoz, <i>United Airlines, Inc.</i> |
| Brian Duperreault, <i>AIG</i> | W. Anthony Will, <i>CF Industries</i> | Jeffrey R. Immelt, <i>GE</i> | Gary R. Heminger, <i>Marathon Petroleum Corporation</i> | Richard A. Smith, <i>Realogy Holdings Corp.</i> | Gregory J. Hayes, <i>United Technologies Corporation</i> |
| Roger K. Newport, <i>AK Steel Corporation</i> | Jacqueline Hinman, <i>CH2M</i> | Phebe N. Novakovic, <i>General Dynamics Corporation</i> | Roger W. Crandall, <i>MassMutual Financial Group</i> | Blake D. Moret, <i>Rockwell Automation, Inc.</i> | David P. Abney, <i>UPS</i> |
| Lee J. Styslinger, <i>Altec, Inc.</i> | John S. Watson, <i>Chevron Corporation</i> | Mary T. Barra, <i>General Motors Company</i> | Ajay Banga, <i>Mastercard</i> | Douglas L. Peterson, <i>S&P Global Inc.</i> | F. William McNabb, <i>The Vanguard Group, Inc.</i> |
| Doug Parker, <i>American Airlines</i> | Evan G. Greenberg, <i>The Chubb Corporation</i> | J. Michael McGuire, <i>Grant Thornton</i> | Deanna M. Mulligan, <i>The Guardian Life Insurance Company of America</i> | William R. McDermott, <i>SAP</i> | Lowell C. McAdam, <i>Verizon Communications</i> |
| Nicholas K. Akins, <i>American Electric Power</i> | David M. Cordani, <i>Cigna Corporation</i> | Richard A. Noll, <i>Hanesbrands Inc.</i> | John H. Hammergren, <i>McKesson Corporation</i> | Tamara L. Lundgren, <i>Schnitzer Steel Industries, Inc.</i> | Alfred F. Kelly, Jr., <i>Visa Inc.</i> |
| Kenneth I. Chenault, <i>American Express Company</i> | Scott D. Farmer, <i>Cintas Corporation</i> | Dinesh C. Paliwal, <i>Harman International Industries, Inc.</i> | Omar Ishrak, <i>Medtronic, Inc.</i> | Debra L. Reed, <i>Sempra Energy</i> | Stefano Pessina, <i>Walgreens Boots Alliance</i> |
| James D. Taiclet, <i>American Tower Corporation</i> | Chuck Robbins, <i>Cisco Systems, Inc.</i> | James J. Murren, <i>MGM Resorts International</i> | Hendrik G. Meijer, <i>Meijer, Inc.</i> | Bruce Culpepper, <i>Shell Oil Company</i> | C. Douglas McMillon, <i>Walmart</i> |
| James Cracchiolo, <i>Ameriprise Financial</i> | Richard Tobin, <i>CNH Industrial</i> | William M. Brown, <i>Harris Corporation</i> | John D. Moelis, <i>Moelis & Company</i> | Lisa Davis, <i>Siemens AG</i> | Timothy J. Sloan, <i>Wells Fargo & Company</i> |
| Al Walker, <i>Anadarko Petroleum Corporation</i> | Ashok Vemuri, <i>Conduent Incorporated</i> | R. Milton Johnson, <i>HCA Holdings, Inc.</i> | James P. Gorman, <i>Morgan Stanley</i> | Wes W. Lucas, <i>SIRVA, Inc.</i> | John J. Engel, <i>WESCO International, Inc.</i> |
| Joseph R. Swedish, <i>Anthem, Inc.</i> | Andrea J. Ayers, <i>Convergys Corporation</i> | Steven R. Swartz, <i>Hearst Corporation</i> | Greg Brown, <i>Motorola Solutions</i> | Thomas A. Fanning, <i>Southern Company</i> | John F. Barrett, <i>Western & Southern Financial Group</i> |
| Gregory C. Case, <i>Aon</i> | Hunter Harrison, <i>CSX Corporation</i> | Craig A. Menear, <i>The Home Depot, Inc.</i> | Adena T. Friedman, <i>Nasdaq, Inc.</i> | James M. Loree, <i>Stanley Black & Decker, Inc.</i> | Jeff M. Fettig, <i>Whirlpool Corporation</i> |
| Eric J. Foss, <i>Aramark Corporation</i> | Tom Linebarger, <i>Cummins Inc.</i> | Darius Adamczyk, <i>Honeywell</i> | Thomas C. Nelson, <i>National Gypsum Company</i> | Maurice R. Greenberg, <i>Starr Companies</i> | Abidali Z. Neemuchwala, <i>Wipro Limited</i> |
| David P. Hess, <i>Arconic Inc.</i> | Larry J. Merlo, <i>CVS Health</i> | Bruce D. Broussard, <i>Humana Inc.</i> | James L. Robo, <i>NextEra Energy, Inc.</i> | Kevin A. Lobo, <i>Stryker Corporation</i> | Michael J. Kasbar, <i>World Fuel Services Corporation</i> |
| Alan B. Colberg, <i>Assurant, Inc.</i> | Thomas P. Joyce, <i>Danaher Corporation</i> | Mike Petters, <i>Huntington Ingalls Industries</i> | David L. Stover, <i>Noble Energy, Inc.</i> | John F. Fish, <i>Suffolk</i> | Martin Sorrell, <i>WPP</i> |
| Randall L. Stephenson, <i>AT&T Inc.</i> | Kent J. Thiry, <i>DaVita HealthCare Partners Inc.</i> | Virginia M. Rometty, <i>IBM Corporation</i> | Wes Bush, <i>Northrop Grumman Corporation</i> | Brian C. Cornell, <i>Target Corporation</i> | Jeff Jacobson, <i>Xerox Corporation</i> |
| John A. Hayes, <i>Ball Corporation</i> | Harold L. Yoh, <i>Day & Zimmermann</i> | Michael W. Lamach, <i>Ingersoll Rand</i> | Steve Fisher, <i>Novelis Inc.</i> | Trevor Fetter, <i>Tenet Healthcare Corporation</i> | Patrick K. Decker, <i>Xylem Inc.</i> |
| Brian T. Moynihan, <i>Bank of America Corporation</i> | Samuel R. Allen, <i>Deere & Company</i> | Mark S. Sutton, <i>International Paper Company</i> | Mauricio Gutierrez, <i>NRG Energy, Inc.</i> | Gregg Sherrill, <i>Tenneco Inc.</i> | Anders E. Gustafsson, <i>Zebra Technologies Corporation</i> |
| José (Joe) Almeida, <i>Baxter International Inc.</i> | Michael S. Dell, <i>Dell Technologies</i> | Michael I. Roth, <i>The Interpublic Group of Companies, Inc.</i> | Safra A. Catz, <i>Oracle Corporation</i> | Richard K. Templeton, <i>Texas Instruments Incorporated</i> | Juan Ramón Alaix, <i>Zoetis</i> |
| Philip Blake, <i>Bayer Corporation</i> | Catherine M. Engelbert, <i>Deloitte US</i> | J. Patrick Doyle, <i>Domino's</i> | Michael H. Thaman, <i>Owens Corning</i> | Scott C. Donnelly, <i>Textron Inc.</i> | |
| Brendan P. Bechtel, <i>Bechtel</i> | Andrew N. Liveris, <i>The Dow Chemical Company</i> | Linda H. Blair, <i>ITC Holdings Corp.</i> | Thomas L. Williams, <i>Parker Hannifin Corporation</i> | | |
| Hubert Joly, <i>Best Buy Co., Inc.</i> | Denise L. Ramos, <i>ITT Inc.</i> | Denise L. Ramos, <i>ITT Inc.</i> | Glenn L. Kellow, <i>Peabody</i> | | |
| Laurence D. Fink, <i>BlackRock, Inc.</i> | Lynn J. Good, <i>Duke Energy Corporation</i> | Alex Gorsky, <i>Johnson & Johnson</i> | Indra K. Nooyi, <i>PepsiCo, Inc.</i> | | |
| Stephen A. Schwarzman, <i>Blackstone</i> | Edward D. Breen, <i>DuPont</i> | Alex Molinaroli, <i>Johnson Controls International plc</i> | Robert K. Steel, <i>Perella Weinberg Partners</i> | | |
| Matthew K. Rose, <i>BNSF</i> | J. Michael Lawrie, <i>DXC Technology</i> | Jamie Dimon, <i>JPMorgan Chase & Co.</i> | Geisha J. Williams, <i>PG&E Corporation</i> | | |
| Dennis A. Muilenburg, <i>The Boeing Company</i> | Mark J. Costa, <i>Eastman</i> | Bruce E. Grawcock, <i>Kiewit Corporation</i> | Greg C. Garland, <i>Phillips 66</i> | | |
| James R. Verrier, <i>BorgWarner Inc.</i> | Craig Arnold, <i>Eaton</i> | John B. Veihmeyer, <i>KPMG</i> | Marc B. Lautenbach, <i>Pitney Bowes Inc.</i> | | |
| Rich Lesser, <i>Boston Consulting Group</i> | Pedro J. Pizarro, <i>Edison International</i> | Stuart Miller, <i>Lennar Corporation</i> | | | |

See how CEOs are helping close America's skills gap in

Work in Progress



WORLD NEWS

Lenders Give Greece Cash but Not Relief

Accord unlocks bailout funds but puts off verdict on restructuring debt until next year

By NEKTARIA STAMOULI

ATHENS—Greece's creditors agreed to release the next tranche of its €86 billion (\$96.5 billion) bailout, but on Thursday put off a final decision on relieving the country's crushing debt burden until August of next year.

The agreement, reached in Luxembourg among the finance ministers of the eurozone, unlocks €8.5 billion of the bailout fund. While that brings Greece a small step closer to the end of an eight-year ordeal, the creditors' refusal to address debt relief leaves the depleted country with bleak prospects for the future and at risk of needing yet another bailout down the road.

Greece's travails remain a black mark in eurozone that has otherwise found fresh confidence this spring, underscoring the bloc's failure to root out the problems that threatened the single currency's integrity five years ago.

The government of Prime

Minister Alexis Tsipras enacted unpopular austerity measures whose effects extend well beyond next year's end of the current bailout program with the aim of convincing creditors to go beyond releasing the next payment and restructure Greece's debt.

Athens hoped debt relief would clear the way for the European Central Bank to include Greek debt in its massive bond-buying program, thus giving a major boost of confidence to Greek and foreign investors.

Instead, the lenders on Thursday named some limited measures for potential debt relief next year, and postponed further discussion until late 2017 at the earliest, after elections in Germany, where concessions to the Greeks are deeply unpopular. That means any further clarification would likely come too late for the ECB to include Greece in its bond-buying program.

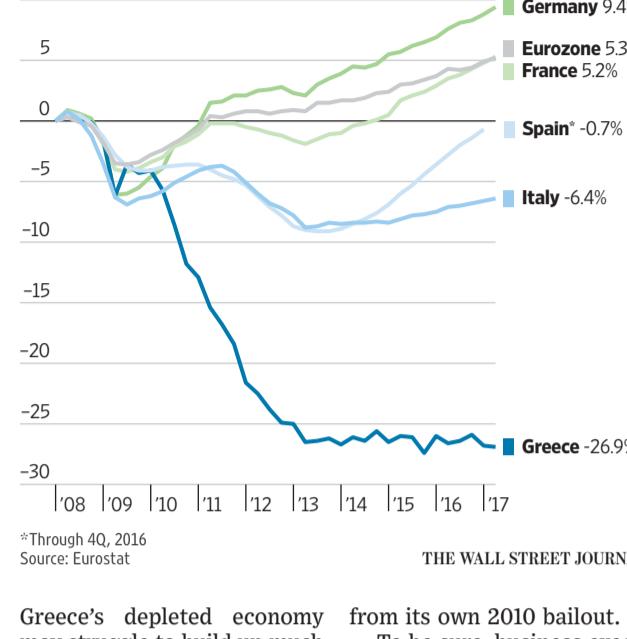
That delay will make it more challenging for Athens to re-enter capital markets and issue enough debt to meet its financing needs after the current bailout ends, thus likely necessitating another rescue, bankers and economists say.

Meanwhile, without large-

Left Behind

Greece's economy has been slow to recover from the eurozone crisis compared with other members of the bloc.

Cumulative change in GDP through first quarter, 2017



*Through Q4, 2016

Source: Eurostat

THE WALL STREET JOURNAL.

Greece's depleted economy may struggle to build up much steam. The OECD expects the Greek economy, which has shrunk almost 27% since 2008, to expand only 1.1% this year, compared with 3.7% in Ireland, which bounced back strongly

from its own 2010 bailout.

To be sure, business executives and bankers agree Greece's economy has bottomed out and shows signs of healing. Tax collection has improved, the government has begun implementing reforms,

and international investors have shown some appetite for the country this year.

The Greek economy, however, remains critically ill. A quarter of all Greeks live under the poverty line, and 23% are unemployed. More than 400,000 Greeks, many highly qualified, have left the country since the crisis. The number of companies in the country has plunged 27% since 2008. And while the risk of Grexit is low, it haunts the economy. Credit agencies still rank Greek bonds as junk.

Greece also faces the prospect of a creditless recovery. Its barely functioning banks are virtually frozen by bad loans that amount to nearly half of their total lending portfolio, and they may need more capital after next year's European stress tests.

Capital controls imposed during the turbulent summer of 2015 to prevent deposits from fleeing overseas are still in place. And even when they are lifted, skeptical Greeks aren't likely to pull out billions in cash from under their mattresses and entrust their funds again to banks.

"It will take some time for things to start moving again in Greece," said Michael Tsamaz, chief executive of Greek tele-

coms group OTE. Investors "need to feel confident that the country is committed to growth," he added.

Nasos Sioris had to fire cherished employees and cut his stock by two-thirds to keep his electrical-appliances business open. Even a revival of Greece's economy wouldn't induce the 33-year-old to hire new employees, he said. Instead, he worries he will have to close the business he inherited from his father.

"The few small businesses that managed to survive have the chance to grow, even if there is just a bit of growth," Mr. Sioris said. "But if things continue as they are, we will have to shut down."

It would take major changes to lure back the likes of Stratos Stergiou, one of thousands of Greek businesspeople who moved their companies to Bulgaria and Cyprus at the depths of the crisis.

Even if Greece recovers now, the 54-year-old says he its sclerotic economy and sky-high taxes deter him from returning to his homeland.

"It wouldn't be just stupid, but suicidal," he said.

◆ Greece is a case study in capital controls..... B10

Death Toll From London Fire Rises as Questions Mount

BY JENNY GROSS
AND WIKTOR SZARY

LONDON—Prime Minister Theresa May's government came under mounting pressure over the fire that engulfed a high-rise building, killing at least 17 and leaving authorities bracing for far more, as critics pushed for answers about how a disaster of such scale could have happened in the U.K.

The charred building, which looms over a rapidly gentrifying neighborhood not far from central London, continued to smolder Thursday and was at risk of internal collapse with bodies still inside. The death toll was expected to rise, possibly significantly, though authorities said the process of identifying the dead could take weeks.

London police commander Stuart Cundy wouldn't speculate on the total number of people who died, but said he was hopeful it wouldn't reach more than 100.

"It is not inevitable it will reach triple figures," Mr. Cundy said. "From my personal perspective I really hope it is not."

The early-morning fire that blazed through the hulking 24-story tower where hundreds lived has raised questions about whether officials were too slow to address concerns



Two women embraced at a condolence wall on Thursday, a day after the deadly blaze devastated Grenfell Tower in west London.

tempting to signal from their apartments with lights. Others jumped from high floors to escape the flames.

"Our absolute priority for all of us is identifying and locating those that are missing," Mr. Cundy said. Officials were using teams of dogs to search because it was too dangerous for firefighters to go to the top floors. Victims would be identified using fingerprints, DNA and dental records, he said.

Details began to emerge about some of the victims.

Mohammed AlHajali, a Syrian refugee who arrived in the U.K. in 2014 and was studying civil engineering, lived on the 14th floor.

"His dream was to be able to go back home one day and rebuild Syria," said the Syrian Solidarity Campaign, a U.K. network of refugee-rights activists. "Mohammed undertook a dangerous journey to flee war and death in Syria, only to meet it here in the U.K., in his own home."

He was separated from his older brother, Omar, who managed to get out. He went back to his flat where he talked to a friend on the phone, waiting to be rescued. After two hours, he said goodbye and asked his friend to pass the message on to his family because the fire had reached him, the group said.

RUSSIA

Continued from Page One legislation "finally holds Russia accountable for its brazen attack on our 2016 presidential election."

Russia has denied any government effort to meddle in the U.S. election.

The bill marks a warning shot to the White House from the Senate, which is controlled by the Republicans but where lawmakers on both sides of the aisle have raised concerns the Trump administration isn't responding forcefully enough to Russia.

The bill in effect makes any decision to lift sanctions on Russia a matter for Congress and the White House to decide together. Without the legislation, the executive branch can decide to reverse the sanctions on its own. Both the White House and Congress traditionally have the power to initiate sanctions, but the U.S. sanctions initiated against Russia since 2014 have been done primarily through executive order.

The congressional approval applies to the existing sanctions the Obama administration imposed through executive order. The bill doesn't limit the White House's ability to impose any future sanctions on its own.

If the bill becomes law, it would essentially kill any hopes in Moscow for sanctions relief in the short term and hamper President Donald Trump from removing the penalties until Russia displays a significant



Cadets in Crimea watching a live broadcast of Russian President Vladimir Putin on Thursday

in testimony before the House Foreign Affairs Committee.

The bill cites the U.S. intelligence community's assessment that Russia intervened in the 2016 presidential election. It says the U.S. should increase efforts to enforce sanctions in "response to the crisis in eastern Ukraine, cyber intrusions and attacks, and human rights violations in the Russian Federation."

Russian President Vladimir Putin criticized the Senate bill before its final passage, describing it as the product of domestic political battles in the U.S.

Certain energy-related provisions of the Senate bill also prompted a rare public rebuke from European allies, which largely have imposed sanctions on Russia in lockstep with Washington since the Ukraine conflict erupted in 2014.

Germany and Austria issued a joint statement taking issue with a section of the bill that allows the president to sanction companies providing certain goods, services or investments for the construction of Russian energy export pipelines.

"We cannot accept a threat of extraterritorial sanctions, illegal under international law, against European companies that participate in developing European energy supplies," German Foreign Minister Sigmar Gabriel and Austrian Chancellor Christian Kern said in their statement. "Europe's energy supply is Europe's business, not that of the United States of America."

Emre Peker and Thomas Grove contributed to this article.

Putin Says U.S. Political Wrangle Led to Sanctions

MOSCOW—Russian President Vladimir Putin criticized new sanctions approved by the U.S. Senate on Thursday, saying they were driven by the controversy in the U.S. over contact between President Donald Trump's campaign team and Russian officials.

"It is, of course, evidence of the continuing domestic political battle in the States," said Mr. Putin during an annual call-in program where he takes questions from across the country.

Mr. Putin said Western sanctions were meant to hamper Russia's growing economic power. "This policy has always existed—restraining Russia," he said.

The president also spoke for the first time about the June 12 protests that saw nearly 2,000 demonstrators detained across Russia, according to human-rights groups. He said protests were acceptable as long as demonstrators didn't break any laws, but accused protest leaders of using them to try to boost their standing.

"One thing is to organize protests. It is something else to use these rallies as an instrument of provocation and exacerbate the situation, for self-promotion," he told journalists after the program.

—Thomas Grove

change in behavior. The legislation comes six months after U.S. intelligence agencies issued the declassified version of a report concluding Russia ordered an influence campaign to aid Mr. Trump in his battle in the 2016 election against Democratic candidate Hillary Clinton.

Democratic lawmakers largely supported the bill because of the check it put on the White House. "Any idea of the president's that he can lift sanctions on his own for whatever reason are dashed by this legislation," Senate Minority Leader Chuck Schumer (D, N.Y.) said on the Senate floor on Thursday before the legislation was passed.

The bill also steps up sanc-

tions against Iran over human rights abuses, support for terrorism and ballistic missile development, measures the Trump administration supports. To become law, a form of the legislation needs to be passed by the House of Representatives. The House Foreign Affairs Committee is reviewing the Senate bill's details, and House Speaker Paul Ryan (R, Wis.) believes "we must do more to hold Russia accountable," his spokeswoman said.

Sarah Huckabee Sanders, White House Spokeswoman, said that the administration was still reviewing the new sanctions and would wait until there was a final product to "weigh in."

Should Mr. Trump veto the

legislation, a vote from two-thirds of each chamber of Congress could override it. He could also let it pass into law without his signature by declining to sign for 10 days after its passage. Secretary of State Rex Tillerson has sounded deeply skeptical of such legislation. He said Wednesday that Russia should be held accountable for interference in the 2016 campaign but argued that Congress shouldn't tie the president's hands when it comes to applying or lifting sanctions.

"Essentially, we would ask for the flexibility to turn the heat up when we need to, but also to ensure that we have the ability to maintain a constructive dialogue," Mr. Tillerson said.

Should Mr. Trump veto the

WORLD NEWS

EU Says Al Qaeda Seeks to Pass ISIS

BY JULIAN E. BARNES

BRUSSELS—A resurgent al Qaeda is attempting to take advantage of a weakening Islamic State to challenge its rival for pre-eminence in the global jihadist movement, the European Union's police agency warned.

As a U.S.-led international military coalition rolls back Islamic State's self-declared caliphate in Iraq and Syria, al Qaeda undertook efforts in 2016 to replace it as leader of the movement, Europol said in its annual report on terrorism.

Al Qaeda's challenge to the extremist Sunni Muslims of its rival is occurring despite its messages in Arabic that tend to "downplay its international aspirations."

Its propaganda aimed at the West, however, echoes Islamic State's calls for terrorist attacks, the agency said Thursday.

Europol said al Qaeda in the Arabian Peninsula, the organization's affiliate in Yemen, began publishing short English-language commentaries aimed at guiding would-be attackers in the West, offering advice on what groups to target in attacks and how to maximize the impact of strikes.

Among the report's other findings, it said the amount of propaganda generated by Islamic State fell, as military pressure on it grew and countermeasures by social-media companies became more effective, Europol said.

The total number of jihadist terrorist attacks slightly decreased in 2016, to 13 from 17 the year before. While the deaths caused by those attacks fell during the period, to 135 from 150, the casualty toll is still far higher than in other recent years, Europol said.

Meanwhile, arrests for terrorism-related offenses continued to increase for the fourth straight year, the agency said.

Rob Wainwright, Europol's executive director, said the need for improved information-sharing on suspected militants has become more pressing in the past two years.

Arab Allies Vie to Sway U.S. in Rift

BY JAY SOLOMON

WASHINGTON—Diplomats from feuding Arab nations are squaring off in Washington in a bid to bend President Donald Trump to their positions on the future of Qatar, an issue that could broadly affect U.S. interests across the Middle East.

Qatari officials pressed the White House this week to directly mediate a dispute with Saudi Arabia and the United Arab Emirates, after those nations and two others cut diplomatic and commercial ties with the energy-rich Persian Gulf state, according to U.S. and Arab officials.

"We hope it happens, with the U.S. as a witness," Qatar's government spokesman, Sheikh Saif Al-Thani, said of direct mediation to end the dispute.

The Saudis and Emiratis, conversely, have lobbied the White House to back their intensifying economic pressure campaign on Doha. They say it is the only way to force Qatar to stop its alleged financing of international terrorism, a charge Doha has repeatedly denied.

The U.A.E.'s ambassador to Washington, Yousef Al Otaiba, suggested this week that the



Saudi Arabia and other states recently cut ties with Qatar; above, a port in Doha, Qatar's capital.

U.S. pull out its forces from the massive Al Udeid air base in Qatar. The facility has been the central staging ground for most American airstrikes against Islamic State in Syria and Iraq.

"If I want to be honest, I think the reason action hasn't been taken against Qatar is because of the air base," Mr.

Otaiba told reporters in Washington. "The air base is a very nice insurance policy against any additional pressure."

U.S. officials said the concurrent arrival of Arab diplomats in Washington this week was extraordinary.

Saudi Foreign Minister Adel al-Jubeir met Secretary of

State Rex Tillerson on Tuesday, and the U.A.E.'s top diplomat, Sheikh Abdullah bin Zayed al Nahyan, dined with Mr. Tillerson on Wednesday.

Also on Wednesday, Qatari Defense Minister Khalid al-Attiyah signed a \$12 billion arms deal with Defense Secretary Jim Mattis at the Pentagon.

The country's foreign minister will arrive in Washington next week, Qatari officials said.

Qatari officials said Al Udeid and Qatar are crucial to the fight against terrorism and the national security of the U.S.

Mr. Tillerson is scheduled to make more calls on the Qatar dispute on Friday, U.S. officials said. But they played down the prospect for a quick resolution or a formal meeting in Washington between the feuding nations.

The Trump administration also is waiting for Saudi Arabia and the U.A.E. to send a list of formal demands that Qatar would need to meet to restore economic and diplomatic ties with its neighbors.

Arab diplomats said their descent on Washington has been fueled, in part, by the conflicting statements coming out of the Trump administration.

Mr. Trump, at times, has appeared to openly side with Saudi Arabia and the U.A.E. Mr. Tillerson and Mr. Mattis, however, have sought to be neutral and have called for the easing of the economic siege on Qatar.

—Felicia Schwartz contributed to this article.

U.S. and Iran Risk Clash in Southern Syria

Southern Syria, once the quietest corner of the country's multisided conflict, has unexpectedly become the most volatile flashpoint between America and Iran as the two countries vie for control.

By Dion Nissenbaum in Washington and Maria Abi-Habib in London

The U.S. military has moved mobile artillery-rocket launchers into southern Syria for the first time, as American troops in the area face increasing dangers from Iran-backed forces.

Iran's best-known military commander, meanwhile,

was photographed praying with allied fighters in Syria, a

visit seen by some U.S. officials as a public taunt by Tehran.

Worried that the situation may spiral out of control, U.S. military commanders are pressing Moscow to step in.

"This is rapidly developing, it's not settled at all and I don't

even know that there's a good direction determined yet," one U.S. official said.

For years, the U.S. military has focused its firepower in Syria on defeating Islamic State and largely avoided direct confrontations with President Bashar al-Assad's forces and his Iranian allies. But the risks of a confrontation in southern Syria have unexpectedly risen as the U.S. has ramped up its operations against Islamic State.

The jostling is partly driven by a view among some U.S. officials that the vast desert could become a staging ground for President Donald Trump's nascent efforts to counter Iranian influence in the region, including Tehran's efforts to establish firm control over weapons supply routes running through Iraq, Syria and into Lebanon.

Elite U.S. special operations forces have stepped up training and brought in more firepower to a small garrison known as al-Tanf, near a key border crossing

Otaiba told reporters in Washington. "The air base is a very nice insurance policy against any additional pressure."

U.S. officials said the concurrent arrival of Arab diplomats in Washington this week was extraordinary.

Saudi Foreign Minister Adel al-Jubeir met Secretary of

State Rex Tillerson on Tues-

day, and the U.A.E.'s top diplo-

mat, Sheikh Abdullah bin

Zayed al Nahyan, dined with

Mr. Tillerson on Wednesday.

Also on Wednesday, Qatari

Defense Minister Khalid al-At-

tiyah signed a \$12 billion arms

deal with Defense Secretary

Jim Mattis at the Pentagon.

jockey for position, Lt. Gen. Stephen Townsend, head of the U.S.-led coalition battling Islamic State, has repeatedly asked the Russian military to constrain its allies in Syria, U.S. officials said.

To help check further threats, the U.S. military has sent High Mobility Artillery Rocket Systems into southern Syria to protect the small garrison at al-Tanf.

The expanding U.S. military moves are being countered by Iran. Earlier this week, Qassem Soleimani, head of Iran's elite Qods Force, was photographed praying in southern Syria with militants backed by Tehran. The photos didn't escape notice at the Pentagon, where Defense Secretary Jim Mattis is intent on preventing Iran from seizing an advantage in Syria.

"Jim Mattis has spent the last 15 years thinking about Iran," said one U.S. official. "He's not going to let the Iranians surprise him."

Turkey Sees Itself as the Target in Moves to Isolate Qatar

ship that they are aiming at Qatar but really are trying to target us," said Asli Aydinbas, a Turkey specialist at the European Council on Foreign Relations. "Hence the reaction and the overreaction."

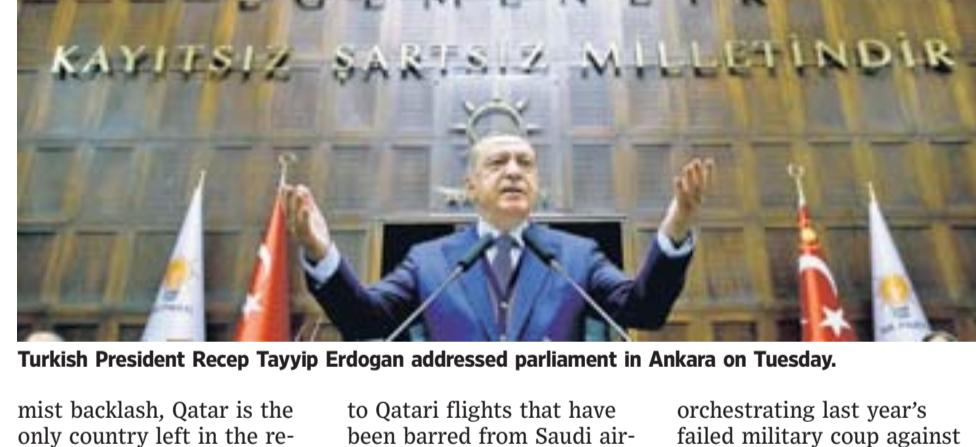
Saudi Arabia, the United Arab Emirates, Egypt and Bahrain earlier this month cut diplomatic and trade ties with Qatar. They accused the emirate of sponsoring terrorism and demanded it end support for the Muslim Brotherhood, an Islamist group these Arab nations have declared a terrorist organization.

Turkey, by contrast, sees the Brotherhood as a legitimate movement with broad popular appeal. Once imprisoned for his own Islamist politics, Mr. Erdogan has a longstanding affinity with the group and with other Islamist organizations that seemed ascendant throughout the region in the aftermath of the Arab Spring.

Following the 2013 military coup that ousted a Brotherhood-run government in Egypt, these groups have been crushed or driven underground almost everywhere. Amid this anti-Islamist

But for Mr. Erdogan, this conflict is deeply personal. If Turkey allows Qatar's autonomy to be crushed, officials in Ankara fear Mr. Erdogan's administration could be next to face international pressure.

Whatever Qatar is accused of, Turkey can also be accused of, and Erdogan is aware of that. There is a sense in the Turkish leader-



Turkish President Recep Tayyip Erdogan addressed parliament in Ankara on Tuesday.

mist backlash, Qatar is the only country left in the region that is aligned with Mr. Erdogan's position on the Brotherhood, and that also openly supports the Palestinian movement Hamas. Both Qatar and Turkey also oppose an escalation of Saudi Arabia's confrontation with Iran.

Mr. Erdogan—who has nurtured a personal bond with Qatari Emir Sheikh Tamim bin Hamad Al-Thani—moved swiftly to offset the Saudi-led effort to isolate Qatar. Alongside Iran, Turkey opened air corridors

to Qatari flights that have been barred from Saudi airspace. Ankara has also fast-tracked legislation to deploy thousands of troops to Qatar, aiming to prevent regime change in the wealthy emirate.

Addressing the Qatar crisis this week, Mr. Erdogan said "taking action to isolate a country in all areas is inhuman and un-Islamic"—a remark that seemed to question the Islamic credentials of the House of Saud. Pro-government Turkish newspapers, meanwhile, have accused the U.A.E. of

orchestrating last year's failed military coup against the Turkish leader.

Groups supported by Turkey and Qatar also include jihadist militias in Syria and in Libya, some of them uncomfortably close to al Qaeda. In Libya, in particular, Qatar and Turkey have backed one side of the civil war against a rival alliance supported by Egypt and the U.A.E.

These connections are one of the reasons why President Donald Trump—overruling Secretary of State Rex Tillerson's at-

tempts to defuse the crisis—has backed the Saudi move on Qatar.

"The nation of Qatar has historically been a funder of terrorism at a very high level," Mr. Trump said last week. Qatar has denied the charge.

Mr. Erdogan's relationship with Mr. Trump is tenuous at best. His new readiness to damage Turkey's ties with big Arab states—and potentially the U.S.—on Qatar's behalf has already alarmed the country's opposition.

To Mr. Erdogan's critics, this reckless plunge into yet another Middle East crisis also shows just how volatile Ankara's policies have become now that the Turkish president has eliminated most checks and balances.

"The Turkish foreign policy has become highly personalized, just like its domestic policies," said Bulent Gultekin, a former governor of Turkey's central bank who teaches at the University of Pennsylvania. "In domestic policy, it worked in Erdogan's favor each time he was able to up the ante. When it comes to foreign policy, however, he's got into trouble because he behaves on impulse."

UNITED KINGDOM

Brexit Negotiations To Begin Monday

The first round of negotiations between the European Union and the U.K. will launch on Monday as had been originally planned, officials from both sides said, a confirmation that the inconclusive U.K. election results won't delay the start of Brexit talks.

—Jenny Gross

UNITED KINGDOM

Central Bank Turns A Bit More Hawkish

A trio of Bank of England officials broke ranks with their colleagues in June to push for an immediate increase in interest rates, one of several signals the U.K. central bank has moved a step closer to withdrawing the emergency stimulus it put in place after last year's Brexit referendum.

AFGHANISTAN

Suicide Bombers Strike Kabul Mosque

Suicide bombers stormed a crowded mosque in Kabul and attacked worshippers attending evening prayers for the holy month of Ramadan, killing at least four people. The attack was the latest in a series of bombings that have targeted the capital's Shiite minority.

—Ehsanullah Amiri

CHINA

Explosion Leaves At Least Seven Dead

An explosion outside a kindergarten in Jiangsu province in eastern China killed at least seven people and injured dozens Thursday afternoon, local authorities said. The cause wasn't immediately known.

China's minister of public security, Guo Shengkun, ordered a full-scale rescue effort and in-

vestigation, according to China's official Xinhua News Agency. He sent a deputy minister to the site and demanded increased checks of potential risks in crowded areas, Xinhua said.

Class was still in session, so students and teachers weren't affected based on preliminary checks, according to the Fengxian government. Two people died on the scene, and five more died in the hospital. At least 66 others were injured.

—Eva Dou

WORLD NEWS

In China, a Quantum Leap

Scientists' advances involving light particles move country closer to 'unhackable' network

By JOSH CHIN

BEIJING—Chinese scientists have succeeded in sending specially linked pairs of light particles from space to Earth, an achievement experts in the field say gives China a leg up in using quantum technology to build an "unhackable" global communications network.

The result is a breakthrough that establishes China as a pioneer in efforts to harness the enigmatic properties of matter and energy at the subatomic level, the experts said.

In an experiment described in the latest issue of *Science*, a team of Chinese researchers used light particles, or photons, sent from the country's recently launched quantum-communications satellite to establish an instantaneous connection between two ground stations more than 1,200 kilometers (744 miles) apart.

Using the quantum properties of tiny particles to create a secure communications network is scientifically and technically demanding, security researchers say, and China is years away from being able to build one.

If China ultimately succeeds, such a system could undermine U.S. advantages in penetrating computer networks.

The Pentagon, in an annual



A composite photo shows a link between a Chinese satellite and an experimental platform in Tibet.

report on China's military delivered to Congress last week, described the quantum satellite launch in August as a "notable advance in cryptograph research."

While the U.S. is also pursuing quantum communications, it has concentrated more attention and resources on research into quantum computing. European physicists have developed many of the theories and basic practices underlying quantum encryption, but their Chinese counterparts are better-funded with government resources.

Disclosures by former Na-

tional Security Agency contractor Edward Snowden in 2013 about U.S. spying on Chinese networks rattled Beijing, and have pushed the country to bolster cybersecurity measures in a variety of ways.

"The Snowden revelations undoubtedly played a part in the drive towards quantum technologies, as it revealed the degree of sophisticated threat Chinese counterespionage and cyberdefenses were facing," said John Costello, a fellow specializing in China and cybersecurity at the nonpartisan Washington-based think tank

New America.

The experiment exploited a phenomenon of quantum mechanics that allows two particles to be entangled so that whatever happens to one is immediately reflected in the physical state of the other, no matter how far apart they are.

By using a satellite, the Chinese scientists avoided interference at ground level.

"The Chinese experiment is quite a remarkable technological achievement," said Artur Ekert, a professor in quantum physics and cryptography at Oxford University.

Australian Prime Minister Lampoons Trump

By ROB TAYLOR

CANBERRA, Australia—A leaked recording emerged of Australia's prime minister mocking President Donald Trump, the latest awkward episode between two allied leaders whose relationship had gotten off to a rocky start.

"It was beautiful. It was the

most beautiful putting-me-at-ease ever," Mr. Turnbull joked to the crowd, impersonating Mr. Trump's voice to widespread laughter and applause. "The Donald and I, we are winning and winning in the polls. We are winning so much. We are winning like we have never won before."

Asked about the leak on Thursday, Mr. Turnbull said his speech was meant to be a "good-humored roast," taking aim at himself as much as Mr. Trump.

The U.S. Embassy in Canberra said it accepted Mr. Turnbull hadn't intended to offend Mr. Trump.

Beijing's Envoy Slams Probe Call

By ROB TAYLOR

CANBERRA, Australia—

China's top Australia envoy accused critics of Beijing's influence in the country of trying to "instigate China panic," as calls mount for a probe into political donations from wealthy Chinese.

Speaking at a conference on Thursday meant to bring Chinese business leaders into contact with Australian lawmakers, China's ambassador to the country, Cheng Jingye, hit out at allegations of influence-buying by China-linked donors.

"In Chinese, we call it cooking up the overnight cold rice, which means repeating the same stuff over and over," he said. "Those who have fabricated the allegations really have an imagination which is wild and morbid."

Fears of China's ability to potentially influence Australian policy through political donations have raised questions in Parliament over the country's economic reliance on China. In the year ended June 30, 2016, China accounted for almost a third of Australia's trade, valued at about 150 billion Australian dollars (US\$113.8 billion). In comparison, trade flows with the U.S.

were worth A\$69.2 billion, although the U.S. remains the country's biggest investor.

Australia is one of 55 nations that allow foreign donations to political parties.

While legal, foreign donations have the potential to upset political careers. Last year, Sam Dastyari, a rising star in the opposition Labor Party, stepped down from a party leadership position after acknowledging that he used donations from Chinese billionaire Huang Xiangmo's property conglomerate to pay campaign bills totaling thousands of dollars.

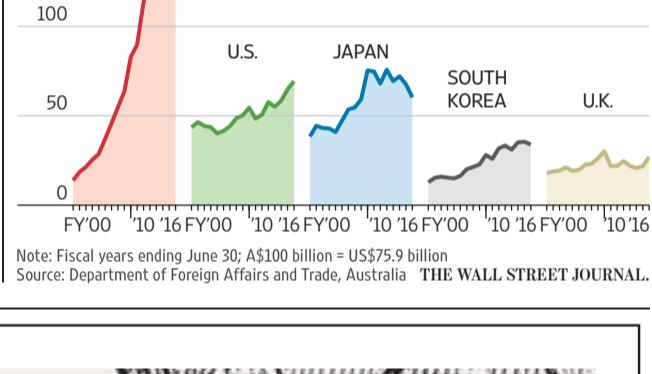
Prime Minister Malcolm Turnbull has promised to introduce legislation banning foreign donations this year, but he has so far resisted Labor calls for a political inquiry into Chinese influence by Parliament's powerful intelligence oversight committee.

The issue gained further attention after Australian state ABC television and Fairfax Media reported this month that Labor and Mr. Turnbull's conservative Liberal-National coalition have received A\$6.7 million in donations from Mr. Huang and fellow billionaire Chau Chak Wing. Both sides acknowledge having taken donations and deny any wrongdoing.

Gaining Clout

Australia's surging bilateral trade with China has led to concerns about its economic dependence on the Asian giant.

Australia's top five trade partners, in goods and services



Note: Fiscal years ending June 30; A\$100 billion = US\$75.9 billion

Source: Department of Foreign Affairs and Trade, Australia THE WALL STREET JOURNAL.



Messaging Matters.

Explore CMO Today.

The internet can be a dangerous place for marketers. Automated digital advertising provides scale and pricing benefits, but there's a risk ads will wind up in the wrong places. In our Special Report: The Ad Maze, we examine the lurking dangers for brands and how they're trying to protect themselves.

Don't miss our Special Report: The Ad Maze, available in The Wall Street Journal next Tuesday.

THE WALL STREET JOURNAL.
Read ambitiously

WSJ
2017
CANNES LIONS FESTIVAL

Deloitte.

CMO Today Sponsor

IN DEPTH

RURAL

Continued from Page One
tract new firms, and their isolation discourages the enterprises they have: ranchers who want to buy and sell cattle in online auctions or farmers who could use the internet to monitor crops. Reliance on broadband includes any business that uses high-speed data transmission, spanning banks to insurance firms to factories.

Rural counties with more households connected to broadband had higher incomes and lower unemployment than those with fewer, according to a 2015 study by university researchers who compared rural counties before and after getting high-speed internet.

"Having access to broadband is simply keeping up," said Sharon Strover, a University of Texas professor who studies rural communication. "Not having it means sinking."

Many rural schools have a fraction of internet speeds common at most American campuses. "Sometimes it feels like they get more education, and they get more prepared for their futures than we do," said David Bardol, a 13-year-old sporting a crew cut and Star Wars T-shirt. He attends Kingston Junior High in Cadet, Mo., one of the communities in Washington County.

At the county's 911 center, dispatch director William Goad sometimes loses his connection to the state emergency system. That means dispatchers can't check license plates for police or relay arrest-warrant data.

As severe thunderstorms approached in late February, Mr. Goad tried to keep watch using an internet connection sputtering at speeds too slow to reliably map a tornado touchdown or track weather patterns.

"We drill for oil above the Arctic Circle in some of the worst conditions known to man," Mr. Goad said. "Surely we can drop broadband across the rural areas in the Midwest."

About 39% of the U.S. rural population, or 23 million people, lack access to broadband internet service—defined as "fast" by the Federal Communications Commission—compared with 4% of the urban residents.

Fast service, according to the FCC, means a minimum download speed of 25 megabits per second, a measure of bandwidth known as Mbps. That speed can support email, web surfing, video streaming and graphics for more than one device at once. It is faster than old dial-up connections—typically, less than 1 Mbps—but slower than the 100 Mbps service common in cities.

In St. Louis, speeds as fast as 100 Mbps start at about \$45 a month, according to BroadbandNow, a data research company. Statewide, an estimated 61% of rural residents lack broadband access.



Jeanne Wilson Johnson, right, trims wool from a sheep with help from Virginia LaChance at Ms. Johnson's 420-acre farm property in Caledonia, Mo.

a month, according to BroadbandNow, a data research company. Statewide, an estimated 61% of rural residents lack broadband access.

Expanding rural broadband is a priority of FCC Chairman Ajit Pai, who grew up in Parsons, Kan., population 9,900. "If you don't have a digital connection, you are less likely to be able to succeed," he said.

At a weekly gathering of wool producers at a 1930s-era Craftsman-style bungalow, Ms. Johnson and others snacked on local goat cheese and deer sausage. They talked about internet sites for buying and selling raw mohair, mohair locks and mohair yarn—of which they have a bounty.

But with limited internet service, Virginia LaChance, who keeps sheep and spins wool, said, "We're not in competition with them. That's the problem."

Costly connections

Rural America can't seem to afford broadband: Too few customers are spread over too great a distance. The gold standard is fiber-optic service, but rural internet providers say they can't invest in door-to-door connections with such a limited number of subscribers.

St. Louis has more than 5,000 people per square mile compared with 33 in Washington County, according to U.S.

U.S. Helped Power Rural Communities

In 1935, when just 10% of rural America had electricity, President Franklin D. Roosevelt pledged to get service to almost every farm. Two decades later, electrification had reached more than 90% of rural areas, said Richard Hirsh, a history professor at Virginia Tech.

By the end of 1954, a federal program had lent \$2.9 billion, typically to farmers who formed cooperatives to build and operate electricity systems, said

Christopher McLean, of the Agriculture Department: "It's one of the most amazing American success stories ever."

Some lawmakers are pressuring the Trump administration to include rural broadband in an anticipated \$1 trillion infrastructure package. The White House hasn't said how any such projects might be funded.

"Rural broadband, we need that quite honestly more than we need roads and bridges in many of the counties I represent," U.S. Rep. Austin Scott (R., Ga.) said at a recent House hearing on the rural economy.

Secretary of Agriculture

Sonny Perdue said broadband connectivity should be seen as the "roads, sewers and water" of the modern age. "The good news is, this is square on the radar scope of the president," he said at the hearing.

FCC Chairman Ajit Pai said rural broadband should be included in the expected infrastructure package.

Mr. Pai would like to boost subsidies, rewrite regulations to cut red tape and accelerate the FCC's own processes, he said, which have slowed access to rural broadband.

—Jennifer Levitz and Valerie Bauerlein

slow to work at home in the evenings.

Some rural communities have successfully done the job themselves. In central Missouri, Co-Mo Electric Cooperative, Inc., a not-for-profit, customer-owned co-op formed in 1939 to deliver electricity, started a fiber-optic network that has built connections to 25,000 members in a region more sparsely populated than Washington County. So far, it has 15,000 subscribers, including non-members in neighboring communities..

Co-Mo's members, which include farms and businesses, realized they were falling behind, said John Schuster, board chairman of Co-Mo Connect, the internet service.

The cooperative, after failing to obtain government subsidies, borrowed \$80 million from two private institutions that serve utilities and went door to door asking members to contribute \$100 each. In 1939, the co-op asked each member to contribute \$5 toward electrification.

Rather than only digging trenches for fiber-optic cable, Co-Mo strung cable along its own utility poles and rented space on others. An estimated 70% of Co-Mo internet subscribers have 100 Mbps service that costs \$49.95 a month, Mr. Schuster said.

The co-op's internet service is doing well, Mr. Schuster said, but "the definition of making money for me and for a shareholder from AT&T is going to be two different things."

Such local broadband systems are tough to duplicate. Nearly all government subsidies go to major telecommunication providers, a legacy of the FCC's long relationship with phone companies, said Jonathan Chambers, a former FCC strategic planning chief, now a consultant to cooperatives.

Mr. Pai, the agency chairman, said the next phase of FCC subsidies would be open to all types of providers.

While some rural communities have built their own systems, laws in at least 19 states restrict such efforts, generally on the grounds they pose a threat to private companies. A GOP-sponsored bill that set up obstacles to similar broadband efforts stalled this spring in the Missouri legislature.

Every other Thursday, Dr. Stuart Higano, a cardiologist from St. Louis, visits the family practice office of Gregory Terpstra in Potosi, Mo., to see patients.

The office has internet service at 10 Mbps from CenturyLink Inc., too slow for Dr. Higano to efficiently connect with the database at his hospital to access patient records or view heart images. "Everything in medicine now is electronic medical records," he said.

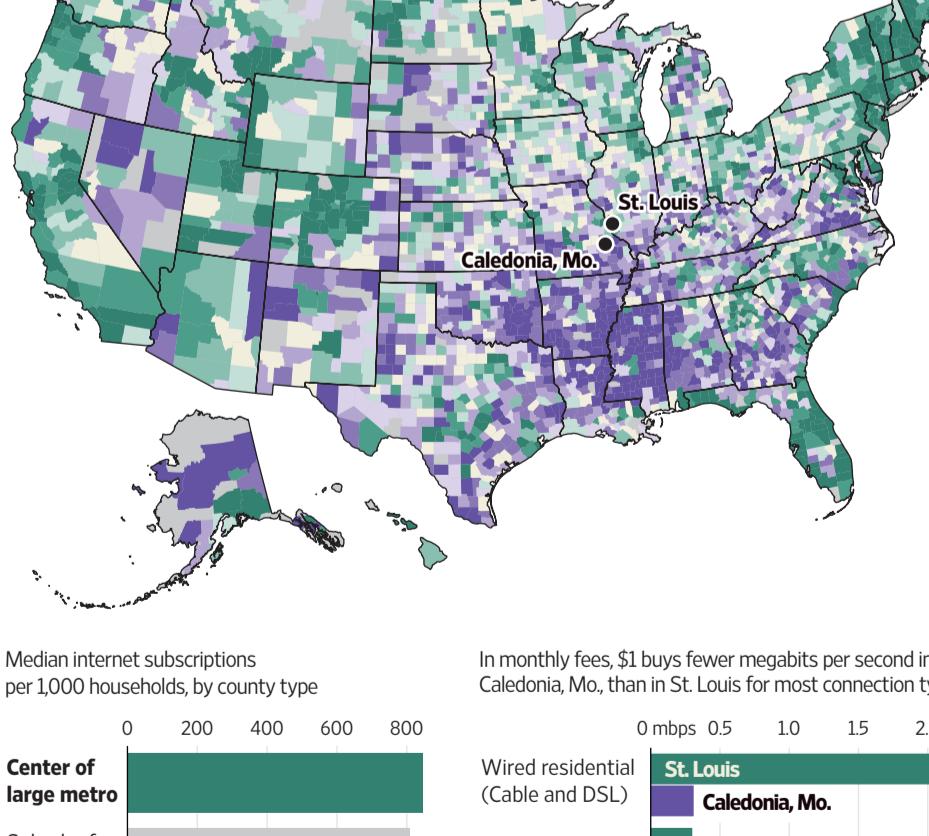
Dr. Terpstra has a copper line that connects his office to the fiber-optic cable that runs through town. To get a faster and more reliable connection, CenturyLink said it would have to install 1,000 feet of fiber-optic line to his office and charge the higher monthly fee.

Dr. Terpstra said he got a quote for fiber-optic service that ranged from \$563 a month for 20 Mbps to \$1,190 a month for 200 Mbps. "Does that sound like a good deal?"

Rural America Stuck in Time Lag

Sparingly populated parts of the U.S. have less access to broadband internet service, leaving rural communities with wireless alternatives that are slow and expensive.

Internet subscriptions per 1,000 households



Average of four major providers. Monthly download caps vary for each.

Notes: Subscriptions are defined as fixed internet connections of over 200 kbps in at least one direction; figures as of June 30, 2016.

Sources: Federal Communications Commission (subscription ratio); BroadbandNow (advertised connection speeds and costs)

Andrew Van Dam and Kathryn Tam/THE WALL STREET JOURNAL.

GREATER NEW YORK

Riders Soak Up Penn Station Upgrades

West End Concourse offers a fresh route to escape the oft-derided New York train stop

BY MELANIE GRAYCE WEST

Commuters emerged Thursday morning from the bowels of New York Penn Station looking confused, then bemused. Over and over, the travelers uttered the same cheerful pronouncement: Wow!

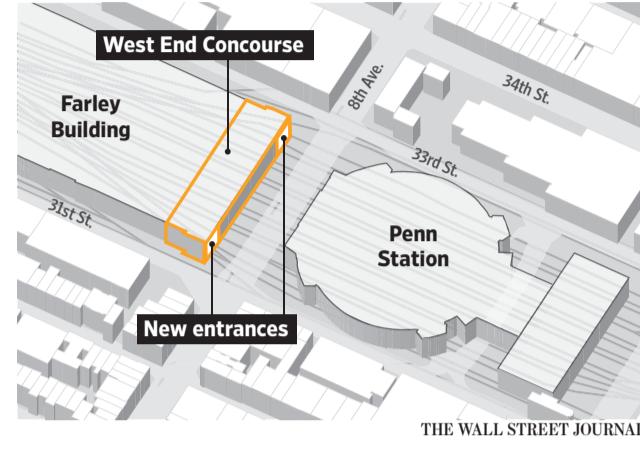
Rarely has a new hallway elicited so much delight. But if the new pathway—officially called the West End Concourse—offers commuters a fresh route to escape the much-maligned Penn Station, that is a reason to cheer. Or, at least whip out a phone and snap a photo.

Michael Riddell, an architect who lives in Milburn, N.J., was among those who captured the moment. "It's pretty incredible. I'm not even sure where I am," he joked.

The West End Concourse, unveiled in full on Thursday, connects the James A. Farley Post Office Building with Penn Station, and is the first phase of a larger, future plan to bring Amtrak and Long Island Rail Road riders into a not-yet-built Moynihan Train Hall.

A New Way In

Two additional entrances and a new concourse allow travelers to access Penn Station trains and the subway through the Farley building.



THE WALL STREET JOURNAL.

Construction on the 36,870-square-foot area began in 2012 and cost a total of \$315 million, financed through federal and state funds, according to Empire State Development.

The concourse serves tracks 5 through 21 in Penn Station, with elevators and escalators leading out of the Farley Building onto the west side of Eighth Avenue.

Entering the Farley Building, the walls leading down to the concourse are covered with signage and bold graphics. The overall effect is "airport termin-

nal," or at least that is how it looked to Nikia Blair, a student. "It looks clean!" she said.

Inside the concourse there is a surplus of monitors that display track announcements and, critically, news of delays.

Those delays and disruptions will worsen this summer as Amtrak overhauls its aging infrastructure. On the upside, riders waiting in the concourse are treated to generous air-conditioning and several large digital-media screens flashing images of Central Park and other area landmarks. The ceiling,



ALEXANDER COHN/THE WALL STREET JOURNAL (2)

New York Penn Station's West End Concourse officially opened in Midtown on Thursday.

too, offers some psychological escape, with its imagery of clouds.

Steve Queroli, who works in commodities, was impressed. "But, it doesn't change the fact that my train is a half-hour late every day coming in and going," he said.



City Scales Back Flood Plan for Neighborhood Ravaged by Superstorm

BY MARA GAY

New York City will scale back a flood-protection system planned for a Brooklyn neighborhood hard-hit by super-storm Sandy because of cost and other concerns, casting uncertainty over the city's ability to protect the coastline from major storms.

It was hoped that the \$100 million for the initiative in the

Red Hook section of Brooklyn would be enough to protect the waterfront neighborhood from a larger, 100-year flood event. Instead, the city said this week the funding only would be enough to protect against a 10-year event.

A feasibility study estimated a larger project would cost at least \$300 to \$500 million.

City officials said the new

plans are the best approach to protecting Red Hook given the available funding without requiring drastic changes to the neighborhood's physical landscape.

The city plans to elevate Beard Street, along the neighborhood's southwesterly shore, allowing the road to serve as a barrier between the community and the water.

In August, a temporary bar-

rier—made up of sand bags and stacks of tubes known as Tiger Dams—will be installed, the city said.

The news marks the first time the city has said it would scale back plans for one of the major storm-protection projects aimed at safeguarding its coastline in the wake of the 2012 storm. Sandy left more than 130 people dead and caused an estimated \$19 bil-

lion in damages in New York City.

Councilman Carlos Menchaca, a Democrat who represents Red Hook, said the state and city should put more money toward the initiative.

"I'm frustrated that we've waited this long to get to this point," Mr. Menchaca said.

The fate of the project could spell trouble for similar

initiatives in Staten Island, Queens and along the east coast of Manhattan. Experts have said bringing the storm-protection initiatives to fruition could cost far more than initially was believed years ago.

Scientists have said New York City is increasingly vulnerable to flooding because of rising seas and climate change.

Cartier

EXPERIENCE CACTUS DE CARTIER

JUNE 14TH - 29TH



GREATER NEW YORK

Mayor Unveils a Plan To Spur 100,000 Jobs

By MARA GAY

New York City Mayor Bill de Blasio outlined a plan Thursday to create 100,000 jobs over the next 10 years, an investment officials said would raise incomes and diversify the economy of a growing city.

The mayor's plan would use more than \$1.35 billion in city money to boost job creation in already growing sectors. It is mostly focused on what the mayor called "good-paying jobs," ones that either pay at least \$50,000 a year or lead to positions at that salary.

Mayor Bill de Blasio aims to spend more than \$1.35 billion on a plan to boost job creation.

"The job here is to lift the floor for everyone in this city," Mr. de Blasio said a news conference in Chelsea. "To make sure that a middle-class lifestyle really is available to everybody."

A glossy, 111-page book titled, "New York Works," lists various projects along with the number of jobs they are expected to create. The jobs attached to projects, however, don't add up to the 100,000 target.

City officials said the plan was more of a blueprint and that additional job-creating projects would come.

New Citizens Pledge Allegiance



AMERICANS: Immigrants take the oath Thursday at a naturalization ceremony outside the Wyckoff Farmhouse Museum in Brooklyn.

DREW ANGERER/GETTY IMAGES

COURT SYSTEM

Cuomo Picks Nominee For Late Judge's Seat

New York Gov. Andrew Cuomo on Thursday said he would nominate Paul Feinman to the Court of Appeals, which state officials said would make him the first openly gay judge on the state's highest court if confirmed.

Justice Feinman, who now serves on an intermediate state appeals court, would succeed Judge Sheila Abdus-Salaam, whose body was found in the Hudson River in April. Authorities have called her death a likely suicide, although the medical examiner has yet to determine an official cause of death.

"Justice Feinman will be an exceptional addition to New York's highest court," Mr. Cuomo, a Democrat, said in a statement. "He is a talented jurist who has dedicated his career to public service and standing up for a fairer and more just New York."

Justice Feinman was elected as a civil court judge in 1996 and to the state's Supreme Court in 2007, according to a biography on the court system website. He was appointed an associate justice of the Appellate Division's First Department in 2012.

Justice Feinman must be confirmed by the state Senate. A spokesman for the Republican majority didn't respond to a request for comment on the nomination.

—Corinne Ramey

PORT AUTHORITY

Board Suspends Search for CEO

The Port Authority of New York and New Jersey has suspended its search for a chief executive officer.

Agency Chairman John DeGennan, speaking after a Port Authority board meeting in Jersey City on Thursday, said he informed his colleagues in a private session that the search is suspended. "There was no objection," Mr. DeGennan said.

The board has been unable to find a viable candidate who could secure the backing of the governors of New York and New Jersey, despite a highly publicized search lasting more than two years.

The newly created position was a centerpiece of efforts to depoliticize decision-making at the agency by merging two executive posts, appointed by the governors of each state, into one.

A spokesman for New York Gov. Andrew Cuomo said: "We think the search should continue." A spokesman for New Jersey Gov. Chris Christie didn't respond to a request for comment.

The Port Authority's executive director, Patrick Foye, who was passed over for the CEO role, said: "I oppose premature termination of the search."

—Paul Berger

Photo: AP

LIFE & ARTS

TELEVISION REVIEW

By Dorothy Rabinowitz

A Detective Under Suspicion



Billy Campbell as John Cardinal

'CARDINAL' BELONGS TO that increasingly crowded mystery genre in which physical background is in the forefront of all that gives a film its life—the unnamed extra character that steals every scene, as this one does with its wintry landscapes, its lonely town of bleak houses with cellars that hold who knows what, and its icy silence. In this saga of a law-enforcement officer proved right where all around him were wrong, Detective John Cardinal (Billy Campbell) stalks the streets of that town looking for a killer he knows is there. Demoted and forced off the Algonquin Bay Police Homicide Unit for refusing to yield in his insistence that a missing 13-year-old had been abducted—contrary to the official findings of his superiors, who declared her a runaway—he's been brought back.

The girl's body having been found frozen in a mineshaft, the police chief decides that Cardinal is just the kind of driven cop who can solve the case. Which doesn't mean he's become a favorite at Homicide. For all the camaraderie there's a distinct touch of suspicion there in the attitude toward Cardinal, a self-contained sort with a sense of irony and a distinct lack of interest in making himself popular—a role Mr. Campbell carries off with panache.

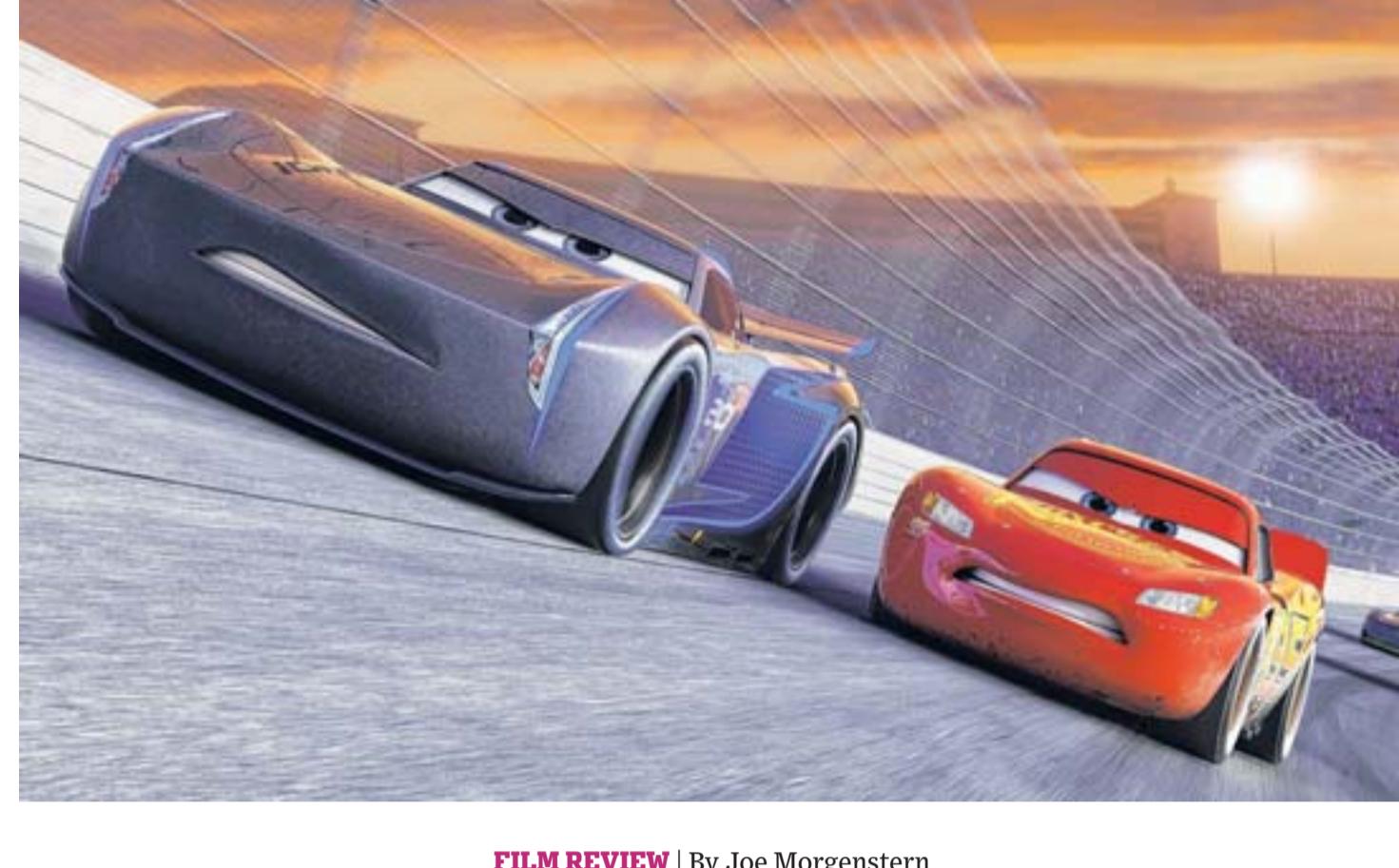
Cardinal is refreshingly free of at least some of the clichés now characteristic of film detectives—he's not emotionally stunted, not a drinker or a depressive or an isolated soul who once had a marriage for three days.

To the contrary, he's an ideal father and devoted husband to a wife suffering from severe mental illness—a quintessential straight arrow. All of which make him something of a novelty as brilliantly intuitive detectives go these days.

Even so, we find him at the beginning of this tale under a cloud of suspicion. He's not only watched, closely and uneasily, by his police chief superior, he's joined by a new, young partner, Detective Lise Delorme (Karine Vanasse), who's there to do more than assist him. She's there—assigned by forces in the department who suspect Cardinal of corrupt involvement with a drug kingpin and much worse—to gather evidence against him. It's the beginning of an impressively suspenseful relationship.

But there is another kind of suspense in which "Cardinal" dabbles that's less impressive—namely, the film's extended descent into torture porn as it veers into a subplot about a sadistic psychopath

Please see CARDINAL page A13



DISNEY•PIXAR (2)

FILM REVIEW

By Joe Morgenstern

'Cars 3': Once Too Often Around the Track

Aging champ Lightning McQueen returns to take on a high-tech rival in Pixar's racing film

IF PIXAR WANTED TO mobilize its peerless creative resources, the studio could probably do a delightful short about a farmer who milks cash cows for profit and pleasure. But it's the studio that's doing the milking in "Cars 3," and the pleasures are modest at best. (Brian Fee directed from a screenplay by Kiel Murray, Bob Peterson and Mike Rich.)

This time the former hotshot, Lightning McQueen (voiced by Owen Wilson), is a faded champion who yearns to win one more race. An unlikely hero for young audiences, Lightning is also an intriguing one—a living legend and incipient geezer struggling to compete against a new breed of race cars represented by Jackson Storm (Armie Hammer), a high-tech marvel with a formidably low drag coefficient. The computer animation is remarkable, just as we've come to expect from Pixar features—all those gorgeous colors and hurtling objects going round and round—and round and round and round. Yet the film's drag coefficient starts to climb when Lightning's story is intertwined with that of a gifted young rookie, Cruz Ramirez (Cristela Alonzo). Having missed her own shot at racing, Cruz is determined to inspire Lightning as his trainer.

There's more to the relationship than that—a process of mutual inspiration, reciprocal support and, sometimes affectionately, a passing of the baton from one generation to the next. (And from Anglo to Hispanic, although Lightning is painted cherry red and Cruz is a lovely mustard yellow.) But the script is full of Disney-esque motivational slogans—don't fear failure, be afraid of not



Jackson Storm (voice of Armie Hammer) and Lightning McQueen (voice of Owen Wilson), top; Guido, Sally, Sarge, Mater and Luigi, above

having the chance, seize your chance when you can, look for new opportunities you never knew were there. And, paradoxically, the story slows most noticeably when the emphasis is on speed at a cutting-edge training center. That's where Cruz helps her aging student sharpen his rusty skills in a program that differs little from countless other training sequences, and where we're expected to thrill to the spectacle of Lightning coping, at a bizarre level of narrative abstraction, with the head-spinning challenges of a virtual-reality simulator.

That reference to the narrative should be taken loosely; it's more like a succession of pit stops in a film that meanders all over the landscape to rural race tracks, and to one extremely muddy demolition derby. The script declines to explore Jackson Storm's technology. In an era where race cars—and even pas-

senger cars—are prodigies of complexity, Lightning's ultramodern rival is seen entirely from the outside, with no sense of the soul in the elegant machine.

"Cars 3" does examine, albeit briefly, some of the strategies Cruz teaches her aging champ so he can compensate for slower reflexes and diminished fire in his cylinders. But much of the latter section becomes a trip down memory lane as Lightning searches for his old pal Smokey (Chris Cooper), and for further inspiration from the memory of his role model and mentor Doc Hudson. (It's eerie to hear Paul Newman's voice purring from the past.) The first film wasn't bad, though it had its lapses. "Cars 2," an aberration, was readily forgotten. This one feels like the series, at the end of the road, is running on fumes of nostalgia for its earliest self.

THEATER REVIEW

By Terry Teachout

GENERATIONAL CONFLICT IN THE CHEKHOV MODE

Hartford, Conn.

AMY HERZOG stepped into the spotlight of theatrical notoriety when "4000 Miles," the best play by an up-and-coming author that I've ever reviewed in this space, transferred to Lincoln Center Theater in 2012 after a brief off-Broadway run. It should by all rights have moved from there to Broadway, but "4000 Miles" was successful enough as is: It was taken up by regional theaters throughout America, and Ms. Herzog went on to establish herself as this country's most gifted under-40 playwright. Now, a month after "Mary Jane," her latest play, was first performed by the Yale Repertory Theatre, "4000 Miles" has been revived by Shakespeare & Company in a production at least as fine as the one that I saw and admired five years ago in New York. It

leaves no doubt whatsoever that Ms. Herzog's work, as they say in the profession, has legs.

Like her other plays, "4000 Miles" is a small-scale character study reminiscent of Chekhov in its emphasis on personality over plot. At its center is Vera (Annette Miller), a crusty 91-year-old Jewish grandmother who is teetering on the near edge of senility (the most frequently used word in her shrinking vocabulary is "whaddayacallit") but has no intention of giving up without a fight. When Leo (Gregory Boover), her spacey 21-year-old grandson, stops in for a visit after a cross-country bicycle trip from Seattle to New York, Vera puts him up for a couple of weeks. That's pretty much all that happens, though we also meet Bee (Emma Geer), Leo's earnest ex-girlfriend, and Amanda (Zoë Laiz),



Gregory Boover and Zoë Laiz in Amy Herzog's '4000 Miles'

a drunken young Chinese-American woman whom he picks up at a bar and with whom he doesn't quite manage to have sex.

For the most part, though, "4000 Miles" is all about the relationship between Vera, an unrepentant Communist, and Leo, a child of the therapeutic generation who thinks "Marx is cool" and ut-

ters sentences like "And I was like, first of all, who knows." Separated by a yawning gulf of age and experience, they manage to meet somewhere in the middle, and the uneasy but nonetheless loving relationship that results proves to be powerfully moving.

Unlike "After the Revolution," its 2010 prequel, in which we dis-

cover that the widowed Vera's second husband was a Soviet spy, "4000 Miles" isn't explicitly political. Ms. Herzog is careful never to be preachy about Vera's Stalinism: The only time that it comes to the fore is when Amanda sees a book on the shelf and amazes Leo by shrieking, "Is your grand-

Please see MILES page A13

CHRISTOPHER DUGGAN

LIFE & ARTS

MUSIC REVIEW | By Jim Fusilli

Lorde of the Lyrics But Not the Music



KEVIN WINTER/GETTY IMAGES

IN 2013, at age 16, the singer-composer Lorde released "Pure Heroine," her debut full-length album. An artistic and commercial success created with producer Joel Little, it was distinguished by its innovative blend of electronica and dream pop as the platform for her distinctive lyrical perspective. On "Pure Heroine," Lorde seemed to document how her life in the familiar environs of Auckland, New Zealand, would be upended by her pursuit of a major career in pop.

"Pretty soon I'll be getting on my first plane," she sang in "Tennis Court," the album's opening track. "Everything's cool when we're all in line for the throne... / But I know it's not forever." Lorde, who is known to family and friends as Ella Yelich-O'Connor, seemed a wise and wary youth who dreaded loneliness and the corruption of her core values. "It feels so scary getting old" is how she put it in "Ribs." To experience "Pure Heroine" was to revisit the emotional turmoil of the teenage years.

For her new album, "Melodrama" (Lava/Republic), out today, Lorde made a few changes. She co-wrote 10 of its 11 tracks with Jack Antonoff, formerly of Fun, who has worked with Sara Bareilles, Carly

Rae Jepsen and Taylor Swift, among others. (Lorde wrote "Homemade Dynamite" with the Swedish composers Tove Lo, Jakob Jerlström and Ludvig Söderberg.) Mr. Little appears here and there, but his role is greatly diminished. Whereas "Pure Heroine" was recorded in a small space in Auckland, "Melodrama" was made at a variety of studios in New York and Los Angeles.

All of that suggests that Ms. Yelich-O'Connor has succumbed, to some degree, to star-making machinery. The hand-in-glove fit of the music and words of "Pure Heroine" is gone, replaced in some cases by formulaic R&B-influenced pop including "Green Light," the first single from the album. Other songs are undermined by overwrought arrangements ill-suited to Ms. Yelich-O'Connor's evocative yet unextraordinary voice. Nuance is in short supply, but when restrained, the music works best, as when Mr. Antonoff's piano is the sole underpinning for the lovely "Liability." But the single notes played on piano under the voice in "Writer in the Dark" move the song uncomfortably close to parody. The chugging gui-

On 'Melodrama,' Lorde still transparently documents her life, but does so to uninspired arrangements

tar and echoes-of-Springsteen outro of "The Louvre" seem like new turf for the singer-composer, but the track is betrayed by a mismatch between words and the melodic structure. "Hard Feelings/Loveless" profits from the squeal and clanks of industrial sounds that rise from beats and synth strings.

The good news is that "Melodrama" retains its predecessor's great strength as Lorde continues to document, with insight and refreshing transparency, how her life is progressing. It turns out that it hasn't been going all that well as far as romance is concerned. She seems to say here that what she feared could happen has: Life is chaotic; celebrity disrupts relationships; the highs of love don't compensate for the sense of loss when it goes; and sometimes even the gifted have to retreat to an empty home.

She is aware such trials are fodder for great songwriting. "Bet you rue the day you kissed a writer," she sings in "Writer in the Dark." In the coda of "Hard Feelings/Loveless," she speaks of revenge:

"Cause I'm gonna mess your life up / Gonna wanna tape my mouth shut." But anger appears only in brief lightning-like flashes. Sadness and regret are the dominant emotions.

When loneliness starts sinking in, Ms. Yelich-O'Connor ex-

presses a realization that she needs to care for herself. In "Liability," she creates a devastating image: "So I guess I'll go home into the arms of the girl I love / The only love I haven't screwed up / We slow dance in the living room / But all that a stranger would see is one girl swaying alone." In "Perfect Places," the album's closer, she sings of "graceless nights," adding: "Now I can't stand to be alone."

Ms. Yelich-O'Connor's lyrics don't quite compensate for the uninspired music, but they keep "Melodrama" from being a keen disappointment. At 20 years old and on the path to global stardom, she's made a step that's sideways at best. But lyricists of her caliber are to be held in kind regard and there is much to savor, even if listeners will have to fight against the sound to do so.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.



CHRISTOPHER DUGGAN
Gregory Boover and Annette Miller in '4000 Miles'

MILES

Continued from page A12

mother like a Communist? I like, hate Communists! The Communists like f-ed China up the ass!...My family didn't do so well over there, okay? I know I'm like this funny weird girl in platform shoes, but I actually am not joking at all." That this admission is played for laughs—and gets them—doesn't diminish its potency. If anything, Amanda's reaction lands harder because it's played for laughs, which is typical of Ms. Herzog's method. Here as always, she is a master of indirection.

This revival, staged with poignant, self-effacing delicacy by Nicole Ricciardi, is an ideal showcase for the talents of Ms. Miller, a Shakespeare & Company veteran who gives the kind of performance you'll be talking about days after you see it. Her Vera is tough and unselfconsciously gallant, a woman whose mental powers are failing fast but who stares into the abyss with something very much like glee. I've never seen a more vividly detailed stage portrayal of extreme old age—merely to see her get up from a

couch is to receive an acting lesson—or a less sentimental one. Everyone else in the cast is superb, with Ms. Laiz, whose part is small but flashy, making the biggest impression. She has the kind of star quality that you notice the moment she walks on stage.

"4000 Miles" is being performed in Shakespeare & Company's 186-seat Elayne P. Bernstein Theatre, which is small enough to put you a stone's throw from the actors no matter where you're seated. Between the size of the house and John McDermott's perfectly dressed set, which looks exactly like the kind of modest Greenwich Village apartment in which a woman like Vera would live, you'll come away feeling as though you'd spent the evening sitting across the room from Vera and Leo. I can't think of a better place to be.

4000 Miles

Shakespeare & Company, 70 Kemble St., Lenox, Mass. (\$25-\$65), 413-637-3353, closes July 16

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

CARDINAL

Continued from page A12

who lures victims into his work den in a small suburban basement. It's a location familiar from countless films about serial killers obsessed with body parts: a subject that has itself been, for years, an obsession irresistible to television writers and other creative minds in the entertainment industry. The sadist here has a girlfriend who helps lure his victims and provides the basement—he's a mentor to her in the joys of inflicting pain and reaching the most daring of goals in torture.

The pretext for the ensuing horrors is a psychological side-trip of sorts to the subject of such couples—to their very special teacher-mentor connection on display in scenes packed with socio-babble about personal growth. The dialogue here can be more unbearable than some of the torture scenes, which is saying a lot.



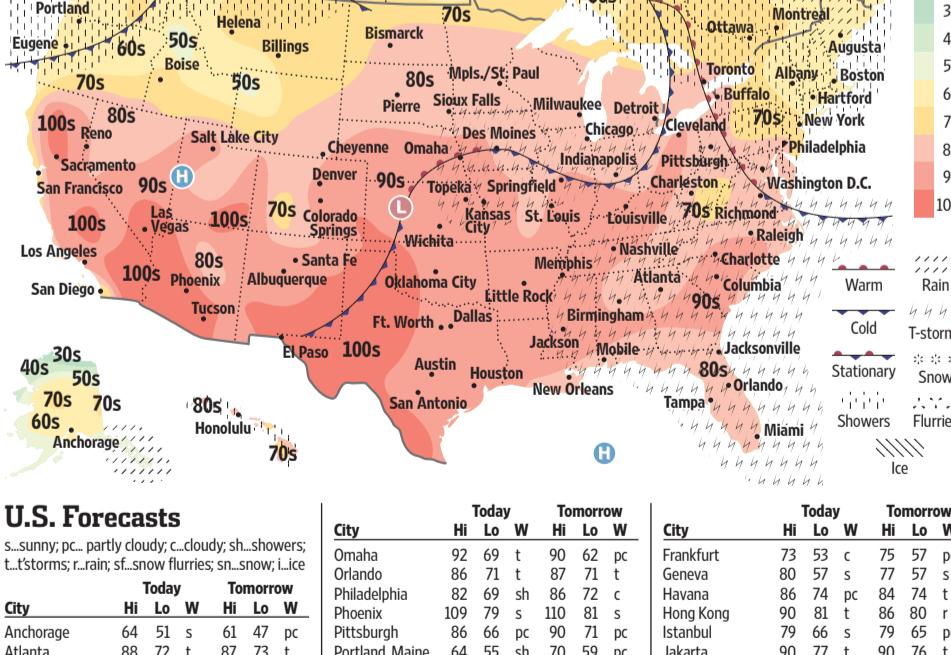
HULU
Conrad Coates as Coroner
Barnhouse and Karine Vanasse as
Lise Delorme

Perhaps all this works better in book form. "Cardinal"—whose season 1 comes in six parts—is based on "Forty Words for Sorrow," a novel by Giles Blunt. Torture aside, it's a consistently intriguing thriller, its appeal ensured by the bone-chilling glories of the scenery.

Cardinal

Friday , Hulu

Weather



U.S. Forecasts

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

t=tstorms; r=rain; sf=snow flurries; sn=snow; lce=ice

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 64 51 s 61 47 pc

Seattle 88 72 t 87 73 t

Austin 99 76 pc 101 76 pc

Baltimore 82 68 c 86 70 c

Boise 71 52 c 74 53 pc

Boston 67 61 sh 75 66 pc

Burlington 69 63 sh 84 70 pc

Charlotte 91 71 t 88 71 t

Chicago 88 69 pc 89 69 t

Cleveland 90 71 pc 92 74 pc

Dallas 97 79 s 99 78 s

Denver 92 60 pc 90 51 pc

Detroit 87 67 pc 87 72 t

Honolulu 88 74 pc 87 75 s

Houston 95 77 pc 94 77 pc

Indianapolis 88 71 pc 89 75 t

Kansas City 91 72 t 96 66 s

Las Vegas 107 81 s 109 84 s

Little Rock 93 73 pc 95 74 pc

Los Angeles 90 63 s 88 64 s

Miami 88 77 t 88 77 t

Milwaukee 85 68 c 83 66 t

Minneapolis 86 67 pc 79 62 pc

Nashville 92 73 t 93 74 t

New Orleans 89 75 pc 88 76 pc

New York City 70 65 sh 78 68 c

Oklahoma City 96 74 pc 100 75 s

International

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 65 58 c 72 56 pc

Amsterdam 85 69 s 84 70 t

Athens 107 77 s 110 82 s

Bangkok 97 81 pc 96 78 pc

Beijing 100 71 pc 97 72 c

Berlin 67 53 sh 69 54 pc

Brussels 69 56 pc 75 56 pc

Buenos Aires 77 66 sh 74 44 sh

Dubai 109 93 s 107 88 s

Dublin 70 56 pc 75 54 pc

Zurich 65 57 sh 71 57 pc

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



ONE, TWO, THREE, FOUR | By Patrick Berry

The answer to this week's contest crossword is a group of four.

Across

- 1 Macintosh's predecessor
- 5 Jewish deli buy
- 10 Polyethylene sheet
- 14 At an end
- 15 Petrova of tennis
- 16 Mental flash
- 17 Song sung by Marilyn Monroe in "Gentlemen Prefer Blondes"
- 18 Like whiteboards and blackboards
- 20 Bad joints
- 21 Plants
- 23 High roller's roll?
- 25 Like store window posting
- 27 Beam
- 29 Acronymic band name
- 30 Spice-yielding evergreen of Peru [1]
- 31 No longer fashionable
- 32 Deadly bait
- 33 Take part in
- 34 Quaint exclamation
- 35 Attack with missiles
- 36 Harder to find
- 37 Get hooked?
- 38 Like halter tops

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, June 18. A solver selected at random will win a WSJ mug. Last week's winner: John Cordes, Tucson, AZ.

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

Puzzle Contest

- 51 Trials that are often televised? [2, 3]
- 52 Pasta frequently served in soup
- 53 Cultural foundation
- 54 "The Fair Penitent" playwright Nicholas
- 55 Perceptive
- 56 Marine abysses
- 57 Winter coat
- 58 High ball
- 59 Academic growth
- 60 Lose focus, perhaps
- 61 Mental flash
- 62 Like diplomatic pouches
- 63 Called in advance
- 64 2001 gothic film starring Nicole Kidman
- 65 Deadly bait
- 66 Ambition
- 67 Form a line?
- 68 Put off
- 69 Interception
- 70 Not longer fashionable
- 71 Part of YSL
- 72 Consumer
- 73 Wrangler jeans protection?
- 74 Naval post?
- 75 Quaint exclamation
- 76 Distressed
- 77 Portrayer in "Casablanca"
- 78 Blow away
- 79 Fruit in a sweetheart cake
- 80 Answer offered hesitantly
- 81 Ambition
- 82 Form a line?
- 83 Put off
- 84 Interception
- 85 Not longer fashionable
- 86 Part of YSL
- 87 Consumer
- 88 Wrangler jeans protection?
- 89 Make duds
- 90 They can make a bundle
- 91 Princess costume accessory
- 92 Vehicle that may get more than 100 miles per gallon
- 93 Ambitious bridge contracts
- 94 College team whose fight song is "The Orange and Blue"
- 95 Class offering parental guidance
- 96 Seaweed-wrapped delicacy
- 97 Exam format

Previous Puzzle's Solution

| | | |
|------------|------------|---------|
| STAG | PITA | SCANT |
| COLA | ROAN | TABCO |
| AXEL | INUNDATION | |
| DIPLOMAT | WAGS | |
| SCHOOL | ESE | CPA |
| MYTH | ESALEN | |
| AMP | ROAD | LUNG |
| PUP | ILL | BOLTS |
| BONN | BOLT | EGRET |
| LONELY | YOWL | |
| EKE | OTT | HOOPLA |
| OTT | KNOW | WYOMING |
| SENATORIAL | ELOI | </ |

SPORTS

BOXING | By Jason Gay

Mayweather and McGregor's Mindless Summer Fight



L-R: JOHN LOCHER; JULIO CORTEZ (ASSOCIATED PRESS)

On Thursday morning, the daredevil and trapeze artist Erindira Wallenda—of the famous Flying Wallendas—set out to break her husband Nik's record for "Iron Jaw" stunts when she dangled from a helicopter over Niagara Falls hanging only by a mouthpiece.

"Owwwww.
"Obviously, my dentist doesn't want me to do this for the rest of my life," Erindira Wallenda said.

For the record: I did not know there was a category of human achievement and competition called "Iron Jaw." But I am a modern person, and I support anyone's right to dangle by their mouth from a helicopter over Niagara Falls.

And I feel the same way about Floyd Mayweather fighting Conor McGregor.

In case you missed it: On Wednesday, Mayweather, the 40-year-old boxing champion who allegedly retired from the sport two years ago with a perfect record of 49-0, agreed to meet McGregor, the loquacious mixed-martial arts maestro from the UFC, in a 12-round, pay-per-view boxing match. That's right, this will be good old-fashioned 10 ounce-glove boxing—no steel cage, no kicking, arm bars or rear naked chokeholds. It will be fought at 154 pounds, and is set for Las Vegas on Saturday, Aug. 26.

You are allowed to have one of two opinions about this:

1. Mayweather vs. McGregor is a shameless abomination concocted purely for money, which I have zero interest in paying to watch.

2. Mayweather vs. McGregor is a shameless abomination concocted purely for money, which I have zero interest in paying to watch—but I will try to talk my neighbor into paying for it.

I lean more toward Camp No. 2. I've already gotten to work on my neighbor. I think this fight is as goofy as it gets, but I'm curious. Maybe not \$99 curious, or whatever

the pay-per-view fee will be, but enough to bring my neighbor a six-pack. And maybe some chips.

Come on. It's on Aug. 26. What are you doing on Aug. 26? I'll tell you what you're doing: You're standing around the grill, drinking beer, burning eight ears of sweet corn. That's about it. (I told you that sweet corn was burning.)

Think of Mayweather vs. McGregor as peak mindless entertainment in the doggiest final dog days of summer.

Mindless summer entertainment is one of America's

most cherished industries, after all. There's a reason TV unleashes its most ridiculous reality programming in July and August—they know your overworked brain wants a holiday. There's a reason we love beach reads, Slip 'N Slides and popcorn movies. It is not a crime in this country to produce an overhyped summertime letdown strictly for money. If it were, they would not have made five Pirates of the Caribbean films.

Floyd vs. Conor...I don't see much to get worked up about.

Fighting isn't church. Box-

ing, by design, is a spectacle, with a rich tradition of stuntcraft. Muhammad Ali fought the Japanese wrestler Antonio Inoki. Manute Bol boxed Refrigerator Perry. Heavyweight "Two Ton" Tony Galento fought Joe Louis—but also a bear and a kangaroo. He even wrestled an...octopus.

(It's said the octopus died on the way to the fight, so Two Ton apparently wrestled a dead octopus.)

I'm not saying Conor McGregor is a dead octopus. But Mayweather stepping out of retirement to fight a

man with the lightest of boxing résumés isn't going to diminish boxing's stature in the eyes of the public—boxing does a perfectly great job of that on its own. (Though boxing does have a really legit fight coming in September with Gennady Golovkin vs. Canelo Alvarez.)

As for Mayweather vs. McGregor, I never imagined it would happen. It is easier to teach your dog French cooking than it is to organize a major fight—and this was a fight involving two known egomaniacs and sepa-

rate fighting bureaucracies.

I thought this was simply an amusement for both men, world-class chatterboxes with limitless interest in keeping their names in the public eye. As long as the rumored financial offers never crossed the imaginary line in their heads, they'd never get around to doing it.

Apparently, the money crossed that imaginary line. There's talk that Mayweather vs. McGregor could surpass the nearly half-billion haul for Mayweather's 2015 fight with Manny Pacquiao, though I'm not sure that dull-as-doorknobs fight should be the model. A lot of people wanted to throw their televisions out the window after Mayweather vs. Pacquiao.

What we'll surely get from Floyd and Conor is this: spectacular talk. McGregor is maybe the most amusingly charismatic talker in sports today, even if I think he believes only about 30% of what comes out of his mouth. The news conferences for this thing will really be the main event.

As for the fight, I don't think there's much to lose for either guy.

To the 40-year-old Mayweather, the calculation must be pretty straightforward: *You're going to pay me zillions to box a guy who doesn't box for a living? Where do I sign?*

To McGregor, who is just 28, the calculation must be pretty straightforward: *You're going to pay me zillions to box when I don't box for a living? Where do I sign?*

There are other upsides for McGregor: exposure to a wider platform, the attention of a broader sports public, and the ability to create leverage within the UFC. If he loses, even badly, so what? A non-boxer lost to one of the greatest boxers of all-time for a ton of cash.

The only relevant question is: Will you pay to watch on Aug. 26?

My advice: start buttering up the neighbors. Offer beer, and some of that sweet corn. They look like suckers.

U.S. OPEN
HISTORY AWAITS
SECOND ROUND • TODAY
FOX | FS1



SAILING

A SURPRISE KEY TO AMERICA'S CUP: BIKES

BY AARON KURILOFF

AS THE America's Cup gets underway off Bermuda this weekend, the primary story line centers around an unusual question for sailing: Can the Kiwis pedal their way to victory?

Emirates Team New Zealand arrives for its rematch with Larry Ellison's Oracle Team USA equipped with a radical strategy for powering the complex systems of its 50-foot hydrofoiling catamaran—a series of stationary bikes, four on a side, that the crew uses in place of hand-cranked winches.

Some analysts credit the bikes with helping the team execute the flawless maneuvers that were a key factor carrying the Kiwis past the U.K. and Sweden in the challenger series. The pedals help New Zealand charge hydraulics that are used to adjust the boat's wing-like main sail and the underwater blades that keep it soaring above the water. More hydraulic power allows crisper turns and other adjustments.

It's a fresh innovation from the Kiwis, who in 2013 were the first team to figure out how to use hydrofoils to lift the boat above the waves. The bikes are just one of the design elements the New Zealanders adopted in their pursuit of the "auld mug" as they seek payback

for the last finals, in which the Kiwis surged out to an 8-1 lead, pushing the U.S. to the brink of elimination, before Oracle stormed back to win 9-8 in one of the greatest comebacks in sports.

This time the Kiwis are younger, honed by the early rounds, and sailing a boat that's proven fast in the moderate breezes forecast for coming days as the finals in the 165-year-old event unfold off Bermuda. Extra power for handling the boat could be a decisive advantage in what many expect to be a close series.

In the challenger series, "the Kiwis' maneuvers were very good," said Peter Melvin, a former designer for teams including New Zealand and partner at Morrelli & Melvin Design and Engineering. "That's probably a combination of good crew work and the extra energy they have available to do those things."

Ellison's team, meanwhile, has barely been tested so far, losing just two races in the early rounds.

So far, things have unfolded according to plan for the team led by Ellison, the world's ninth-richest man. The 50-foot catamarans have provided high-speed action, with numerous lead changes and minimal breakdowns. And while weeks of competition have shown that any team can win a race, Oracle has looked to oddsmakers and analysts like

a solid favorite.

One challenge Oracle faces is rust. The U.S. team hasn't raced since early June. That could be critical, some analysts said, since few of the sailors have spent as much time sailing the catamarans as they'd like.

"Everyone always wants more time with these boats," Oracle helmsman Jimmy Spithill told The Wall Street Journal recently. "We're just scratching the surface of what they are able to do."

Some analysts think the teams could also be masking some of their boats' capabilities. Grant Dalton, chief executive for the New Zealand team, said last year that one of his biggest regrets from 2013 was revealing the team's success with hydrofoils too early—giving other teams the chance to catch up. Indeed, last month Oracle added a cycling station to its boat.

Gary Jobson, who won the Cup as tactician for Ted Turner's Courageous, said much will depend on who can adjust their boat and sailing quickly after seeing the other team's capabilities. Experience could also play a role. Spithill, Oracle's driver, "is historically the better starter and, like any sport, there's no substitute for knowing what it's like to reach the finals," Jobson said. Yet Peter Burling of New Zealand is "coming off a gold medal in the Olympics, so the kid's on an upward trajectory."

OPINION

Believers Need Not Apply

By Sohrab Ahmari

Does liberalism have any room left for Christians and other believers? The question has been posed countless times, and each time liberals answer more decisively than the previous: No.

On Thursday Britain's Liberal Democrats delivered that message to their leader, Tim Farron, forcing him to resign over his mildly conservative views on homosexuality and abortion. The Lib Dems supposedly carry the torch of 19th-century classical liberalism, though more recently it's been difficult to distinguish them from any progressive party, anywhere.

Not least when it comes to gender-and-sexuality orthodoxy. The media and many in his own party have hounded Mr. Farron for years because he deviated—gently, almost imperceptibly—from that orthodoxy. A working-class evangelical Christian, Mr. Farron imagined that his liberal opinions on other big issues like climate change and the European Union would protect him. He was wrong.

Soon after he took the party reins in 2015, Mr. Farron was asked whether, as a Christian, he considers homosexuality a sin. The Lib Dem leader gave the quintessential Christian reply: "We're all sinners." But it wasn't enough. The question would resurface amid the election campaign this spring.

During a TV interview on April 18, he was pressed four

times, and four times he demurred. Quiescence wasn't enough.

Pressure mounted, and the next day Mr. Farron relented. No, he clarified in remarks at the House of Commons, homosexuality isn't a sin. That still wasn't enough. The latter-day Gletkins and Ivanovs needed to be sure that Mr. Farron believed this in his heart of hearts, not merely as a matter

Progressives have triumphed over faith. Now they're targeting conscience itself.

of public confession. If he didn't think homosexuality a sin, asked a BBC interviewer a few days later, why had it taken him so long to say so? Mr. Farron was reduced to spouting gibberish.

Then the Guardian newspaper unearthed a 2007 interview, in which he had suggested that "abortion is wrong" but also cautioned Christian activists that an immediate outright ban would be impracticable. Confronted with his own words on the campaign trail, Mr. Farron pleaded that he'd never advocated abortion restrictions. It wasn't enough.

In his resignation statement, Mr. Farron wrote: "To be a political leader, especially of a progressive liberal party in 2017, and to live as a committed Christian, to hold faithfully to the Bible's teaching,

has felt impossible." He added: "I seem to have been the subject of suspicion because of what I believe and who my faith is in."

The concept he was grasping for is *conscience*.

Mr. Farron's politics recall the liberalism of Gladstone, Chesterton and Isaiah Berlin, which treated conscience as king. Today's liberalism has triumphed so spectacularly over the claims of faith and tradition that it has nothing left to conquer but the individual conscience. This is why modern liberals are so unmaginative in victory.

It isn't enough to emancipate transgender people—you, rabbi, must adhere to strict pronoun guidelines and feel in your soul that Chelsea Manning was always a "she." It isn't enough to legalize abortion—you, Tim Farron, must like it.

Liberals welcome believers insofar as religion can be deployed in service of liberal causes, to be sure. But any expression of theological or moral judgment is met with hostility.

Witness, across the Atlantic, Sen. Bernie Sanders's tirade against Russell Vought, President Trump's nominee for deputy director of the Office of Management and Budget. During a Senate confirmation hearing last week, the Vermont socialist grilled Mr. Vought about his contention, in a blog post published last year, that Muslims "do not know God, because they have rejected Jesus Christ his Son, and they stand condemned."

Mr. Vought's was a particularly stark summary of the basic Christian teaching that faith in the God-Man is essential to salvation. Plenty of Americans might disagree with the substance, phrasing or both. But Mr. Sanders went further, arguing that Mr. Vought's views were "Islamophobic" and "hateful" and therefore disqualifying.

Set aside the senator's riding roughshod over the Constitution, which prohibits religious tests for office. What was most depressing about his outburst was the bleak vision of civic life behind it.

To wit, Mr. Sanders implied that a devout Christian can't hold fast to his faith's most demanding claims and at the same time exercise public authority with decency and honor. If you disagree with someone's theology, in other words, it must mean you hate him. Yet at its best the West has stood for the opposite principle: that people can build and share a democratic public square across and even through such differences.

That principle is decaying across much of the West, and authoritarian adversaries like Vladimir Putin are no doubt trying to accelerate its demise. But it wasn't Mr. Putin who made Western politics so inhospitable to large segments of society—and to conscience.

Mr. Ahmari is a Journal editorial writer in London.

Kimberley A. Strassel is away.

Whom Have You Brought to Shabbat?

HOUSES OF WORSHIP

By Daniella J. Greenbaum

Friday night. Yet having grown up as part of a traditional family in Jerusalem, the rituals are familiar: warm challah bread, cold wine, hot chicken soup, spirited songs. Although Mr. Schmidt is no longer religiously observant, he often finds himself missing the experience. It can be hard to replicate.

The Shabbat dinner marks the ceremonial start of the Jewish Sabbath, which runs from Friday evening to Saturday night. Observant Jews spend the 25 hours abstaining from working, handling money, driving, writing and much more. In a world where cellphones and other devices essentially function as bodily appendages, the Sabbath offers respite from the noise. Rather than seeing the rules as restrictions, many think of them as a source of liberation, providing time to stop and think without constant interruption.

For Jews like Mr. Schmidt—respectful of tradition but personally unobservant—there are relatively few substitutes. But Aaron Kaplowitz and Shimon Shmooley hope to change that with a series of dinners called “+1” that

they have begun hosting in New York.

For the first dinner on March 10, the two 30-some-thing invited 18 guests from across the religious, professional and social spectra. These 18 were then asked to invite someone to the next dinner. The pattern will repeat each time, culminating in a fifth and final dinner for 288 attendees later this year. Each of the dinners includes Shabbat staples like challah and wine, but they also have interesting programming.

At the first one, billionaire philanthropist Lynn Schusterman, whose foundation provided funds for the first two dinners, spoke about her focus on Jewish continuity and pluralism. The Israeli musician Yoni Bloch described how he went from a rock star to technology entrepreneur. At the second dinner, Ambassador Dani Dayan, Israel's consul general in New York, fielded questions about his personal political views and the current policies of the government in Jerusalem.

At the most recent dinner, three Israelis with different disabilities talked about the challenges they face navigating daily life. Attendees were then given a small sliver of their experience by being impaired throughout the meal. I was blindfolded for the first course, unable to see who at

my table was harmonizing as we sang "Shalom Aleichem," the song that formally begins the Shabbat meal. For the main course, I was given gloves that made it unthinkably difficult to use utensils, pick up a glass, or wield a napkin. (Mercifully, my dress somehow remained unstained.) During dessert, I wore specially made headphones that made it impossible to hear fellow diners. This was not my Bubbe's Shabbat table.

Two New Yorkers find a way to introduce unobservant Jews to a ritual of respect.

Messrs. Kaplowitz and Shmooley hope others replicate their experiment. They want to expand the way people experience the Sabbath—along with who experiences it. For me, Shabbat is a weekly tradition, but it had been far less familiar to many of the dinner attendees. One attendee, who works in New York real estate, told me that growing up in the Soviet Union, his family never had Shabbat dinners. It wasn't until he came to the U.S. in the mid-1990s that he first experienced the ritual so

commonplace to American Jews. Mr. Schmidt, one of the original attendees, brought along two secular friends to the subsequent dinners.

The early Zionist thinker known as Ahad Ha'am—whose Hebrew nom de plume translates to "one of the people"—wrote in an 1898 essay: "More than the Jews have kept the Sabbath, the Sabbath has kept the Jews." Observing the laws of the Sabbath as a modern Orthodox Jew has molded and solidified my own religious beliefs. It has kept me, one could say. Most American Jews aren't Orthodox, but even without strict observance, the experience of Sabbath can keep them too.

For some, perhaps, the Sabbath calls to mind an archaic institution characterized by tedious traditions. But the minute details of observing the Sabbath are far less significant than the idea of the day itself. It's easy to think of religion in its traditional glory as the enemy of modernity, but these recent dinners prove something else: that it's possible to be faithful to the customs of the past while recognizing that an evolving culture ensures new meaning will be found in old rituals.

Ms. Greenbaum is an assistant editor at Commentary magazine.

I Just Called to Say, 'I Love You, Dad'

By Mike Kerrigan

Many American men born in the years immediately following World War II, my dad among them, are marked by stoic dispositions. Taking cues from their own Greatest Generation fathers, these men generally don't cry except at the strangest of times, like the end of "Field of Dreams." They're not much for hugging, either.

To the oldest of the baby boomers, a firm handshake with one's son covers the emotional waterfront from "I'm proud of you" to "See you in a month." It's entirely on the recipient to know which handshake he's receiving from his old man.

Nor do apologies come cheap. Such dads might sheepishly catch up around bedtime, gruffly say something like, "Redskins are too reliant on the draw play," and continue down the hall, expecting the apology to be heard. But that's about it.

Most of all, men of this vintage never, ever use the L-word

around their sons. I speak, of course, of "love." Sure, they love just like the rest of us. They just don't verbalize it, or like to hear it from sons they've forged in iron for life's great struggle. But sometimes things happen that change everything.

'Seriously, Mike, the L-word?' my brother asked. 'Are you trying to kill the man?'

In 2013 my dad suffered a pulmonary embolism, a large blockage that moved to his lungs. It happened suddenly and the symptoms were severe. By the time I learned he was in the hospital, it wasn't clear he was going to survive. Making matters worse, I heard all this while I was in an airport. So I decided then and there, when tomorrow wasn't assured, that it was time to change things forever between us. I dialed his number.

"Hello?" It's my mom. "Mom, it's me. Can I speak with dad?" She handed him the phone.

"Hello?" Dad sounded weaker than I'd ever heard. I began to tear up.

"How are you, big guy?" I asked. "You gonna be OK?"

"Think so. Doctors caught it in time, and say they can break up the clot with medicine." He didn't sound convinced. Not scared, but not convinced. I wasn't going to miss my chance.

"Dad," I said, my voice catching a little, "I just want you to know that I love you. And you don't have to say it, but I know you love me, too. I've always known it."

"OK, uh, thanks." His voice sounded a little stronger. "Listen, the doctors are coming back into the room now, so I need to go." The phrasing was ominous. "Goodbye, son." He hung up.

I tried to keep my composure in LaGuardia Terminal C, just like dad would. I don't know how much time passed—enough to say a couple of

quiet Hail Marys and my break-the-glass prayer that only God knows. Suddenly, my phone starts ringing. It's my kid brother. He doesn't even bother with hello.

"Did you just call dad at the hospital and say that you loved him?" I am so confused now I don't know what to think.

"I did." I pause to confirm, since it doesn't sound possible even to me. "Yes, I did! I thought he was dying. He sounded so frail, so scared, and—wait, how did you know that?"

"He just called me from the hospital and told me. Seriously, Mike, the L-word? Are you trying to kill the man?" Dad was clearly doing better than I thought. Well enough to call and have a laugh with my brother at what a softy (dad's word) I'd become.

There is no changing certain men of this generation. But I'm glad I did what I did. And I think he is, too.

Mr. Kerrigan is an attorney in Charlotte, N.C.

BOOKSHELF | By Benjamin Shull

Liquid Time Capsules

Ancient Brews

By Patrick E. McGovern
(Norton, 291 pages, \$26.95)

Old-school drinkers who prefer simple stouts and ales will tell you that a peanut-butter IPA with hints of chocolate is the bane of modern brewing. Some craft brewers have indeed tested the limits of what may reasonably be called a beer (now liable to include avocados or oysters). But as Patrick E. McGovern relates in "Ancient Brews: Rediscovered and Re-Created," our ancestors imbibed some pretty wild creations themselves.

Mr. McGovern directs the Biomolecular Archaeology Project for Cuisine, Fermented Beverages, and Health at the Penn Museum in Philadelphia. He describes himself as a "combination archaeologist and chemist," and his book recounts his work crafting modern spins on old-world potables—"liquid time capsules," as he calls them—for Delaware-based Dogfish Head Brewery, which worked with Mr. McGovern on its Ancient Ales series. The book will be of interest to home brewer and historian alike.

The simplified version of Mr. McGovern's process is as follows. He first sets about gathering drinking vessels and pottery shards from dig sites and museum collections, containers presumed to have held a fermented beverage at one

time. Any artifact that has a promising residue suggesting the presence of a liquid gets taken to the laboratory for chemical testing, which can help determine whether the vessel ever held an alcoholic drink and what the ingredients might have been. When Mr. McGovern and his main collaborator—Dogfish Head founder and president Sam Calagione—believe they've struck gold, the presumed concoction is a candidate for a remake.

Their first "extreme fermented beverage," he writes, was born of the Penn Museum's discovery in 1957 of some 160 bronze drinking vessels in the purported tomb of King Midas in central Turkey—"the largest comprehensive Iron Age drinking set ever found." Forty years later, Mr. McGovern had the opportunity to investigate some of these containers, and what he found surprised him: The 2,700-year-old residue suggested a mix of wine, beer and mead (made from fermented honey).

"Our stomachs turned as we . . . thought of mixing wine, beer, and mead together," the author writes. Yet he was intrigued, and after being impressed with a one-off batch brewed by Mr. Calagione, the two set about producing the mix commercially for Dogfish. Midas Touch—as it came to be called—would eventually become one of the brewery's marquee products. "It has gone on to be the most awarded of any Dogfish brew," Mr. McGovern writes, and it's currently the best-selling honey-based fermented beverage in the U.S.

Archaeology meets chemistry in this world tour of 'extreme fermented beverages' from ancient China, Egypt, Turkey and beyond.

Another winner in the Ancient Ales set is Chateau Jiahu. Mr. McGovern describes the excitement he felt working with pottery jars recovered from the Neolithic settlement of Jiahu in China's Henan province. "As we analyzed the extracts from one pottery vessel after another, the same chemical compounds kept showing up," he writes, and his team ultimately discerned a likely combination of rice, honey and fruit. At more than 9,000 years old, the Jiahu drink is "the oldest chemically confirmed alcoholic beverage in the world." In 2006, Messrs. McGovern and Calagione released Chateau Jiahu, brewed with hawthorn fruit, orange blossom honey and rice malt. The author calls it his "odds-on favorite" Ancient Ale.

The next stop is North Africa, which gave rise to Ta Henket. Unlike the previous two Ancient Ales, this drink was not based on finds at a single location. It instead came from "three early sites of different time periods in southern Egypt." Brewed with an ancient form of wheat and baked bread, Dogfish's version is but one of many possible renderings of a prehistoric and protohistoric Egyptian extreme fermented beverage." Even so, Mr. McGovern writes, Ta Henket does justice to "the available chemical, archaeological, and textual evidence."

Other reconstructed refreshments in "Ancient Brews" include a Nordic "grog" sourced from Scandinavia and the world's earliest known chocolate quaff used for special occasions, discovered in Honduras and now brewed with Aztec cocoa powder and chilies. Each chapter includes both a suggested meal pairing (Midas Touch, for instance, is best enjoyed with a spicy barbecued lamb and lentil stew) and step-by-step instructions for brewers at home.

The entire enterprise requires some creative liberty. "Lacking an ancient recipe book," Mr. McGovern admits, the jump from a hypothesized drink to re-creation is a large one. "We may know the essential ingredients, but what percentage of each was used? How were they processed, and do we need to replicate ancient tools and vessels to capture the original aromas, flavors, and other characteristics?" Perfect approximations are of course impossible, but Mr. McGovern's insights into ancient cultures help fill in some of the gaps.

"Ancient Brews" may well get readers drinking (in moderation, of course). It will also get them thinking, especially when Mr. McGovern ponders alcohol's place in human society. Fermented beverages didn't just provide our ancestors with a good buzz; they "tapped into the hidden realms of the human psyche." For the ancient world, drinking "contributed to a joyful exhilaration in being alive, much like the congenial atmospheres of today's neighborhood bar or a shared meal or celebration." Civilizations may rise and fall, but as long as humans walk the earth, they will do so with mug in hand.

Mr. Shull is an assistant books editor at the Journal.

Coming in BOOKS this weekend

James Grant on gold • George F. Will on baseball stats

• The birth of the submarine • Putting on Hamlet in

Saudi Arabia • The tombs of Timbuktu • Sam Sacks on

new Japanese fiction • Explorers' sketchbooks • & more

OPINION

REVIEW & OUTLOOK

Lessons of the Energy Export Boom

Sometimes politics changes so rapidly that few seem to notice. Remember the “energy independence” preoccupation of not so long ago? The U.S. is now emerging as the world’s energy superpower and U.S. oil and gas exports are rebalancing global markets. More remarkable still, this dominance was achieved by private U.S. investment, innovation and trade—not Washington central planning.

Thanks largely to the domestic hydraulic fracturing revolution, the U.S. has been the world’s top natural gas producer since 2009, passing Russia, and the top producer of oil and petroleum hydrocarbons since 2014, passing Saudi Arabia. By now this is well known.

Less appreciated is the role that energy exports are now playing in sustaining U.S. production despite lower prices. Since Congress lifted the 40-year ban on U.S. crude oil exports in 2015, exports are rising in some weeks to more than one million barrels of oil per day. That’s double the pace of 2016 when government permission was required, according to a recent Journal analysis of U.S. Energy Information Administration (EIA) data.

The U.S. still imports about 25% of petroleum consumption on net, mostly from Canada and Mexico, but lifting the ban has resulted in a more efficient global supply chain. Most domestic refineries are configured to process heavy crudes, but fracking tends to produce light sweet crudes. Exporting the light and importing cheaper heavy oil results in lower prices for gasoline and other petro-products, and the larger world market has allowed U.S. drillers to revive production after prices fell from close to \$90 a barrel in 2014.

Then there is the surge in liquefied natural gas (LNG) exports. Since the first LNG shipment from the lower 48 left a Louisiana port in 2016, the EIA expects exports will climb by about 200% over the next five years.

What is responsible for this progress? Well, producers are responding to a modest recovery in commodity prices after the price bust amid rising demand, and break-even costs for production continue to fall as technology and cost-management improve. But better policy decisions have also been crucial.

Under federal law, natural gas exports must be certified by the Department of Energy as “consistent with the public interest,” whether the U.S. has a free-trade agreement with the destination country or not. DOE approval is also necessary

to build liquefied natural gas export terminals, and the Obama Administration slow-walked these licences until deep into the second term.

Steve Bannon owes Paul Ryan an apology on the oil-export ban.

Yet starting in April, Energy Secretary Rick Perry approved a burst of LNG projects and promised to speed review of some two dozen other export terminals. In May the rhetorically trade-averse Trump

Commerce Department signed a market-access pact that welcomed China to receive U.S. liquefied natural gas shipments and make long-term LNG contracts with U.S. suppliers.

This wave of American LNG is already moving the global market toward a single price, like oil. As long as pipelines were the only transportation option, outfits like Gazprom were able to force their customers to take gas at inflated prices. Increased competition and energy diversification in Europe, where 14 NATO countries now buy 15% or more of their oil and gas from Russia, will also decrease Russia’s leverage as the region’s dominant producer.

As for the oil-export ban, this policy triumph arrived as part of a compromise between Republican leaders in Congress and the Obama White House in the 2015 budget deal. The GOP had to extend green-energy subsidies for several years as the price of Mr. Obama’s signature, but opposition from the left to any exports was certain to grow. GOP leaders recognized that a policy victory established by statute was worth the trade, and they are being vindicated now as exports grow with dividends for U.S. workers and energy production.

Conservative critics at the time didn’t take the long view, to say the least. The Heritage Action pressure group instructed Congress to vote against the compromise, saying it “fails to achieve significant conservative policy victories.” Steve Bannon and Julia Hahn, now White House aides, wrote a Breitbart.com manifesto “Paul Ryan Betrays America,” calling the bill “a total and complete sell-out of the American people.” Opposition was concentrated among Republicans: 95 Representatives and 35 GOP Senators voted nay, but Democrats didn’t get the better of the deal.

All of this is a lesson in free-market energy policy but also the occasional wisdom of accepting partial victory. The last two Presidents—including George W. Bush, President Ethanol—had too much confidence in government to drive energy change. President Trump doesn’t appear to be following their example, and Americans are benefiting as a result.

Washington Isn’t Istanbul

Washington has enough problems today without having to add other nations’ bad habits to the local political culture. Thus it’s good news that the D.C. police have issued arrest warrants for 12 members of the security detail that Turkish President Recep Tayyip Erdogan brought to the nation’s capital last month.

Apparently believing that Istanbul rules apply anywhere, the security men attacked and beat up anti-Erdogan protesters in front of the Turkish embassy on Massachusetts Avenue. Recordings show them kicking and beating the protesters in Sheridan Circle. Nine protesters ended up in the hospital, and two U.S. Secret Service officers and one D.C. cop were injured in the melee. Seven of the Turks face felony assault charges.

The arrest warrants are symbolic because the

Erdogan’s bullies get police warrants for beating up protesters.

accused are back in Turkey, but they send an important message. This may be another day at the office for Mr. Erdogan’s thugs, but it isn’t normal behavior in the United States, where peaceful protest is protected by the Constitution, and that includes protesting against foreign heads of state.

We understand the concerns about foreign governments attempting to file criminal charges against U.S. diplomats or military personnel while serving overseas. Diplomatic immunity often protects offenses committed in the U.S. by foreign officials. The U.S. also has important security interests with Turkey and the hyper-sensitive Mr. Erdogan. But the D.C. police are right to use this incident to draw a bright line.

The U.S. welcome mat for foreign leaders doesn’t include turning assaults on protesters by security agents into another of the city’s tourist attractions.

Congress Steps Up on Russia

Whatever you think about Donald Trump’s relationship with Russia, the controversy has achieved one positive result. On Wednesday the Senate voted 97-2 to strengthen sanctions on Vladimir Putin’s regime, a rare moment of bipartisan agreement these days.

The amendment to an Iran sanctions bill would require congressional approval before President Trump lifts current sanctions on Russian entities. It broadens the field of potential sanctions targets to include those involved in human-rights abuses or doing business with Russian intelligence and defense industries, among others. It also expands the range of Russian industries that could be subject to sanctions.

The Administration objected to the proposal, but what did Mr. Trump expect? Ordinarily we’d agree with Secretary of State Rex Tillerson, who warned a House committee this week not to limit the President’s “flexibility to adjust sanctions to meet the needs of what is always an evolving diplomatic situation.” The Constitution intends for the executive to have broad discretion on foreign policy.

Trump will have to earn more discretion on foreign policy.

sia still occupies Ukrainian territory in Crimea; frequently violates the Minsk cease-fire agreements the Obama Administration helped negotiate for eastern Ukraine; and is propping up Bashar Assad in Syria.

U.S. sanctions are also a message of support for the thousands of Russians protesting against corruption this

week in the streets of major cities. The protests were inspired by opposition leader Alexei Navalny, who was sentenced this week to 30 days in jail for organizing a rally in Moscow. In a sign of how worried the Kremlin is, up to 1,700 protesters may have been arrested and courts are sentencing some to weeks in prison.

One question is why Democrats on Capitol Hill took so long to notice. Their new enthusiasm for Russia sanctions follows eight years during which most—although not all—Congressional Democrats endorsed President Obama’s and Hillary Clinton’s “reset” with Mr. Putin, supported Mr. Obama’s refusal to offer lethal defensive weapons to Ukraine, and granted him ample loopholes in sanctions legislation on both Russia and Iran. Their conversion now looks more political than principled.

That doesn’t make them less right, and we hope the House picks up the Senate sanctions legislation. Mr. Trump would then have to decide whether to veto, but an override wouldn’t improve his standing on the world stage. The better choice would be to sign the bill, enforce the sanctions vigorously, and work with Congress to forge a bipartisan approach to Russia. That would help the President rebut fears that he can’t be trusted on Russia, while telling Mr. Putin that rogue behavior won’t be rewarded.

But it’s hard to fault Congress for being skeptical. Though there’s no evidence of campaign “collusion” with Russia, Mr. Trump has been oddly solicitous of Mr. Putin. Congress is sending a useful message that Mr. Trump has little running room to negotiate unless the Russian changes his behavior.

Mr. Putin is giving American leaders plenty of reasons to act. Russians have spread misinformation and used computer hacks to disrupt elections in France, Germany and the U.S. Rus-

LETTERS TO THE EDITOR

California Dreams of Single-Payer Medicine

Regarding your editorial “A Single-Payer Test Drive” (June 12): No thank you to the your recommended adoption of a California single-payer health-care system as a test case. I do not care to get my health care from a DMV-like queue. There are over 5.6 million of us on Medicare in California. I, for one, do not want my Medicare funding redistributed across the massive legal and illegal California population. The odds are high that my coverage would be cut, and my ability to gain timely access to needed services would diminish.

As you mention, the University of Massachusetts Amherst study says this “free” health care could be funded by taking over \$225 billion of Medicare, Medicaid and ObamaCare federal funds, plus imposing a 15% payroll tax (and most likely a 31% increase in the sales tax, plus higher income taxes on those of us who pay taxes). There is nothing “free” about this at all.

Could California even manage such a system? Again, look at your local DMV. Would you want to stand in a line like that for medical help if you have a heart attack? Look at the underfunded state-employee pension plans. Stanford estimates the shortfall at \$1 trillion—lots of promises made for underfunded benefits. Look at how our roads have deteriorated because the gas tax was squandered on uses other than highway maintenance.

So please don’t advocate ideas like this, even ironically, that take away our right to choose our medical plan.

OLIVER WATSON

Orange, Calif.

I realize that when you wrote this editorial you had tongue firmly

planted in cheek. Out here in the Golden State, however, it is a well-demonstrated fact that the average California progressive has absolutely no sense of humor and lives in an alternate universe.

I believe that any day now I will hear or read about a California Democratic solon or lobbyist of the thugish California Nurses Association rising to his or her feet and saying, “See, even The Wall Street Journal says we should do this!”

Please, please—be careful how you try to help us.

BECKY KOLBERG

San Ramon, Calif.

I would hope that should California’s single-payer proposal pass, no resident of California will be exempt from coverage and no alternative ever be allowed. This would include every resident of the state from the governor on down, every state senator and assembly person and their families, each and everyone of their staff members and their families, every lobbyist and their families and every union member and their families. There should be no exceptions whatsoever. I fear that Sacramento might carve out some exceptions from what it inflicts on the rest of us, should this folly become law. Did the U.S. Congress not let itself be absolved from Obama-Care?

CHARLES VORSANGER

Pasadena, Calif.

Did California’s state Senate calculate how many people would move to California for free health care?

CHARLES E. CAMPBELL

Flossmoor, Ill.

We Must Punish Steel Dumpers With Tariffs

Your editorial “Steel-Trapped Minds” (June 12) diminishes the key issue that is the impetus for the administration’s investigation into the national security impact of steel imports: global steel overcapacity.

Today there is more than 700 million metric tons of excess steel capacity globally. Driven by foreign-government interventionist policies, this overcapacity has led to high levels of dumped and subsidized imports and the loss of nearly 14,000 jobs.

The steel industry has relied on our trade laws to address the impact of these unfairly traded imports, and that has provided some relief. However, high volumes of steel continue to enter the U.S. market from countries that aren’t subject to the relief, or where it has been ineffective or from companies that ship their steel through third countries to evade the laws.

The American steel industry is among the most environmentally sustainable and technologically advanced in the world. We have substantially reduced our energy usage and led the development of industry innovations—like advanced high-strength steel. If not countered effectively, the injurious dumping of steel will continue to cost thousands of good paying jobs, discourage new investment in manufacturing and threaten the very viability of an industry that built this nation and its

JOHN FERRIOLA

Chairman, CEO & President
Nucor Corp.
Charlotte, N.C.

Is breaking the law justified as long as it benefits consumers? The point of applying tariffs isn’t to make foreign steel more expensive to protect a small number of American steelworkers, as your editorial claims. Tariffs are a means of enforcing the rules of international trade for the sake of more than one million American jobs that depend on a viable steel industry.

We would all like a global trading system that is truly free, one in which the theory of comparative advantage is a reality, with each nation exporting what it does best. We’re not there yet. Instead, we have managed trade—a system governed by trade agreements and rules that participants agree to follow. The only way we are going to break down trade barriers in the future is by enforcing the rules we have today.

If a company is receiving illegal government subsidies to produce and sell artificially cheap steel, its steel products are subject to a tariff. That’s the law. We welcome the Commerce Department’s investigation.

DANIEL ZEIDNER

Cheswick, Pa.

A Deconquista Would Have Many Unpleasant Results

Regarding Charlotte Allen’s “The Spanish Left Yearns for Deconquista” (Houses of Worship, June 9): If the Muslim’s temporary conquest of most of Spain (711-1492) conferred permanent property rights to Muslims, shouldn’t the Jewish rule of Palestine confer the same property rights to the Jewish people? Is the Al Aqsa Mosque on the Temple Mount in Jerusalem being handed back? Besides, wasn’t the Cordoba Mosque built on the site of a previously existing Christian church?

KATHLEEN JAMES

Port Chester, N.Y.

It is a basic tenet of law that a thief can never acquire good title. Despite 800 years of occupation, the cathedral in Cordoba remains an illegal occupier of Islamic property. It has no more right to the ancient mosque than Muslims have to historical Jewish property in Israel.

MARTIN S. WEINSTEIN

San Jose, Calif.

What’s next—returning Istanbul’s Hagia Sophia to its original Eastern Orthodox owners? Who rightfully should possess the Dome of the Rock? Be careful what you wish for.

PETER BERNOT

Howell, N.J.

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

Pepper ... And Salt

THE WALL STREET JOURNAL



“I’ve lost my desire to sniff.”

OPINION

Time Is Running Out for Nafta

By Carlos Pascual

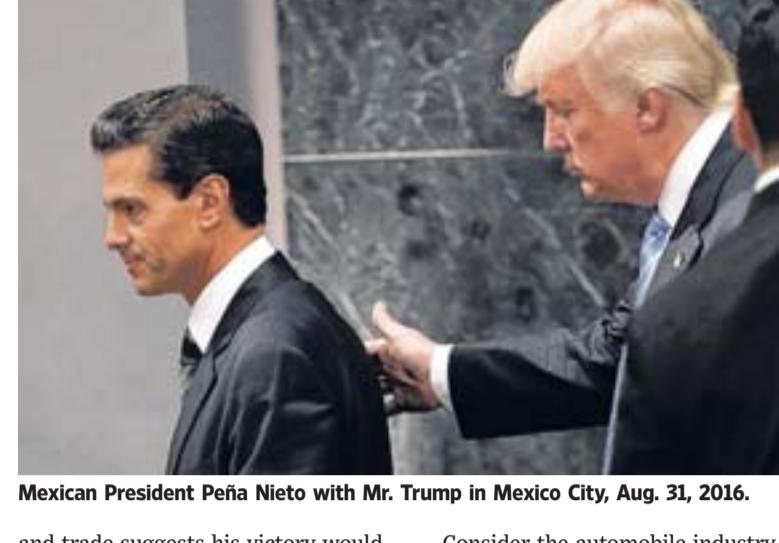
When the Trump administration notified Congress last month that it plans to renegotiate the North American Free Trade Agreement, it started a process that could drag on for years. But there's a huge potential obstacle: the Mexican and American political calendars. U.S. trade negotiators should aim for a fast and favorable outcome, but they also need to prepare for the possibility of negotiating with an increasingly hostile southern neighbor.

Mexico will elect a new president and Congress in July 2018. U.S. midterm elections will take place the following November. Starting early next year, domestic electoral politics in both countries likely will preempt consensus on a trade agreement. If Nafta isn't renegotiated by the end of 2017, meaningful talks almost certainly will be deferred to 2019.

The U.S. and Mexican political calendars leave Trump with about five months to get a deal done.

Mexico's populism-driven presidential race appears set to be focused on corruption and security. Andrés Manuel López Obrador's left-populist Movement of National Regeneration leads in the polls. President Enrique Peña Nieto's center-left Institutional Revolutionary Party and the center-right National Action Party also have significant support, though independents and other parties further split the field.

It's possible Mexico's next president will win with 30% of the vote and a minority of seats in the legislature. Mr. López Obrador's vocal criticism of the U.S., free markets



Mexican President Peña Nieto with Mr. Trump in Mexico City, Aug. 31, 2016.

and trade suggests his victory would make any renegotiation difficult.

When Candidate Trump first denounced Nafta, many Mexicans naturally panicked. That fear has since dissipated. Around 80% of Mexico's exports go to the U.S., according to the Congressional Research Service. Mexico is the second largest recipient of U.S. exports and the third largest importer of U.S. agricultural products, data from the Office of the U.S. Trade Representative show.

Mexican entrepreneurs won't accept just any deal. They want one that serves their country's long-term interests. The U.S. states that export the most to Mexico—Texas, Michigan, California and Illinois—also carry huge political weight. Mexican leaders understand that if U.S. exports do not find a home in Mexico, they will have an even harder time finding other markets, especially in Asia.

Trade politics are equally complex in the U.S. Antiglobalization sentiment remains fervent in many quarters of the left and right. The U.S. could threaten tariffs to block Mexican exports, but this would directly hurt American companies and workers.

Consider the automobile industry. Prohibitive U.S. tariffs on Mexican-finished automobiles would undermine the American companies that export car parts to Mexican assembly plants.

The energy market further underscores how interlinked the two economies have grown. As of 2016, the U.S. exports more refined fuel products and natural gas to Mexico than to any other country in the world, according to the U.S. Energy Information Administration. With global fuel markets saturated, the U.S. needs Mexico's energy consumers, and Mexico needs American fuel.

Trade laws further complicate the timeline for renegotiation. Formal talks can begin only when the U.S. completes legislatively required congressional consultations in mid-August. Once Nafta is renegotiated, the Trump administration must report to Congress on proposed "trade remedies" 180 days before signing the agreement. If negotiations close by the end of 2017, the earliest signing date would be July 1, 2018. That very same day Mexico elects a new president. On July 1, the president's fast-track trade promotion authority will expire. If Congress doesn't extend

that authority beforehand, lawmakers could enact myriad amendments.

If the Trump administration wants to negotiate with the current Mexican government, it must complete talks within five months. The president will also have to persuade Congress quickly to extend his trade promotion authority. On Mexico's side, Mr. Peña Nieto would have to convene an extraordinary session of Mexico's Congress before he leaves office to ratify the agreement—or his successor could scrap it.

If Mexico has ratified the new agreement, the U.S. Congress can approve it in 2019. But if lawmakers in Washington balk, negotiations will start anew in 2019 with the new Mexican government, or the agreement could collapse entirely. And then there's Canada, which could hold elections in October 2019, another potential complication.

The entire process is fraught with risk that could damage the continent's global economic prospects. If the U.S., Mexico and Canada instead want stability, they should agree from the outset to a "standstill" that honors Nafta's terms while they negotiate. The alternative, a retaliatory trade war, would rob all the parties of markets, efficiencies and exports. China would love nothing better.

Despite all these risks, quickly ratifying an amended agreement could provide a positive outcome for all three countries. The current Mexican administration has little to lose from a good deal that mitigates economic risk. Canada has everything to gain. For the U.S., an interim outcome eliminates uncertainty about a future Mexican negotiating counterpart. Playing the short game is worth it. Too bad a gloomier outcome appears more likely.

Mr. Pascual, a senior vice president at the consulting firm IHS, served as U.S. ambassador to Mexico (2009-11) and Ukraine (2000-03).

Don't Blame Trump When ObamaCare Rates Jump

By Chris Jacobs

Insurers must submit applications by next Wednesday to sell plans through HealthCare.gov, and these will give us some of the first indicators of how high ObamaCare costs will skyrocket in 2018. ObamaCare supporters can't wait to blame the coming premium increases on the "uncertainty" caused by President Trump. But insurers faced the same uncertainty last year under President Obama.

California's insurance commissioner discovers an 'uncertainty' that eluded him last year.

Consider a recent press release from California Insurance Commissioner Dave Jones. He announced that "in light of the market instability created by President Trump's continued undermining of the Affordable Care Act," he would authorize insurers to file two sets of proposed rates for 2018—"Trump rates" and "ACA rates." Among other sources of uncertainty, Mr. Jones's office cited the possibility that the Trump administration will end cost-sharing reduction payments.

Those subsidies reimburse insurers for discounted deductibles and copayments given to certain low-income individuals. Congress has never enacted an appropriation for the payments, but the Obama administration began disbursing the funds in 2014 anyway.

Thus the uncertainty: The House filed a lawsuit in November 2014, alleging that the unauthorized payments were unconstitutional. Judge Rosemary Collyer ruled in the House's favor and ordered a stop to the payments. As the Obama administration appealed the ruling, the cost-sharing reductions continued.

The House lawsuit and the potential for a new administration that could cut off the payments unilaterally should have been red flags for regulators when insurers were preparing their rate filings for 2017. I noted this in a blog post for the Journal last May.

To maintain a stable marketplace regardless of the uncertainty, regulators should have demanded that insurers price in a contingency margin for their 2017 rates. It appears that Mr. Jones's office did not even consider doing so. I recently submitted a Freedom of Information Act request to his office requesting documents related to the 2017 rate-filing process, and "whether uncertainty surrounding the cost-sharing reduction payments was considered by the Commissioner's office in determining rates for the current plan year." Mr. Jones's office replied that no such documents exist.

What does that mean? At best, not one of the California Insurance Commission's nearly 1,400 employees thought to ask whether a federal court ruling stopping an estimated \$7 billion to \$10 billion in annual payments to insurers throughout the country would affect the state's health-insurance market. At worst, Mr. Jones—a Democrat running for attorney general next year—deliberately ignored the issue to avoid exacerbating already-high premium increases that could have damaged Hillary Clinton's fall campaign and consumers further down the road.

The California Insurance Commission is not alone in its "recent discovery" of uncertainty as a driver of premium increases. In April the left-liberal Center for American Progress published a paper claiming to quantify the "Trump uncertainty rate hike." The center noted that the "mere possibility" of an end to cost-sharing payments would require insurers to raise premiums by hundreds of dollars a year.

Following insurers' June 21 deadline, expect a raging blame game over next year's premium increases. Conservatives shouldn't hesitate to ask regulators and liberal advocates now pointing the finger at uncertainty where they were this time last year when the future of those payments was equally uncertain.

Mr. Jacobs is founder and CEO of Juniper Research Group, and a senior health-care policy analyst for the Texas Public Policy Foundation.

Four Principles for Replacing Dodd-Frank

By Charles W. Calomiris

The effort to repeal the 2010 Dodd-Frank Act and reform American financial regulation seems to be losing traction. Although the House voted 233-186 last week to pass Rep. Jeb Hensarling's ambitious and substantive Financial Choice Act, it is unlikely to come to a vote in the Senate soon. The Treasury this week released the first installment of its own blueprint for reform, another good step. But the urgency of action has been lost as the Trump administration struggles to find its footing on tax cuts, health care and the budget.

Unfortunately, delay is damaging. Financial regulation since 2009 has been a trifecta of failure: It has not achieved its stated objectives, yet has imposed enormous costs on banks and the economy, while creating Kafkaesque procedures that deform democracy by undermining the rule of law. With respect to missed targets, consider a few examples:

• The 2009 CARD Act sought to protect risky credit-card borrowers from high bank charges. Instead the law has pushed these borrowers into the shadow consumer-finance system.

• Dodd-Frank was supposed to limit mortgage risk through standards for qualified mortgages and qualified residential mortgages. But these requirements have been ineffective because mortgage transactions by Fannie Mae and Freddie Mac are exempt. Even Barney Frank has publicly recognized the problem. In 2015 he said that regulators had "let the loophole eat up the rule." As a result of relaxed underwriting standards at Fannie and Freddie, mortgage risk has been rising steadily for the past four years.

• Title II of Dodd-Frank was advertised as a way to prevent bailouts of too-big-to-fail banks by offering them a means of orderly liquidation.

But it is unworkable and will not produce neat resolution in practice. The path of least resistance remains bailouts, the procedures for which were codified by Dodd-Frank.

• The Durbin Amendment, which limited debit-card fees, failed to help consumers because banks simply raised other fees, such as those on overdrafts. The share of banks offering free checking accounts fell from 75% before Dodd-Frank to 37% in 2015.

• Dodd-Frank's Financial Stability Oversight Council was supposed to establish a credible means for measuring or controlling systemic risk, but it has failed to do so. The FSOC's one high-profile foray into so-called macroprudential policy was to limit banks' leveraged lending—an initiative designed to deprive private-equity firms of certain types of loans. This was completely ineffectual, since leveraged lending by shadow banks increased dollar-for-dollar.

• Dodd-Frank and its implementing rules have increased banks' minimum capital ratios, but there is little reason to believe that today's prudential regulations—which use complex models of risk and liquidity to require minimum amounts of bank capital or cash—will prove more reliable during the next crisis than they were in the last one. Recall that Citi-group's regulatory Basel capital ratio was 12% at the end of 2008. The current goal seems to be to make all banks just as sound as Citi was at that time.

Despite these regulations' ineffectiveness, the compliance costs paid by customers and stockholders are large. Small banks face high regulatory overhead as a fraction of assets—so much so that virtually no new banks have been started since Dodd-Frank was passed. Midsize banks often avoid profitable growth or acquisitions because they want to avoid an increased regulatory burden. Large banks bear unique compliance

costs, such as stress testing based on highly questionable criteria, which probably does little to limit systemic risk but crimps the credit supply.

Even more troubling is the adoption of processes inconsistent with the rule of law. Regulators increasingly issue "guidance" rather than go through formal rule making, with little regard for predictability, transparency or accountability. The criteria employed in stress testing are secret and therefore unaccountable. The standards for considering which nonbanks present a systemic threat are arbitrary.

First, address incentives: Banks want to avoid costs and regulators tend toward the politically expedient.

The Consumer Financial Protection Bureau's new outcome-based theories of lending discrimination are radical. The very structure of the CFPB, as a three-judge panel at the U.S. Circuit Court of Appeals for the District of Columbia ruled last fall, "violated bedrock due process principles" by giving the bureau's director "more unilateral authority than any other officer in any of the three branches of the U.S. government, other than the president."

With unchecked power comes predictable abuse, but some cases challenge the imagination. For instance, in "Operation Choke Point," the Obama administration, working through financial regulators, warned banks against doing business with industries that the government deemed undesirable—gun dealers, tobacco purveyors and payday lenders, among others.

Notable & Quotable: Paglia

Camille Paglia in an interview with the Weekly Standard, June 15:

There seems to be a huge conceptual gap between Trump and his most implacable critics on the left. Many highly educated, upper-middle-class Democrats regard themselves as exemplars of "compassion" (which they have elevated into a supreme political principle) and yet they routinely assail Trump voters as ignorant, callous hate-mongers. These elite Democrats occupy an amorphous meta-realm of subjective emotion, theoretical abstractions, and refined language. But Trump is by trade a builder who deals in the tangible, obdurate, objective world of physical materials, geometry, and construction projects, where communication often reverts to the brusque, coarse, high-impact level of pre-modern working-class life, whose

Why did Dodd-Frank and the rest of the crisis-induced rules fail? Because they did not recognize the core principles of successful regulation. I would emphasize four:

First, effective regulation must address incentives. Banks and financial firms want to avoid regulatory costs. Regulators tend toward what's politically expedient. Good rules take this into account. For instance, using market-based measures of risk and capital alongside accounting measures would make regulatory arbitrage less likely.

Second, consumer protections should help people make informed choices instead of attempting to dictate choices with prohibitive rules.

Third, macroprudential policy should focus first and foremost on real-estate risk, especially where subsidized and promoted by the government. The primary threat to financial stability remains subsidized risk-taking in the mortgage market, which is growing once again to worrisome levels.

Fourth, regulation should conform to the rule of law—which means ending the reliance on "guidance" and the delegation of excessive discretionary authority to politicized actors such as the FSOC and the CFPB. Financial rules and their enforcement must be transparent, so that regulators are accountable to the public.

The Financial Choice Act is a good start, but there's no time to waste. The longer the Senate waits to take up Mr. Hensarling's bill, the more harm the current regulations will do to America's financial system, the economy and the rule of law.

Mr. Calomiris, a professor of finance at Columbia Business School, is the author of "Reforming Financial Regulation After Dodd-Frank," out last month from the Manhattan Institute.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancy, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

DOW JONES
News Corp

Robert Thomson
Chief Executive Officer, News Corp

William Lewis
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:

Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer & CFO;

Katie Vannec Smith, President

OPERATING EXECUTIVES:

Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitmann, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Jonathan Wright, International

DJ Media Group:

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business:

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head



STARBUCKS®
NARIÑO 70
COLD BREW
— COFFEE —

SUPER-SMOOTH FLAVOR



BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Friday, June 16, 2017 | B1

S&P 2432.46 ▼ 0.22%

S&P FIN ▼ 0.37%

S&PIT ▼ 0.48%

DJ TRANS ▲ 0.23%

WSJ \$IDX ▲ 0.60%

LIBOR 3M 1.267

NIKKEI (Midday) 19937.15 ▲ 0.53%

See more at WSJMarkets.com

Kroger Rattles Nerves in Grocery Section

Chain's profit warning points to unrelenting pressure on industry; its shares fall 19%

By ANNIE GASPARRO

Pressure on U.S. grocers increased on Thursday after a lower earnings forecast from Kroger Co. sent shares in the nation's biggest supermarket chain down 19%.

Kroger said that sales at longstanding stores fell for the second straight quarter and that increasing competition will hurt earnings for the year. Kroger's shares took their

steepest one-day drop in more than 17 years on the news. Shares of other big food retailers also fell.

It was the latest blow to big grocers battling volatile food prices on one front and stiffer competition on another.

"The change right now in what the customer wants has never been faster," Kroger Chief Executive Rodney McMullen said in an interview.

Consumers are buying more of their groceries outside of traditional supermarkets. Online merchants, discounters and meal-kit delivery services are all grabbing market share. At the same time, a global commodity glut has pulled

down prices for many staple foods over the past 18 months, putting pressure on many retailers to lower prices.

Sales have continued to slacken. In the first quarter, food and beverage sales at brick-and-mortar stores in the U.S. were off nearly \$3 billion, or 2.5%, from a year earlier, market research firm Nielsen says.

Grocery-store visits rose just 0.5% over the past year.

Some grocery sellers are making gains. Trips to deep-discount chains are up 2.9% over the past year, Nielsen says, and online grocery orders have risen 6.8%.

"The economic model of the

traditional grocery store is incredibly challenged," said Wolfe Research analyst Scott Mushkin.

Germany-based chain Lidl is opening its first 10 stores in the U.S. this week. At a store opening in Wilson, N.C., on Thursday, a line of more than 100 people snaked around the block ahead of time, an industry analyst reported.

Rival German chain Aldi, which has operated in the U.S. for decades, plans to invest \$5 billion over the next five years to open nearly 900 stores and remodel hundreds more.

Amazon.com Inc. also is selling fresh groceries in some cities and recently launched

two grocery pickup locations in Seattle.

"This is the most disruption the grocery industry has seen in the last half-century," said David Ciancio, a former Kroger executive and a strategist at consumer-data company Dunhamby.

"More customers are concerned about price and value, and that has a material impact on profitability."

Whole Foods Market Inc. is under pressure to reverse a nearly two-year decline in same-store sales that has halved the specialty-food chain's share price. Wal-Mart Stores Inc., the largest U.S. food seller, is cutting prices to keep up with competition from

Amazon. Target Corp.'s food-and-beverage comparable sales continued to fall in the latest quarter, even after the chain replaced its grocery chief earlier this year.

Some grocers may need to merge to keep up, said Mr. McMullen, Kroger's CEO. "We would expect there would be consolidation in the industry."

Kroger will continue to cut prices to retain customers, he said, and strive to improve customer service in part by paying higher wages. That will add to pressure on Kroger's bottom line.

"The best thing that we can do is to stay on the offense,"

Please see KROGER page B2

Malaysia Scandal Goes to Hollywood

The Justice Department filed lawsuits to seize assets allegedly bought with money stolen from a Malaysian investment fund, including a \$250 million yacht and gifts given to model Miranda Kerr and actor Leonardo DiCaprio.

Assets Justice Department is trying to seize, value of assets, in millions

JHO LOW AND FAMILY* \$405.8 MILLION TOTAL

\$250.0 Stake in Electrum Group, a hedge fund focused on gold

Equanimity yacht

3.0 Shares of Fly Wheel Sports

2.8 Matching diamond ring and earrings

RIZA AZIZ \$25.7 MILLION TOTAL

\$21.5 Dumb and Dumber To film

3.0 Daddy's Home film

1.2 Metropolis movie poster

LEONARDO DICAPRIO \$13.2 MILLION TOTAL

\$9.2 Basquiat painting

3.3 Picasso painting

0.8 Arbus photograph

MIRANDA KERR \$8.1 MILLION TOTAL

\$3.8 8.88-carat diamond pendant

2.0 Matching diamond jewelry set

1.3 11.72-carat heart-shaped diamond

1.1 11-carat diamond earrings

JASMINE LOO

\$4.5 One Madison Park condominium

TAREK OBайд

\$2.0 Shares of Palantir Technologies

*Jho Low's mother, Goh Gaik Ewe (jewelry); Szen Low, his brother (Fly Wheel)

Sources: Justice Department (assets); Simon Dawson/Bloomberg News (photo)



Luxury superyacht Equanimity in Monaco.

THE WALL STREET JOURNAL.

U.S. Seeks Assets Tied to 1MDB

U.S. prosecutors have broadened their effort to seize assets they allege were bought with money stolen in a Malaysian financial scandal, filing lawsuits to claim diamonds given to

state fund called 1Malaysia Development Bhd., known as 1MDB. Thursday's suits aim to recover \$540 million in property, bringing the total amount claimed by the U.S. Justice Department to more than \$1.6 billion.

The government is also trying to seize the rights to movies "Dumber and Dumber To," starring comedian Jim Carrey, and "Daddy's Home," which are held by Red Granite Pictures, a production company whose chairman is the stepson of Malaysian Prime Minister Najib Razak.

Civil asset-forfeiture lawsuits are filed against the assets themselves and not individuals.

Owners of the assets can contest the forfeiture.

The latest lawsuits highlight the global nature of the scandal at 1MDB, which was launched by Mr. Najib to spur economic development. The fund borrowed more than \$13 billion but had little to show for it, and the Justice Department alleges that billions of dollars were stolen by people close to the prime minister.

This is the Justice Department's largest-ever antileptocracy case. The alleged 1MDB fraud is under investigation in several other countries, including the United Arab Emirates, Singapore and Luxembourg.

The seizure lawsuits, the first of which were filed last summer, include paintings by van Gogh and Monet, luxury real estate in

Malaysia closed all but one of its probes without finding wrongdoing.

"Today's complaints reveal another chapter of this multi-year, multibillion-dollar fraud scheme, bringing the total identified stolen proceeds to \$4.5 billion," acting Assistant Attorney General Kenneth Blanco said Thursday. "This money financed the lavish lifestyles of the alleged co-conspirators at the expense and detriment of the Malaysian people."

The seizure lawsuits, the first of which were filed last summer, include paintings by van Gogh and Monet, luxury real estate in

Please see 1MDB page B6

STREETWISE | By James Mackintosh

This Time, the Fed May Turn Out to Be Correct

There are two ways to trade the Fed. One is to look at what the Federal Reserve says, compare it with your own forecasts for inflation, growth, productivity and wages, and decide whether Fed Chairwoman Janet Yellen was right to show a flicker of hawkishness on Wednesday. This is what almost every major fund manager does, investing huge amounts of time and effort in econometric analysis. Most is wasted.

The alternative is to look at the market's assumptions to see what's being ignored. Right now, it is the reflation trade, abandoned along with President Donald Trump's credibility on Wall Street.

The data on which the Fed no longer depends have indeed shown little of the dynamic.

Please see STREET page B6

growth-friendly tax cuts, spending boosts and cuts to red tape. The Fed, they thought, wouldn't derail growth. Since shortly after the Fed's mid-December rate increase, investors' assumptions have completely reversed. A divided Congress won't be able to do anything, the Fed might be making a mistake to tighten and inflation isn't just resting, it is in a coma.

The reverse of the reflation trade is visible in equities, bonds and the economy. How one feels about it depends on a critical shift by the Fed, from being "data dependent"—backward looking—to return to the traditional central-bank approach of setting policy according to what it expects to happen, not what's already happened.

The data on which the Fed no longer depends have indeed shown little of the dynamic.

Please see STREET page B6

THE BILLIONAIRE WHO TALKED TOO MUCH

MANAGEMENT, B6

GREECE UPSETS CONVENTIONAL WISDOM

BANKING, B6

Nike Fights Deflated Sales

By SARA GERMANO

Nike Inc. is cutting more than 1,000 global jobs as part of a restructuring to help the sneaker giant battle slowing sales.

The company said Thursday that the layoffs would affect 2% of its global workforce. The Beaverton, Ore., company employed more than 70,000 around the world as of May 2016, including retail staff.

Nike said the changes were part of a strategy to focus on key markets, digital sales and fewer products. In recent quarters, the company has reported slowing future orders for products in its North America market.

"We're getting even more aggressive in the digital marketplace, targeting key markets and delivering product faster than ever," Chief Executive Mark Parker said.

Nike was forced to slash 1,750 jobs, including 500 at its Oregon headquarters, during the 2009 recession. Since then, its global workforce has more than doubled, not including its increased reliance on contract

workers, particularly at corporate headquarters.

Construction is under way to expand its Beaverton campus, which currently houses more than 10,000 people.

But a shift to online shopping and the demise of traditional sporting-goods chains such as Sports Authority has pinched the company and U.S. rival Under Armour Inc. Nike is also being challenged by Adidas AG,

which has recaptured some of the market share it lost in past years.

In March, Nike gave a tepid outlook for sales growth this year, citing competition in the U.S. market and a more promotional retail environment.

Overall, athletic footwear retail sales have fallen about 1% to \$5.4 billion this year through April, according to NPD Group. Nike is expected to report its latest results on June 29.



The company will cut over 1,000 positions in a global restructuring.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

| A | Instruments.....B6 | Development.....B1 |
|-----------------------------------|--|---------------------------------|
| Advanced Micro Devices.....B4 | Gottlieb, Scott.....B11 | R |
| Alibaba Group Holding.....B10,B12 | GSA Capital Partners.A2 | Reliance Industries...B11 |
| Alphabet.....A1,B11,B12 | H | Remy Cointreau.....B3 |
| Amazon.com.....B11,B12 | Hain Celestial Group..B3 | Renaissance Technologies.....A2 |
| Anheuser-Busch.....B3 | Hewlett Packard Enterprise.....B4 | S |
| Apollo Global Management.....B6 | I | S3 Partners.....B12 |
| Apple.....B11,B12 | Intel.....B4 | Snap.....B4,B11 |
| Arnold & Porter.....B6 | International Business Machines.....B4 | Spotify.....B4 |
| Avaya.....B6 | J | Systematica Investments.....A2 |
| B | J.P. Morgan Chase.....B5 | T |
| Bacardi International.B3 | K | Tencent Holdings.....B10 |
| Baidu.....B10 | Kingdom Holding.....B3 | Tesla.....B12 |
| Bank of America.....B12 | Kroger.....A2,B1 | Toys "R" Us.....B3 |
| Bats.....B6 | L | TPG.....B6 |
| Blackstone Group.....B6 | Lidl.....B1 | Twitter.....A1,A4,B4 |
| BPB11 | Loxo Oncology ...B11,B12 | Two Sigma Investments.....A1 |
| C | Macy's.....B12 | U |
| Caesars Entertainment.....B6 | Man Group.....A1 | Uber Technologies.B2,B3,B6 |
| Careem.....B3 | Microsoft.....B11,B12 | V |
| Continental Airlines...B6 | N | Verizon Communications.....B6 |
| CrayB4 | Nasdaq.....B6 | W |
| Creative Artists Agency.....B6 | Nestle.....B1 | Whole Foods Market..B1 |
| D | Netfli.....B1 | Winton Group.....A1 |
| Daimler.....B3 | New York Stock Exchange.....B6 | WMH.....B6 |
| DiageoB3 | Nike.....B1 | Y |
| E - F | Nvidia.....B4 | Yahoo.....A4,B6 |
| Energy Future Holdings.....B6 | O | Z |
| Facebook.A1,B4,B11,B12 | Zipcar.....B3 | |

| A | Dwane, Neil.....B11 | McElligott, Charlie....B12 |
|--------------------------|--------------------------|------------------------------|
| Alexander, Eric.....B2 | G | McMullen, Rodney....B1 |
| Asness, Cliff.....B11 | Gottlieb, Scott.....B11 | Mikells, Kathy.....B3 |
| Aziz, Riza.....B6 | H | Mitchell, Max....B10 |
| B | Huffington, Arianna...B6 | Monokroussos, Platon.....B10 |
| Bass, Robert.....B6 | J | Moynihan, Brian.....B12 |
| Blanco, Kenneth.....B1 | Jones, Victor.....B11 | Mushkin, Scott.....B1 |
| Bodenheim, Niels.....B10 | Jordan, Thomas.....B11 | P |
| Bonderman, David.....B6 | K | Parker, Mark.....B1 |
| Brown, Alastair.....B10 | Khan, Imran.....B4 | Peters, Greg.....B10 |
| C | L | Picower, Jeffry.....B5 |
| Choi, Lina.....B10 | Lewis, Jonathan.....B12 | R |
| Ciancio, David.....B1 | Li, Jennifer.....B10 | Repetto, Rich.....B6 |
| Cluse, Reinhard.....B10 | Low, Jho.....B6 | S |
| Coulter, Jim.....B6 | M | Sheikha, Mudassir.....B3 |
| D | M | Sun, Marie.....B10 |
| Dolan, Michael.....B3 | Manesiotis, Nikos....B10 | W |
| Domingos, Pedro.....B4 | Mansor, Rosmah.....B6 | Wren, Scott.....B11 |

INDEX TO PEOPLE

| A | Dwane, Neil.....B11 | McElligott, Charlie....B12 |
|--------------------------|--------------------------|------------------------------|
| Alexander, Eric.....B2 | G | McMullen, Rodney....B1 |
| Asness, Cliff.....B11 | Gottlieb, Scott.....B11 | Mikells, Kathy.....B3 |
| Aziz, Riza.....B6 | H | Mitchell, Max....B10 |
| B | Huffington, Arianna...B6 | Monokroussos, Platon.....B10 |
| Bass, Robert.....B6 | J | Moynihan, Brian.....B12 |
| Blanco, Kenneth.....B1 | Jones, Victor.....B11 | Mushkin, Scott.....B1 |
| Bodenheim, Niels.....B10 | Jordan, Thomas.....B11 | P |
| Bonderman, David.....B6 | K | Parker, Mark.....B1 |
| Brown, Alastair.....B10 | Khan, Imran.....B4 | Peters, Greg.....B10 |
| C | L | Picower, Jeffry.....B5 |
| Choi, Lina.....B10 | Lewis, Jonathan.....B12 | R |
| Ciancio, David.....B1 | Li, Jennifer.....B10 | Repetto, Rich.....B6 |
| Cluse, Reinhard.....B10 | Low, Jho.....B6 | S |
| Coulter, Jim.....B6 | M | Sheikha, Mudassir.....B3 |
| D | M | Sun, Marie.....B10 |
| Dolan, Michael.....B3 | Manesiotis, Nikos....B10 | W |
| Domingos, Pedro.....B4 | Mansor, Rosmah.....B6 | Wren, Scott.....B11 |

KROGER

Continued from the prior page he said.

The downbeat outlook from Kroger, the largest traditional grocery chain in the U.S. by sales, triggered a sell-off on Thursday across the food-retail sector. Shares of Whole Foods fell nearly 7%, while Wal-Mart shed more than 1%. Target's shares were off by more than 4%.

Kroger's stock had already dropped 12% this year through Wednesday, hurt by a quarterly sales decline that broke a 13-year streak of quarterly growth. Thursday's share-price tumble to \$24.56 erased another \$5 billion in Kroger's market value.

The Cincinnati-based company, which operates Ralphs, Fred Meyer and other chains

in addition to its flagship Kroger stores, said on Thursday that same-store sales excluding fuel fell 0.2% in Kroger's fiscal first quarter, which ended May 20. That compares with a 2.4% rise in the same quarter a year earlier.

Same-store sales could still grow by as much as 1% this year, Kroger forecast.

Executives noted that same-store sales were positive in the last nine weeks of its fiscal first quarter and in the second quarter so far.

Kroger expects annual adjusted earnings of between \$2 to \$2.05 a diluted share in 2017, compared with its previous estimate of \$2.21 to \$2.25.

In all, the company reported a first-quarter profit of \$303 million and revenue of \$36.29 billion.

—Austen Hufford contributed to this article



'The change right now in what the customer wants has never been faster,' Kroger's chief executive said on Thursday.

NESTLÉ

Continued from the prior page consolidation and cost-cutting across the confectionery industry. Last year, Mondelez International Inc. launched an unsuccessful bid to buy Hershey, in a deal that likely would have topped \$25 billion. Mondelez said it's pleased with its U.S. candy business.

Hershey, meanwhile, has acquired a chocolate-covered fruit brand and a beef jerky company in recent years to get a bite of healthier-minded con-

sumers.

Earlier this year, Mr. Schneider ditched Nestlé's longstanding organic growth target of 5% to 6%, dubbed "the Nestlé model," after the company missed it for a fourth-straight year.

Italy's Ferrero SpA, the privately held maker of Nutella and Tic Tac, and the global industry's fourth-largest player, has expanded aggressively recently through deals. It pushed into the U.S. by snapping up Chicago-based Fannie May Confections Brands earlier this year.

U.S. candy makers face com-

petition not only from healthier snacks, but also from anything that occupies consumers' idle time—including technology and social media, said Nielsen analyst Jordan Rost. "They are fighting against more competitors than ever before," he said. At the same time, food makers are under pressure to aggressively lower costs to maintain profit margins amid the slower sales.

U.S. companies including Kellogg Co. and Campbell Soup Co. have closed factories and cut corporate head counts. Earlier this year, Hershey said it would cut 15% of its global workforce in an effort to boost profitability over the next two years.

Sales at large packaged-food companies globally, and particularly in the U.S., have stalled as consumers flock to fruit-and-nut bars and Greek-style yogurt. Startups have been fast to launch trendy good-for-you items, stealing market share from traditional giants.

Nestlé's strategic review follows similar studies at its competitors. British consumer-goods giant Unilever PLC said earlier this year it would review whether to sell its margarine and spreads business following an unsuccessful \$143 billion takeover bid by Kraft Heinz Co.

Reckitt Benckiser PLC, meanwhile, is shopping its food unit, including French's mustard. And Conagra Brands Inc., owner of Slim Jim jerky and Chef Boyardee canned pasta, sold its Wesson cooking oil brand to J.M. Smucker Co. last month.

Executives at these companies say by letting go of smaller or underperforming brands, they can focus more time and money on the ones that have more potential for growth.

Nestlé has made efforts to revive its U.S. business by off-loading lackluster brands like Juicy Juice, PowerBar and its Jenny Craig diet business and combining purchasing and other operations to reduce costs.

Sweet Shop

Profiles of some of the brands in Nestlé's U.S. confectionery business

◆ Butterfinger: Butterfinger was sold to Nestlé Foods Corp. in 1990 by RJR Nabisco Inc. for \$370 million. The name derives from sportscasters referring to baseball and football players with tendencies to drop the ball once in hand. The company isn't quite sure how to determine its age: Nestlé holds a trademark document dated 1928, but it is believed by some to have been first promoted by its maker, Chicago's Curtiss Candy Co., in 1923. (It celebrates its anniversary in accor-

dance with 1923.)

◆ Baby Ruth: Baby Ruth was purchased by Nestlé in the same deal as Butterfinger, and its creator was also Curtiss Candy Co. Baby Ruth and Butterfinger were both among the top-selling 15 chocolate bars in the U.S. at the time.

◆ Crunch Bar: Nestlé's Crunch bar appeared in 1938 as an original Nestlé product. The crispy chocolate bar's notable brand ambassadors have included Magic Johnson in the early 1990s, leading up to his role on the 1992 U.S. Olympic basketball Dream Team.

◆ Oh Henry!: The chocolate, peanut, caramel and fudge bar

was introduced in 1920 by the Williamson Co. of Chicago. The name gives thanks to a young boy named Henry who would frequent George Williamson's candy shop and help other customers for the owner. The trademark for the name was filed within a year of its creation.

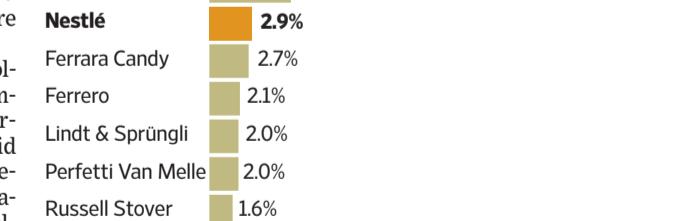
◆ The Wonka brands: Introduced in 1983, the Wonka brands include candies like Laffy Taffy, Nerds and Spree. In keeping with their name, Laffy Taffy candies pose jokes on every wrapper. Wonka candies and others live under the Candy Shop family of Nestlé brands, which also include SweeTarts.

—Justina Vasquez

Big Chocolate

Nestlé, the maker of Butterfinger and Sweetarts, has a small share of U.S. candy sales.

U.S. market share, 2016



Source: Euromonitor International



BUSINESS NEWS

Missing From Hain: Quarterly Reports

BY ANNIE GASPARRO

For more than a year, **Hain Celestial Group** Inc. has failed to meet a basic requirement for publicly traded companies: regular earnings reports.

The organic-food company's problems started last summer when it discovered revenue irregularities and said it couldn't release financial results until it analyzed the mistakes.

Since it disclosed the issue in August, the one-time darling of Wall Street in the food sector has suffered a 34% drop in its share price as it missed four deadlines for reporting quarterly results.

Hain launched an internal evaluation and a separate review by its board of directors with the help of outside counsel. In November, the board review concluded no intentional wrongdoing, but the company said earlier this year that it was under investigation by the Securities and Exchange Commission.

On Thursday, Hain said an independent Nasdaq panel granted it another two-week extension to report its numbers from the past year. If the company doesn't meet the June 30 deadline, the panel can drop the company from the exchange or grant another extension through August. Nasdaq confirmed this process.

"It's hard to fathom why a seemingly simple revenue recognition issue takes one year to resolve," said Jefferies analyst Akshay Jagdale.

Hain, which declined to comment, said in a previous statement that it "fully intends to continue to take all steps necessary to regain compliance."

In its disclosure in August, Hain said it was evaluating whether revenue it associated with concessions granted to certain U.S. distributors should have been recorded in the quarter when the products were sold to retailers, rather than when they were shipped to the distributors.

The Long Island-based company, whose brands include BluePrint juice and Terra vege-

The company has suffered a 34% drop in its stock price since the disclosure in 2016.

table chips, was off to a promising start when founder and Chief Executive Irwin Simon started building the conglomerate of natural and organic brands in 1993.

The company has since acquired some 55 brands that it sells in about 65 countries, generating \$2.7 billion in annual sales, according to its fiscal 2015 earnings report.

In the decade leading up to its disclosure of reporting problems last year, Hain's share price more than tripled, while the S&P 500 index nearly doubled.

Pablo Zuanic, an analyst at Susquehanna Financial Group, says the revenue issue likely will have a minimal impact on Hain's financial results, and that Hain has the potential for long-term sales growth since organic products are increasingly popular in the U.S.

Over the years, mainstream rivals such as General Mills Inc. and Kellogg Co. started acquiring natural and organic brands, taking those products to more stores and winning shelf space from Hain in the U.S. "This is an exciting category, absolutely attracting a lot of competition as they see conventional categories decline," Mr. Simon said on Hain's last earnings conference call, in May 2016.

Mr. Simon said at the time that Hain was evolving to keep up with the industry by selling underperforming brands and cutting costs, with the goal of reaching \$5 billion in revenue by 2020. Hain said it expected its sales to rise by 9% to 10% for the fiscal year ending in June 30, 2016. But in August, when it delayed its earnings report, the company said it wouldn't meet that target.

Stiff Drinks Displace Beer, Wine

Cocktail culture lifts spirits makers even as alcohol volumes overall edge lower

BY SAABIRA CHAUDHURI AND JENNIFER MALONEY

The world's drinkers are turning to the hard stuff.

Liquor makers sold more spirits and mixed drinks around the world in 2016 than in the year before—a bright spot in an industry where volumes of almost every other kind of alcoholic drink are in decline.

Overall, last year was a tough one for beer and wine. Global alcohol volumes across all types fell 1.3%, a steeper decline than the average 0.3% drop over the past five years, according to industry tracker IWSR. Beer volumes fell 1.8% around the world in 2016, while wine sales slipped 0.08%. Yet sales of hard alcohol such as gin, tequila and whiskey eked out an increase of 0.04%, and mixed drinks, including premixed cocktails and some flavored alcoholic beverages, grew 1.6%.

The numbers underscore a shift in consumer tastes away from beer and wine and toward drinks that typically pack a higher percentage of alcohol, though intended to be consumed in less volume.

Spirits are growing faster in the U.S. They were up 2.6% last year by volume, in line with the five-year average and more than double wine sales' 2016 growth. Overall alcohol sales in the U.S. edged up 0.1% by volume.

The growth has been helped by liquor makers' efforts in recent years to attract new drinkers. Makers of scotch and other types of whiskey have been courting women and younger drinkers while internationally, spirits companies are pushing into Africa, China and other developing markets where beer has typically been king.

"Scotch is coming out of the stuffy club room into the cocktail bars and restaurants," said **Bacardi International** Ltd. Chief Executive Michael Dolan. "You can see across our biggest brands, our global giants and local stars—it's the reserve brands and variants that are growing faster," she added.



A bartender makes cocktails at a Greenwich Village restaurant in New York City that offers a 99-cent martini for one hour on weekdays.

Spirits makers, he said, are benefiting from the revival in cocktail culture.

Liquor ads, after years of restrictions, have crept back onto television screens in recent years. Spirits have also benefited from what executives say are more-fickle consumption habits by millennial drinkers, who tend to sip on a range of different beverages.

Spirits tend to retail at higher prices than wine and beer, providing a bit of a cushion for the alcohol industry as a whole. Despite falling volumes last year, the dollar value of alcoholic drinks sold globally rose 4.7%, according to Euromonitor. In the U.S., dollar sales rose 3.3%.

Liquor makers have started pushing more expensive brands, as have beer and wine companies. "We continue to look to premiumize," **Diageo** PLC Chief Financial Officer Kathy Mikells told investors earlier this year.

"You can see across our biggest brands, our global giants and local stars—it's the reserve brands and variants that are growing faster," she added.

Cocktails Gain as Consumers Lose Taste for Beer and Wine

WORLDWIDE CONSUMPTION IN 2016, CHANGE FROM A YEAR EARLIER



Source: International Wine & Spirit Research

Those brands include Johnnie Walker Green Label and Johnnie Walker Gold Label Reserve, pricier variants of its flagship Scotch whisky.

Earlier this year, Diageo launched a new high-end Irish whiskey brand, Roe & Co, which sells at £30 (\$38) a bottle in the U.K. Rémy Cointreau SA, which currently gets 50% of its sales from products priced above \$50 a bottle, has

set a target to bump that share up as high as 65%.

The taste shift has left brewers out in the cold. Beer volumes in the U.S. fell 0.3% last year, according to IWSR, and beer makers experienced significant sales drops in important overseas markets. An economic crisis in Brazil sent sales down 5.7%. Chinese beer sales fell 4.2% as drinkers flocked to wine and spir-

its. Beer sales in Russia fell 7.8% amid economic headwinds.

Anheuser-Busch InBev NV's Bud Light, the biggest beer brand in the U.S., continues to lose volume and market share. The company said last month it would invest \$2 billion through 2020 in U.S. capital expenditures targeted in part at "elevating" struggling core brands.



A Saudi woman displays the Careem mobile app. The ride-hailing service boasts over 10 million users.

Uber's Mideast Rival Careem Gains Traction With Funding

BY NICOLAS PARASIE AND WILLIAM BOSTON

DUBAI—**Daimler** AG has bought a stake in the main rival to **Uber Technologies** Inc. in the Middle East, the latest of a series of investments by the world's largest car makers in the rapidly expanding ride-hailing sector.

The maker of Mercedes-Benz vehicles took part in the second round of a \$500 million fundraising alongside Saudi billionaire Prince al-Waleed bin Talal's investment vehicle **Kingdom Holding** Co., Careem said on Thursday. The firm didn't disclose details, but the transaction values the Dubai-based ride-hailing service at about \$1 billion.

Careem, which launched in 2012, is now active in more than 80 cities in the broader Middle East and boasts more than 10 million users. "The opportunity for further expansion in this region is huge," said Careem co-founder and chief executive Mudassir Sheikha.

With the rise of Uber and car-sharing services such as Zipcar, young drivers increas-

ingly are using shared-vehicle services rather than buying and owning cars in emerging economies, in addition to developed markets.

There are now about eight million subscribers for shared-vehicle services worldwide. Subscribers could grow to 37 million by 2025, according to consultancy Frost & Sullivan.

Auto makers such as Daimler have poured money into new mobility services.

General Motors Co. invested \$500 million to buy a stake in Uber rival Lyft Inc. last year. Volkswagen AG, the world's biggest car maker by sales, paid \$300 million for a stake in Gett, an Israeli ride-hailing service with ambitions to challenge Uber. Toyota Motors Corp. has invested about \$100 million in Uber.

Daimler's stake in Careem is one of several investments it has made in the sector. Daimler's Car2Go car-sharing service, launched in 2008, has more than two million subscribers, making it the largest car-sharing service in the world, according to Frost & Sullivan.

"With our investment in Careem, we are now taking the strategic step to becoming the world's leading provider of mobility services," said Klaus Entenmann, CEO of Daimler Financial Services AG.

Daimler's growing interest in ride-hailing—which allows users to find a vehicle using an app from a smartphone, bypassing conventional taxi switchboards—extends to owning MyTaxi, a taxi-hailing app, and Blacklane, an upscale chauffeur-hailing app.

Daimler also has launched a joint venture with Bosch GmbH to develop a robot-taxi by the end of the decade.

Careem is working with a U.S. startup to bring battery-powered, self-driving electric pods to the Middle East and North Africa, consistent with Dubai's goals to make at least a quarter of all trips in the city smart and driverless by 2030.

Careem on Thursday said it would use the funds it has raised to gain traction in the region and to develop driverless pods as a new mode of public transportation.

Toys 'R' Us Posts Loss As Baby Sector Crawls

BY PAUL ZIOBRO

Toys "R" Us Inc. executives blamed the retailer's latest quarter of shrinking sales on the baby business, where sales of strollers, cribs and diapers are slowing or moving online.

The problem was compounded, Chief Executive David Brandon said, by aggressive prices from retailers trying to hook young parents into becoming longtime customers as their children age.

"We saw significant, significant price reductions, aggressive promotions," Mr. Brandon said Thursday on an earnings call. With a heavy debt load and a quest to eventually go public, Toys "R" Us elected not to match certain prices, some of which he said were below wholesale prices.

"We are not racing to the bottom as it relates to giving up all sensibility in terms of price and margin," Mr. Brandon said. Still, the company reported a first-quarter loss of \$163 million, compared with \$125 million a year ago.

The weak baby business, combined with clearing of leftover holiday toy inventory, pushed Toys "R" Us sales down 4.1% at existing stores for the three months ended April 29. The decline was sharper in its domestic business, where same-store sales fell 6.2%. About 650 of the

company's 1,700 stores include its Babies "R" Us concept.

Baby-product sales carry greater weight in the first quarter, where they make up nearly half of domestic sales, compared with about a third for all of last fiscal year. Overall baby-product sales have been bolstered by a rising birthrate but that has encouraged more retailers to vie for that business, from Target Corp. and Wal-Mart Stores Inc. to online giant Amazon.com Inc.

Retailers have been going after those parents online, where Toys "R" Us admits it is behind. It is only now updating its dated technology platform so that it can accommodate must-have offers such as subscription systems. It also plans to improve its baby registry and loyalty program.

Mr. Brandon said the business was further challenged as shoppers traded down to lower-priced diapers, strollers and furniture.

Toys "R" Us reported some surprises in its toy business too, as a cooler spring hurt sales of bikes and pool toys. Some large brands, such as Lego and Star Wars, continue to struggle, while the collectible Shopkins toys, which Toys "R" Us helped launch, are now on the downswing. "Their business has just gone down the tubes," Mr. Brandon said.



Toys 'R' Us said it was hurt by rival retailers' aggressive pricing.

TECHNOLOGY

Snap's Tricky Growth Path

Social-media company lures ads with promise of human touch, but algorithms are tested

BY GEORGIA WELLS

When the company behind Snapchat hatched plans to earn money from its popular messaging app, it told advertisers their ads would only appear beside content curated by people.

Now, **Snap Inc.** is in a tricky spot. To boost revenue, the 6-year-old company will ultimately need more of the tailored packages of pictures and videos, called Stories, that advertisers prize. Expanding its offering using only editors could be a slow and costly effort, but letting computers do the work would eliminate the human touch that has helped Snapchat stand out.

Ads accounted for nearly all of Snap's \$149.6 million in revenue in the latest quarter, which surged from a year earlier but declined sequentially for the first time.

The Venice, Calif.-based company gets ad revenue from several areas, including publisher content and sponsorships. While Stories is a smaller share—it could amount to more than one-quarter of ad revenue this year, Barclays PLC estimates—it is the lever Snap has the greatest control over.

Snap created Stories four years ago to take advantage of the steady stream of pictures and videos people send in private, disappearing messages called Snaps. By allowing users to stitch Snaps together into a narrative arc that could be shared publicly for 24 hours, Stories showed how Snapchat could be more than just a messaging app.

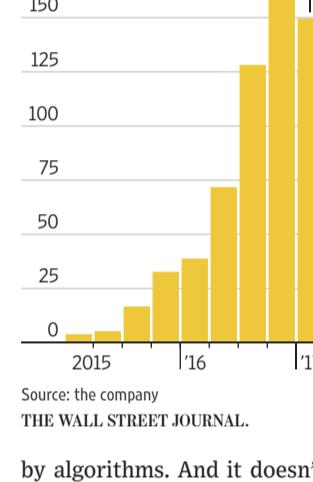
More important, it gave Snap a place to showcase ads. Unlike **Facebook Inc.** and **Twitter Inc.**, Snapchat doesn't have a content feed optimized



Snapchat Stories, which are tailored packages of pictures and videos, are prized by advertisers.

Snipped Snap?

Snap quarterly revenue



news feeds of its 1.28 billion daily users. Twitter had \$474 million in ad revenue and 328 million monthly users in the first quarter.

With its stock falling more than 25% since the company's first earnings report and briefly touching its IPO price of \$17 on Thursday, Snap is under pressure from investors to prove its new form of advertising will grow. "Snap might be able to scale with human editors, but it will be labor intensive and won't make much money," said Pedro Domingos, a professor of computer science and engineering at the University of Washington who wrote a book on machine learning.

In the first quarter, Snap editors created more than 450 Stories, called Our Stories, chief strategist Imran Khan said on an earnings call. While Snapchat's 166 million daily users also can create Stories that carry ads, those don't have the ability to go viral.

Snap says it is committed

to human curation, and the company is testing new software to help editors more quickly and efficiently craft Stories, former employees say.

Still, Snap has hired people with machine-learning expertise, a person familiar with the matter said. And since 2014 Snap has filed for patents related to automated content curation, according to research firm CB Insights.

Last year, Snap tested tools that help create Stories using algorithms. The company isn't planning on including ads in algorithm-created content, said a spokeswoman.

During the first phase of testing, algorithms flagged when users in New York created a burst of Snaps after a statue of Donald Trump appeared in August. Editors then culled the content into a Story, according to a person who saw the tool in action. A later version of the tool did the work of pulling Snaps together for editors to evaluate.

U.S. Funds Race To Beat China in Supercomputers

BY RACHAEL KING

The U.S. government is trying to stave off China and other countries challenging the U.S. for dominance in the next generation of the world's fastest computers.

The U.S. Department of Energy said Thursday that it would award \$258 million over three years to be shared by six technology companies, as part of a plan to develop new supercomputers that can crunch data at least 50 times faster than the nation's most powerful systems today.

The companies are **Advanced Micro Devices Inc.**, **Cray Inc.**, **Hewlett Packard Enterprise Co.**, **International Business Machines Corp.**, **Intel Corp.** and **Nvidia Corp.**

U.S. government leaders warned in a September 2016 technical meeting convened by the National Security Agency and the DOE that the country was in danger of losing its leadership in supercomputers to China. Governments have long used these systems to crack codes and develop nuclear weapons, and the supercomputers have business purposes such as oil exploration and auto design.

The U.S. is in a race with China, the European Union and Japan as they attempt to outdo one another in processing power, said Steve Conway, senior vice president of research at Hyperion Research.

The fastest U.S. computer, the Cray-built Titan, can handle 17,590 trillion calculations per second—the rough equivalent of 11.6 million iPad Pros running at the same time. The Titan is about the size of a basketball court and is said to use enough power to run a small town.

By 2021, the U.S. plans to

deliver at least one so-called exascale system that performs one quintillion—a billion billion—calculations per second. That would be one year later than when China has said it plans to deploy its first system. Both countries are expected to deliver production-ready systems that can solve problems at exascale speeds by as soon as 2023, according to Hyperion Research.

In June 2016, China took

The U.S. is racing with China, the EU and Japan as they try to outdo one another.

the top spot in a twice-yearly ranking of the 500 fastest scientific computers. China's machine, called the Sunway TaihuLight, marked the first time China had taken the top speed ranking without using U.S. semiconductor technology. China also, for the first time, placed more machines than the U.S. on the so-called Top 500 list, by 167 to 165. In a November 2016 ranking, the U.S. and China each had 171 systems on the list.

The tech companies will use the DOE funding to further the research and development into exascale computers.

Hewlett Packard Enterprise, for example, last month demonstrated a prototype of a new memory-driven computer called The Machine, which it will further develop with the additional funds from the government.

The system is HP Enterprise's largest research and development program in the history of the company.

Spotify Attracts a Big Crowd, but Net Loss Also Doubles

BY AUSTEN HUFFORD

Music-streaming provider **Spotify AB** saw explosive paid user growth last year, but the company also doubled the size of its net loss, according to filings released Thursday.

Spotify said it would be required to pay a minimum of €2 billion (\$2.23 billion) in royalty payments to music labels and publishers over two years due to a recent agreement.

Like other media companies such as **Netflix Inc.**, Spotify has invested in making deals with content owners and creators to attract listeners and subscrib-

ers. Taylor Swift returned her music to Spotify and other music streaming services last week after a two-year absence.

The privately held company is preparing to go public this year. Potential investors will closely track its total and paid user growth as it charts a path toward potential profitability.

Revenue in 2016 rose 52% to €2.93 billion as it posted a net loss of €539.2 million, compared with a loss of €231.4 million a year earlier. Much of the wider loss was attributed to rising financing costs.

Spotify said its total number of subscribers grew 38% to 126

million, as the subset of subscribers paying for its premium product, not just using its free service, grew 71% to 48 million.

The streaming service generates nearly 90% of its revenue from its premium subscribers, even as they make up a minority of users. Spotify's free service is ad-supported.

The recorded music industry has seen its global revenue drop 60% since 2000, and it was hoping paid-streaming services would grow fast enough to make up for declining CD and download sales. In recent years an increasing number of streaming services have com-

peted for music-listener dollars, including Pandora Media Inc. and Apple Inc.'s Apple Music.

In 2016, streaming generated 51% of U.S. recorded music revenue, which rose more than 11% from the prior year to \$7.7 billion, according to the Recording Industry Association of America.

Spotify is exploring simply listing its shares on an exchange in what is known as a direct listing. It wouldn't raise money—the hallmark of an IPO—or use underwriters to sell the stock. The company said it raised €1 billion from institutional investors last year.



The music-streaming service is preparing to go public this year.

EXTRA COMFORT IN EVERY STEP



The Un-Sneaker™ goes to work.

You deserve insane comfort 24/7. So why not treat your feet to the Hubbard 24 Seven?

SAMUEL HUBBARD.COM

SHOEMAKERS SINCE 1930

Free shipping and returns. Order online or call 844.482.4800.

THE DREAM TEAM

TOTAL RELAXATION AND ESCAPE START AT JUST \$4299

FREE
WHITE GLOVE
DELIVERY
ALL MODELS
Valued at \$450

DREAMWAVE



The World's Best Massage Chair®

Made in Japan. Choose from our three extraordinary massage chair models, each with unique capabilities to massage, stretch, invigorate, soothe and heal your body and mind more effectively and artfully than any other massage chairs in the world.

888-727-2150 | inadusa.com/dream

Free white glove delivery available to 48 contiguous states, AK and HI additional fees apply. Offer valid until July 31, 2017.

WeatherTech®

American Manufacturing Done Right™



See the Full Line of Automotive Accessories at WeatherTech.com

800.441.6287

International #001.630.769.1500

American Customers
WeatherTech.com

Canadian Customers
WeatherTech.ca

European Customers
WeatherTech.eu

Accessories Available for

Acura • Audi • BMW • Buick • Cadillac • Chevrolet • Chrysler • Dodge • Ferrari • Ford

GM • Honda • Hummer • Hyundai • Infiniti • Isuzu • Jeep • Kia • Land Rover • Lexus

Lincoln • Maserati • Mazda • Mercedes-Benz • Mercury • Mini • Mitsubishi • Nissan

Oldsmobile • Plymouth • Pontiac • Porsche • Saab • Saturn • Scion • Subaru

Suzuki • Toyota • Volkswagen • Volvo • and more!

©2016 by MacNeil IP LLC

BANKING & FINANCE

Criticism of Madoff Payout Fund Mounts

Justice to 'look into' why victims haven't been compensated after four years

BY ANDREW SCURRIA

The Justice Department is coming under criticism over a \$4 billion compensation fund for Bernard Madoff's victims that hasn't handed out a cent four years after its creation.

In a Justice Department budget hearing this week, Deputy Attorney General Rod Rosenstein told a congressional panel he would "figure out why it's taking so long" for money to flow from the agency's Madoff Victim Fund to thousands of investors who took losses in Mr. Madoff's Ponzi scheme.

A court-supervised liquidation overseen by trustee Irving Picard has generated \$11.6 billion to make up for investors' losses, \$9.7 billion of which has been distributed. But the separate Justice fund, created in 2013, hasn't paid out anything while its administrator, former Securities and Exchange Commission Chairman Richard Breeden, sorts through roughly 65,500 victim claims.

"I'm going to look into that," Mr. Rosenstein said in response to a question from Republican Sen. Richard Shelby of Alabama about the delay in disbursements. "One of the most important things we can do is reimburse victims...and we should do it as quickly as possible."

Republican Rep. Vern Buchanan of Florida also asked the agency in writing last month for an explanation, saying victims "were cheated out of their life savings, and now they're being denied timely compensation."

Victims are keenly interested in the \$4 billion settlement pot, and so is Wall Street. Many Madoff investors sold their claims to hedge funds, some of which have been urging the Justice Department to

release the money and change its approach to who should get paid, people familiar with the matter said.

The Justice Department on Thursday said the victim fund was entering the "payment phase" after having taken formal action on close to 60,000 petitions. It said it remains "on track" to make initial payments this year, though another 5,800 applications totaling \$9.8 billion are still under review.

A spokeswoman for Mr. Breeden's firm didn't respond to a request for comment. But the delay is in part by design since the forfeiture fund was designed to broaden the universe of eligible claimants beyond Mr. Picard's liquidation.

While Mr. Picard has paid back account holders at Mr. Madoff's phantom firm, tens of thousands of indirect investors who lost money through pooled investment vehicles haven't received anything through the liquidation proceeding because they weren't customers themselves.

Some indirect investors have collected payments from liquidators winding down the feeder funds or investment clubs that funneled their money to Mr. Madoff and later reached settlements with Mr. Picard.

Others who incurred losses through middleman funds have received nothing because the intermediaries profited from the Ponzi scheme. Mr. Breeden's plan would allow those victims to collect directly rather than being repaid through their feeder funds, many of which are also in liquidation.

"A victim may be eligible for remission no matter who handled or managed their money on its way to Madoff," Mr. Breeden wrote in an update posted online Thursday. He said 35,500 victims, mostly indirect investors, would receive payments, 26,000 of whom would be getting a recovery for the first time.

But his eligibility standards would freeze out hedge funds that bought claims try to chase down that money, said Jonathan Sablone, a lawyer specializing in private funds with Nixon Peabody LLP.

The Justice Department's decision to exclude feeder funds from payouts from the victim fund came as a surprise when it was announced in 2013. It helped scuttle a provisional settlement between Mr. Picard and **Kingate Management Ltd.**, a Bermuda-based operation that parked \$1.7 billion with

ROBERT MEEHAN/ASSOCIATED PRESS

considered victims under his framework, unlike Mr. Picard, who has honored payments to investors that acquired claims on the secondary market.

If Mr. Breeden distributes money to victims, "the assumption is you'll see a lot of litigation" as hedge funds that bought claims try to chase down that money, said Jonathan Sablone, a lawyer specializing in private funds with Nixon Peabody LLP.

The Justice Department's decision to exclude feeder funds from payouts from the victim fund came as a surprise when it was announced in 2013. It helped scuttle a provisional settlement between Mr. Picard and **Kingate Management Ltd.**, a Bermuda-based operation that parked \$1.7 billion with

Mr. Madoff from 1994 to 2008.

Some claim buyers, represented by the Jones Day law firm, have argued in Washington that the Justice Department should release forfeiture money under a different framework more closely resembling what was used in federal bankruptcy court, people familiar with the matter said.

Other skeptics say prioritizing indirect investors was ill-advised because of the difficulty of tracing stolen cash that moved in and out of the Ponzi scheme through opaque arrangements, often based offshore.

Those criticisms haven't convinced the agency to change its approach, people familiar with the matter said.

Mr. Breeden had hoped to hand out money last year but was unable "due to the volume and complexity of claims," according to an update he posted in January.

"He's trying to look through

all the investor vehicles to the individuals who were actually harmed," Mr. Sablone said. "While that's a laudable goal to have, it's virtually impossible in the global marketplace...and it explains why we're so many years out and nothing's been distributed."

A small portion of the Justice Department fund came from selling assets seized after Mr. Madoff's arrest, including his homes in Manhattan, Montauk, N.Y., and Palm Beach, Fla.

J.P. Morgan Chase & Co. also kicked in \$1.7 billion in 2014 under a pact with prosecutors to head off a criminal case surrounding its dealings with Mr. Madoff.

The majority of the pot came from the widow of Jeffry Picower, a wealthy beneficiary of the Ponzi scheme, who contributed \$2.2 billion in 2010. Mr. Picard's team separately collected \$5 billion from that settlement.



Above, Bernard Madoff arrived at court in New York in March 2009. Below, Mr. Madoff's Montauk, N.Y., home, seen in 2009.



ROBERT MEEHAN/ASSOCIATED PRESS



A New Podcast Experience

From space law to lab-grown burgers, this special edition podcast series explores the rich possibilities of a future that's about to arrive.



THE FUTURE OF EVERYTHING

BANKING & FINANCE

Uber Gaffe Is Latest Drama for Billionaire

TPG's Bonderman has experienced great success as investor, some noted stumbles

BY MATT JARZEMSKY

For billionaire investor David Bonderman, the controversy caused by a comment he made at an **Uber Technologies Inc.** employee meeting represents a low point in a career marked by big wins and the occasional high-profile stumble.

The co-founder of private-equity firm **TPG** resigned from Uber's board after the remark that disparaged women. It was made at a meeting Tuesday to discuss problems with the ride-hailing company's culture, including allegations of sexual harassment. In a statement later Tuesday, Mr. Bonderman called his words "careless, inappropriate, and excusable."

The gaffe briefly shifted the intense spotlight on Uber toward the press-shy 74-year-old, who serves as chairman of one of the largest managers of private equity and other so-called alternative investments. People who have worked with Mr. Bonderman



TPG Chairman David Bonderman during a panel discussion at a 2013 Milken Institute conference.

DAVID MCNEW/REUTERS

say he has a penchant for irreverent, sometimes brusque remarks—though usually in better taste.

The comment in question came in the opening minutes of an all-hands meeting about a lack of diversity in the company's workforce and its response to charges of sexism. He interrupted fellow director Arianna Huffington after

she noted the company's recent appointment of a second female board member, Wan Ling Martello.

As Ms. Huffington said data show that "when there's one woman on the board, it's much more likely that there will be a second woman on the board," Mr. Bonderman interjected, saying, "actually, what it shows is that it's much more

likely to be more talking."

Mr. Bonderman discussed his remarks and apologized to TPG employees on a company-wide call Wednesday and invited them to speak with him personally to voice any concerns, people familiar with the matter said. He responded directly to some of the firm's investors who inquired about the episode, they added.

Bats's Auction Plan Irks Rivals

BY ALEXANDER OSIPOVICH

The New York Stock Exchange and Nasdaq Inc. slammed a plan by rival **Bats** to shake up the crucial closing auctions that happen daily at 4 p.m. and determine prices for thousands of stocks.

Bats's proposal would "introduce undesirable market fragmentation and volatility," NYSE said in a letter to the Securities and Exchange Commission posted online Thursday. In a similar letter, Nasdaq said the plan was "harmful to investors" and "would establish a dangerous precedent."

The proposal, which awaits SEC approval, would give traders a new way to buy and sell shares of companies listed on NYSE and Nasdaq at the daily closing price without paying fees to NYSE or Nasdaq.

Bats said it would address the criticism in letters to the SEC. "We expected an active comment period and look forward to responding in this healthy debate," a spokeswoman said.

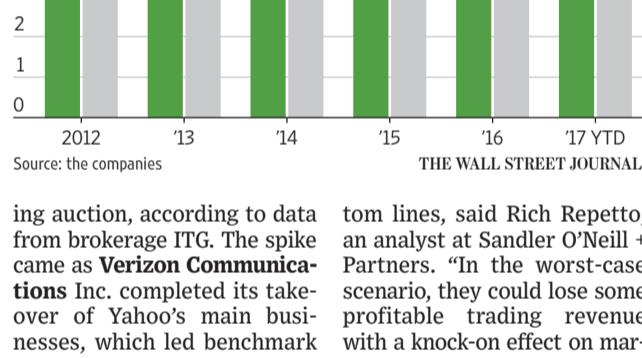
The growing popularity of exchange-traded funds and index-based strategies has increased the importance of the closing auctions in recent years. That is because index-fund managers often seek to buy and sell stocks at prices close to the daily settlement prices.

For instance, an unusually high 39% of the trading volume in **Yahoo** Inc. shares on Tuesday took place in its clos-

Closing Time

The share of trading activity taking place in the New York Stock Exchange and Nasdaq's closing auctions has grown, driven by the rise of passive investing.

NYSE ■ **Nasdaq**



ing auction, according to data from brokerage ITG. The spike came as **Verizon Communications Inc.** completed its takeover of Yahoo's main businesses, which led benchmark providers FTSE Russell and MSCI to remove it from their indexes. That in turn prompted funds tracking those indexes to sell Yahoo, traders and analysts said.

On average, 5.9% of the volume in NYSE-listed securities this year has taken place in the closing auction, up from 3.6% in 2012, according to NYSE.

For Nasdaq-listed securities, the share of volume at the close rose from 3% to 4.6% over the same period, according to Nasdaq.

Bats's plan threatens to erode NYSE and Nasdaq's bot-

tom lines, said Rich Repetto, an analyst at Sandler O'Neill + Partners. "In the worst-case scenario, they could lose some profitable trading revenue with a knock-on effect on market-data revenue."

NYSE and Nasdaq's control over closing auctions is a vestige of the duopoly they enjoyed until the mid-2000s, when regulations forced greater competition.

During the trading day, a stock can be traded on any exchange. But at the close, it reverts to the exchange where it is listed. That means NYSE has an effective monopoly on closing auctions for shares of companies listed on the Big Board, while Nasdaq has a similar grip on closing auctions for Nasdaq-listed stocks.

IMDB

Continued from page B1

New York, London and Beverly Hills, and profits from the movie "The Wolf of Wall Street," which was produced by Red Granite. Red Granite was co-founded by Riza Aziz, Mr. Najib's stepson.

The U.S. government also moved to seize luxury properties of Mr. Aziz as well as hundreds of millions of dollars in property and investments owned by his friend and Mr. Najib's confidant, Jho Low. Mr. Low got to know Mr. DiCaprio starting in 2009, say people familiar with their relationship, and he later gave the actor several gifts that the Justice Department alleges were bought with money stolen from IMDB.

"This week's activity from the DOJ is a further example of global overreach in pursuit of a deeply flawed case," Mr. Low said through a representative. "We look forward to the court being presented with the actual facts, which demonstrate that the DOJ's case is completely without foundation."

A spokesman for Mr. DiCaprio said the actor is cooperating with the government and has given it the items he received, including an Oscar originally won by Marlon Brando in 1955 for best actor in "On the Waterfront." The item was given to Mr. DiCaprio as a gift by Red Granite for his work on "The Wolf of Wall Street."

The actor also received as gifts a painting by Pablo Picasso, a Diane Arbus photograph and a collage by Jean

Michel Basquiat, according to the suit.

Mr. DiCaprio has said the gifts were donations for a charity auction for his foundation.

Red Granite said in a statement that it is cooperating with the government and remains an active movie-production company.

The government has already sued Red Granite for future income from "The Wolf of Wall Street," and the studio has agreed to separate its future

DiCaprio has given the government items such as an Oscar won by Marlon Brando.

earnings from the film pending the outcome of the investigation.

Mr. Aziz couldn't be reached for comment. Previously, he has said he had no knowledge that the funds for Red Granite originally came from IMDB.

The lawsuits also allege that Mr. Low had given \$8 million worth of jewelry to Ms. Kerr from New York jeweler Lorraine Schwartz, including an 11.72 carat heart-shaped diamond on Valentine's Day in 2014. Mr. Low and Ms. Kerr were dating at the time, according to a person who knows them. Ms. Kerr was married last month to Snap Inc. co-founder Evan Spiegel.

Most of the assets in the lawsuits belong to Mr. Low, a flamboyant Malaysian deal maker who is a central figure in the alleged misappropriation of funds

to work for the private investing firm of Mr. Bass, an oil heir known for audacious corporate takeovers and real-estate deals. There he met Jim Coulter, with whom he would found TPG in 1992.

TPG gained attention shortly thereafter with an investment in then-bankrupt **Continental Airlines Inc.** The firm and its co-investors made 10 times their money on the investment after selling their stake in the late 1990s, according to a Wall Street Journal report.

After a number of other successful deals—TPG's holdings range from guitar maker **Fender Musical Instruments Corp.** to talent agency **Creative Artists Agency LLC**—the firm hit a rough patch during the financial crisis. It put \$1.35 billion into Seattle thrift **Washington Mutual Inc.** in April 2008, only to see its investment wiped out when regulators seized the bank the following September.

Other investments of that era soured, notably the power company now known as **Energy Future Holdings Corp.**, casino operator **Caesars Entertainment Corp.** and telecommunications-gear supplier **Avaya Corp.**, all of which filed for bankruptcy.

from 1MDB, according to the Justice Department. His yacht was sighted Thursday off the coast of the Cambodian island of Koh Rong, according to shipping site MarineTraffic.

The lawsuits allege Mr. Low used money siphoned from IMDB to buy jewelry worth \$200 million from companies around the world between April 2013 and September 2014. Some of that was given to Ms. Kerr, and nearly \$30 million was given to Rosmah Mansor, the wife of Mr. Najib, according to the suits.

A spokesman for Ms. Rosmah didn't respond to requests for comment.

Mr. Najib and IMDB have denied wrongdoing and promised to cooperate with investigations. Mr. Najib has been cleared by the Malaysian attorney general, who has said the funds that went into his account were a legal political donation from Saudi Arabia and that most of the money was returned.

In separate statements, Mr. Najib's press secretary and Malaysia's attorney general criticized the lawsuits and said investigations found no wrongdoing at IMDB. The attorney general said Malaysia would cooperate with any inquiry and added it had "strong concerns at the insinuations that have been made against the Prime Minister of criminal wrongdoing."

The Federal Bureau of Investigation and the Internal Revenue Service's criminal investigators are leading the inquiry, along with Justice Department officials in Washington and Los Angeles.

ADVERTISEMENT

Legal Notices

To advertise: 800-366-3975 or WSJ.com/classifieds

NOTICE OF SALE

NOTICE OF PUBLIC SALES: Please take notice that Dock Street Capital Management LLC (the "Liquidation Agent"), on behalf of U.S. Bank National Association in its capacity as trustee (in such capacity, the "Trustee"), will be conducting public sales of certain collateral pledged by an issuer to the Trustee for certain collateralized debt obligations at the offices of the Liquidation Agent: 575-B Riverside Avenue, Westport, Connecticut 06880. The sales will occur on the date and time indicated below. The collateral to be sold at the sales consists of the following assets ("the Assets"):

Public Sale No. 1: June 20, 2017, 10:00 a.m. EDT (The Asset Type for (a) Lots 1-7 and 20 is CDO and (b) Lots 8-19 and 21-41 is CMBS.)

Lot # **CUSIP** **Issue Name** **Original Face Value (\$)** **Current Par Value (\$)**

1. 039280AE9 ARCAP 2003-1A F 509,000.00 3,500,000.00

2. 039280AF9 ARCAP 2003-3A F 3,500,000.00 5,000,000.00

3. 039280AG9 ARCAP 2003-1A G 5,000,000.00 5,000,000.00

4. 47631WAB3 JER 2006-2A-FL 3,171,000.00 1,708,518.57

5. 50211MAK7 LNR 2003-1A FFL 6,000,000.00 5,806,786.98

6. 50211NAK5 LNR 2002-1A FFL 365,000.00 365,000.00

7. 53944PAF9 LNR 2005-1A F 3,635,000.00 2,738,254.31

8. 05947U3AK5 BACM 2005-5 F 2,000,000.00 2,000,000.00

9. 05947U3AK5 BACM 2005-5 F 4,000,000.00 4,000,000.00

10. 05947U3AK5 BACM 2004-4 J 4,212,000.00 1,006,009.85

11. 05947U3AK5 BACM 2004-4 J 4,212,000.00 1,006,009.85

12. 05950XAJ5 BACM 2005-6 AJ 3,190,240.00 1,478,360.12

13. 07387BAU7 BSCMS 2005-PWR9 G 5,000,000.00 5,000,000.00

14. 173067ES4 CGMGT 2004-C2 F 1,000,000.00 1,000,000.00

15. 200470AUA4 COMM 2006-C7 B 10,000,000.00 3,147,404.23

16. 225470BAW6 CSFB 2005-C5 H 6,000,000.00 6,000,000.00

17. 225470BC6 CSFB 2005-C5 H 1,500,000.00 1,500,000.00

18. 361849K92 GMAC 2004-C3 F 5,000,000.00 1,459,671.88

19. 36228CEW9 GSMS 2005-GG4 F 2,000,000.00 429,957.22

20. 3622G0A8 GSMS 2006-RR3 A1S 2,200,000.00 194,432.88

21. 362820MP8 GEMC 2005-C2 H 3,000,000.00 183,656.45

22. 46625M5T2 JPMMC 2004-PC1 H 6,000,000.00 2,549,823.52

23. 46625M5T2 JPMMC 2004-PC9 F 5,000,000.00 2,823,980.60

24. 46631BAM4 LMLT 2004-LL1 C 8,300,000.00 6,735,809.05

25. 52108HJL9 LBUBS 2004-C3 J 1,000,000.00 1,098,239.33

26. 52108HJL9 LBUBS 2004-C6 K 2,000,000.00 1,654,744.40

27. 52520VAA1 LBSPC 2004-C6 K 9,440,158.00 795,615.96

28. 55313KAH4 MLFC 2007-C2 F 5,000,000.00 3,724,689.48

29. 59022HF4 MLMT 2004-KY2 G 5,000,000.00 2,220,048.03

30. 59022HF4 MLMT 2004-BPC1 F 5,000,000.00 2,220,048.03

MARKETS DIGEST

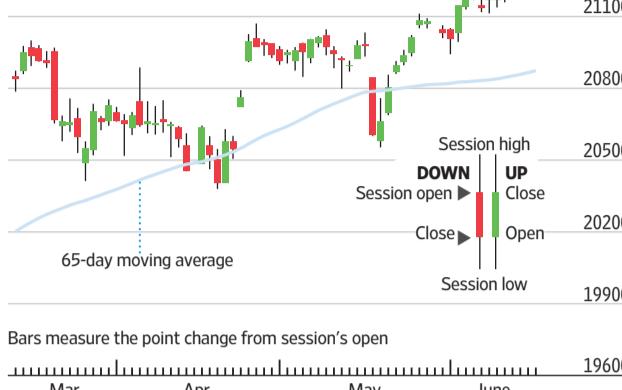
EQUITIES

Dow Jones Industrial Average

21359.90 ▼14.66, or 0.07%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.79 18.80
P/E estimate * 18.02 17.20
Dividend yield 2.32 2.61
All-time high 21374.56, 06/14/17

Current divisor 0.14602128057775



Bars measure the point change from session's open

Mar. Apr. May June 19600

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2432.46 ▼5.46, or 0.22%

High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.15 24.29
P/E estimate * 18.97 17.92
Dividend yield 1.95 2.16
All-time high 2440.35, 06/13/17



Mar. Apr. May June 2270

Nasdaq Composite Index

6165.50 ▼29.39, or 0.47%

High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.75 22.55
P/E estimate * 21.78 18.97
Dividend yield 1.08 1.27
All-time high 6321.76, 06/08/17



Mar. Apr. May June 5530

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 | Standard & Poor's | 500 Index | MidCap 400 | SmallCap 600 |
| Industrial Average | 21367.28 | 21261.87 | 21359.90 | -14.66 | -0.07 | 21374.56 | 17140.24 | 20.5 | 8.1 | 8.4 | | |
| Transportation Avg | 9412.69 | 9316.43 | 9409.01 | 21.68 | 0.23 | 9593.95 | 7093.40 | 24.7 | 4.0 | 5.4 | | |
| Utility Average | 734.78 | 727.54 | 734.30 | 4.90 | 0.67 | 734.30 | 625.44 | 7.2 | 11.3 | 10.6 | | |
| Total Stock Market | 25203.18 | 25055.25 | 25191.43 | -67.03 | -0.27 | 25297.91 | 20583.16 | 17.6 | 8.2 | 7.5 | | |
| Barron's 400 | 645.17 | 640.76 | 645.11 | -2.76 | -0.43 | 650.48 | 491.89 | 24.9 | 7.2 | 7.1 | | |

Nasdaq Stock Market

| Nasdaq Composite | 6170.15 | 6107.85 | 6165.50 | -29.39 | -0.47 | 6321.76 | 4594.44 | 27.3 | 14.5 | 12.7 |
|------------------|---------|---------|----------------|--------|-------|---------|---------|-------------|------|-------------|
| Nasdaq 100 | 5707.37 | 5634.58 | 5700.89 | -26.18 | -0.46 | 5885.30 | 4201.05 | 28.9 | 17.2 | 14.7 |

Standard & Poor's

| 500 Index | 2433.95 | 2418.53 | 2432.46 | -5.46 | -0.22 | 2440.35 | 2000.54 | 17.1 | 8.6 | 7.9 |
|--------------|---------|---------|----------------|-------|-------|---------|---------|-------------|-----|------------|
| MidCap 400 | 1756.91 | 1744.25 | 1753.30 | -8.36 | -0.47 | 1769.34 | 1416.66 | 18.6 | 5.6 | 7.7 |
| SmallCap 600 | 859.33 | 851.96 | 856.96 | -4.19 | -0.49 | 866.07 | 670.90 | 21.9 | 2.3 | 8.7 |

Other Indexes

| Russell 2000 | 1415.47 | 1402.52 | 1410.08 | -7.49 | -0.53 | 1425.98 | 1089.65 | 22.8 | 3.9 | 6.6 |
|---------------------|----------|----------|-----------------|--------|-------------|----------|---------|--------------|-------|-------------|
| NYSE Composite | 11744.62 | 11693.90 | 11740.52 | -39.29 | -0.33 | 11796.79 | 9973.54 | 13.7 | 6.2 | 2.6 |
| Value Line | 524.53 | 519.28 | 521.63 | -2.90 | -0.55 | 529.13 | 435.06 | 14.3 | 3.1 | 1.8 |
| NYSE Arca Biotech | 3708.60 | 3659.55 | 3687.03 | -33.11 | -0.89 | 3720.14 | 2818.70 | 20.2 | 19.9 | 10.8 |
| NYSE Arca Pharma | 529.44 | 524.81 | 528.34 | -1.17 | -0.22 | 554.66 | 463.78 | 3.4 | 9.7 | 1.0 |
| KBW Bank | 94.78 | 93.67 | 93.94 | -0.50 | -0.53 | 99.33 | 60.27 | 42.9 | 2.3 | 9.9 |
| PHLX® Gold/Silver | 81.31 | 79.67 | 79.84 | -1.33 | -1.64 | 112.86 | 73.03 | -11.1 | 1.2 | -4.7 |
| PHLX® Oil Service | 136.36 | 132.76 | 133.38 | -2.65 | -1.95 | 192.66 | 133.30 | -19.3 | -27.4 | -23.6 |
| PHLX® Semiconductor | 1074.44 | 1060.66 | 1070.76 | -9.06 | -0.84 | 1138.25 | 648.32 | 54.1 | 18.1 | 19.5 |
| CBOE Volatility | 12.01 | 10.74 | 10.90 | 0.26 | 2.44 | 25.76 | 9.75 | -43.7 | -22.4 | -3.6 |

\$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 |
|---------------------------|--------|--------------|--------|---------|-------------------|--------|--------|
| VanEck Vectors Gold Miner | GDX | 8,568.5 | 22.12 | 0.02 | 0.09 | 22.13 | 22.05 |
| SPDR S&P 500 | SPY | 7,033.7 | 243.81 | 0.04 | 0.02 | 244.31 | 242.68 |
| Yahoo! | YHOO | 5,504.8 | 52.32 | -0.26 | -0.49 | 52.62 | 52.26 |
| iShares MSCI Emg Markets | EEM | 5,093.2 | 41.18 | 0.03 | 0.07 | 41.57 | 40.93 |
| Flex Glbl Upstrm Nat Rscs | GUNR | 4,300.0 | 28.63 | -0.02 | -0.06 | 28.63 | 28.63 |
| SPDR EURO STOXX 50 | FEZ | 3,461.5 | 38.99 | ... | unch. | 38.99 | 38.99 |
| SPDR Bloomberg Conv Secs | CWB | 2,875.9 | 49.52 | 0.01 | 0.03 | 49.52 | 49.52 |
| Industrial Select Sector | XLI | 2,854.9 | 68.78 | ... | unch. | 68.84 | 68.39 |

Percentage gainers...

| Company | Symbol | Volume (000) | Last | Net chg | 3.50 | 2.35 | 1.97 |
|-------------------|--------|--------------|--------|---------|--------------|--------|-------|
| Hornbeck Offshore | HOS | 58.4 | 2.35 | 0.38 | 19.29 | 2.35 | 1.97 |
| Finisar | FNSR | 2,064.1 | 27.52 | 1.88 | 7.33 | 27.94 | 22.76 |
| Aon PLC | AON | 192.2 | 144.46 | 8.81 | 6.49 | 147.87 | |

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

| | Contract | Open | High | hilo | Low | Settle | Chg | Open interest |
|--|-------------|-------|-------|------|-------|--------|--------|---------------|
| Copper-High (CMX)-25,000 lbs.; \$ per lb. | | 3.269 | 3.371 | | 3.257 | 3.366 | .103 | 108,701 |
| June 2.5700 2.5700 2.5550 2.5640 -0.0065 1,154 | April 2.859 | 2.900 | 2.844 | | 2.897 | .041 | 86,029 | |

Agriculture Futures

| | Contract | Open | High | hilo | Low | Settle | Chg | Open interest |
|--|--|---------|---------|-----------|---------|---------|---------|---------------|
| Corn (CBT)-5,000 bu.; cents per bu. | | 376.75 | 382.00 | | 370.00 | 379.50 | 2.50 | 437,817 |
| July 256.50 258.00 253.40 256.55 -0.0080 79,978 | Sept 384.75 | 389.75 | 378.00 | | 387.50 | 2.50 | 414,120 | |
| Oats (CBT)-5,000 bu.; cents per bu. | | 256.25 | 262.50 | | 249.25 | 261.25 | 5.75 | 3,739 |
| Dec 239.50 240.00 ▲ 237.40 245.50 2.75 2,059 | July 256.25 262.50 249.25 261.25 5.75 3,739 | | | | | | | |
| Soybeans (CBT)-5,000 bu.; cents per bu. | | 931.75 | 938.50 | | 925.50 | 934.75 | 3.00 | 242,727 |
| Nov 938.50 946.25 932.50 944.00 5.00 287,735 | July 931.75 938.50 925.50 934.75 3.00 242,727 | | | | | | | |
| Soybean Meal (CBT)-100 tons; \$ per ton. | | 301.60 | 302.60 | | 298.60 | 300.60 | -1.20 | 121,697 |
| Sept 307.70 308.40 304.20 306.50 -1.20 136,366 | July 301.60 302.60 298.60 300.60 -1.20 121,697 | | | | | | | |
| Soybean Oil (CBT)-60,000 lbs.; cents per lb. | | 32.11 | 32.82 | | 31.93 | 32.74 | .65 | 120,338 |
| Dec 32.50 33.30 32.37 33.24 .68 143,199 | Sept 32.11 32.82 31.93 32.74 .65 120,338 | | | | | | | |
| Rough Rice (CBT)-2,000 cwt.; \$ per cwt. | | 1105.00 | 1149.00 | ▲ 1102.50 | 1147.50 | 44.50 | 5,027 | |
| Sept 1134.00 1177.00 ▲ 1110.00 1175.50 4.00 4,023 | July 1105.00 1149.00 ▲ 1102.50 1147.50 44.50 5,027 | | | | | | | |
| Wheat (CBT)-5,000 bu.; cents per bu. | | 43.00 | 45.25 | | 437.25 | 453.75 | 10.75 | 141,494 |
| Sept 45.75 47.15 452.00 469.00 11.75 151,304 | July 43.00 45.25 437.25 453.75 10.75 141,494 | | | | | | | |
| Wheat (KCO)-5,000 bu.; cents per bu. | | 45.70 | 47.00 | | 450.25 | 465.25 | 7.75 | 98,368 |
| Sept 47.00 48.75 468.00 483.25 8.25 81,785 | July 45.70 47.00 450.25 465.25 7.75 98,368 | | | | | | | |
| Wheat (MPLS)-5,000 bu.; cents per bu. | | 625.00 | 635.50 | | 609.75 | 632.50 | 5.00 | 22,780 |
| Sept 632.00 642.00 617.75 639.50 5.00 28,571 | July 625.00 635.50 609.75 632.50 5.00 22,780 | | | | | | | |
| Cattle-Feeder (CME)-50,000 lbs.; cents per lb. | | 145.375 | 147.75 | | 144.750 | 147.05 | .950 | 31,639 |
| Sept 145.00 147.250 144.275 146.400 .700 9,906 | July 145.375 147.75 144.750 147.05 .950 31,639 | | | | | | | |
| Cattle-Live (CME)-40,000 lbs.; cents per lb. | | 124.200 | 124.350 | | 122.100 | 122.500 | -2.000 | 10,972 |
| Sept 117.750 118.500 116.975 117.500 -.375 188,264 | June 124.200 124.350 122.100 122.500 -2.000 10,972 | | | | | | | |
| Hogs-Lean (CME)-40,000 lbs.; cents per lb. | | 82.850 | 83.450 | ▲ 80.75 | 82.050 | -.525 | 37,243 | |
| Aug 80.350 81.000 77.600 78.925 -.1475 87,190 | July 82.850 83.450 ▲ 80.75 82.050 -.525 37,243 | | | | | | | |
| Lumber (CME)-110,000 bd. ft.; \$ per 1,000 bd. ft. | | 368.70 | 369.20 | | 364.30 | 365.50 | -2.50 | 2,260 |
| Sept 358.00 358.00 354.00 354.70 -.290 1,216 | July 368.70 369.20 364.30 365.50 -2.50 2,260 | | | | | | | |

Cash Prices | WSJ.com/commodities

Thursday, June 15, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

| | Thursday | Thursday | Thursday |
|---------------------------------------|----------|----------|----------|
| Energy | | | |
| Propane,tet,Mont Belvieu-g | 0.5901 | | |
| Butane,normal,Mont Belvieu-g | 0.7120 | | |
| NaturalGas,HenryHub-i | 2.920 | | |
| NaturalGas,TranscoZone3-i | 2.850 | | |
| NaturalGas,TranscoZone6NY-i | 2.210 | | |
| NaturalGas,PanhandleEast-i | 2.640 | | |
| NaturalGas,Opal-i | 2.650 | | |
| NaturalGas,MarcellusNE PA-i | 1.800 | | |
| NaturalGas,HaynesvilleLA-i | 2.820 | | |
| Coal,CA,ApCo,1,250,000Btu,1S2S02-r,w | 52.550 | | |
| Coal,PwdrRvrBsn,880,000Btu,0.8502-r,w | 11.550 | | |
| Metals | | | |
| Gold,per troy oz | | | |
| Engelhard industrial | 1256.78 | | |
| Engelhard fabricated | 1351.04 | | |
| Handy & Harman base | 1254.55 | | |
| Handy & Harman fabricated | 1329.55 | | |
| LBMA Gold Price AM | *1268.25 | | |
| LBMA Gold Price PM | *1275.50 | | |
| Kruegerand,wholesale-e | 1303.28 | | |
| Maple Leaf-e | 1315.81 | | |
| American Eagle-e | 1315.81 | | |
| Mexican peso-e | 1518.92 | | |
| Austria crown-e | 1231.34 | | |
| Austria phil-e | 1315.81 | | |
| Silver, troy oz. | | | |
| Engelhard industrial | 16,7300 | | |
| Engelhard fabricated | 20,0760 | | |
| Handy & Harman base | 16,7350 | | |
| Handy & Harman fabricated | 20,9190 | | |
| LBMA spot price | £13,1904 | | |
| (U.S.\$ equivalent) | 16,8600 | | |
| Metals | | | |
| Gold, per troy oz | | | |
| Engelhard industrial | 1256.78 | | |
| Engelhard fabricated | 1351.04 | | |
| Handy & Harman base | 1254.55 | | |
| Handy & Harman fabricated | 1329.55 | | |
| LBMA Gold Price AM | *1268.25 | | |
| LBMA Gold Price PM | *1275.50 | | |
| Kruegerand,wholesale-e | 1303.28 | | |
| Maple Leaf-e | 1315.81 | | |
| American Eagle-e | 1315.81 | | |
| Mexican peso-e | 1518.92 | | |
| Austria crown-e | 1231.34 | | |
| Austria phil-e | 1315.81 | | |
| Silver, troy oz. | | | |
| Engelhard industrial | 16,7300 | | |
| Engelhard fabricated | 20,0760 | | |
| Handy & Harman base | 16,7350 | | |
| Handy & Harman fabricated | 20,9190 | | |
| LBMA spot price | £13,1904 | | |
| (U.S.\$ equivalent) | 16,8600 | | |
| Metals | | | |
| Gold, per troy oz | | | |
| Engelhard industrial | 1256.78 | | |
| Engelhard fabricated | 1351.04 | | |
| Handy & Harman base | 1254.55 | | |
| Handy & Harman fabricated | 1329.55 | | |
| LBMA Gold Price AM | *1268.25 | | |
| LBMA Gold Price PM | *1275.50 | | |
| Kruegerand,wholesale-e | 1303.28 | | |
| Maple Leaf-e | 1315.81 | | |
| American Eagle-e | 1315.81 | | |
| Mexican peso-e | 1518.92 | | |
| Austria crown-e | 1231.34 | | |
| Austria phil-e | 1315.81 | | |
| Silver, troy oz. | | | |
| Engelhard industrial | 16,7300 | | |
| Engelhard fabricated | 20,0760 | | |
| Handy & Harman base | 16,7350 | | |
| Handy & Harman fabricated | 20,9190 | | |
| LBMA spot price | £13,1904 | | |
| (U.S.\$ equivalent) | 16,8600 | | |
| Metals | | | |
| Gold, per troy oz | | | |
| Engelhard industrial | 1256.78 | | |
| Engelhard fabricated | 1351.04 | | |
| Handy & Harman base | 1254.55 | | |
| Handy & Harman fabricated | 1329.55 | | |
| LBMA Gold Price AM | *1268.25 | | |
| LBMA Gold Price PM | *1275.50 | | |
| Kruegerand,wholesale-e | 1303.28 | | |
| Maple Leaf-e | 1315.81 | | |
| American Eagle-e | 1315.81 | | |
| Mexican peso-e | 1518.92 | | |
| Austria crown-e | 1231.34 | | |
| Austria phil-e | 1315.81 | | |
| Silver, troy oz. | | | |
| Engelhard industrial | 16,7300 | | |
| Engelhard fabricated | 20,0760 | | |
| Handy & Harman base | 16,7350 | | |
| Handy & Harman fabricated | 20,9190 | | |
| LBMA spot price | £13,1904 | | |
| (U.S.\$ equivalent) | 16,8600 | | |
| Metals | | | |
| Gold, per troy oz | | | |
| Engelhard industrial | 1256.78 | | |
| Engelhard fabricated | 1351.04 | | |
| Handy & Harman base | 1254.55 | | |
| Handy & Harman fabricated | 1329.55 | | |
| LBMA Gold Price AM | *1268.25 | | |
| LBMA Gold Price | | | |

BIGGEST 1,000 STOCKS

| How to Read the Stock Tables | | Footnotes: | |
|--|--|--|--|
| 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. | | I-New 52-week high. I-New 52-week low. d-Dividends lost in the most recent four quarters. FD-FIRST day of trading. D-NOT meet continued listing standards. If-Late filing q-Temporary exemption from Nasdaq requirements. t-NYSE bankruptcy. v-Trading halted on primary market. V-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies. | |
| The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. | | Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher. | |
| Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day. | | | |

Thursday, June 15, 2017

Net Stock Sym Close Chg Net Stock Sym Close Chg

NYSE

ABB ABB 24.91 -0.27 AES AES 11.92 0.01 Aflac AFL 77.80 -0.30 AT&T T 38.84 0.12 AXIS Capital AXS 64.89 -0.12 AbbottLabs ABB 48.12 0.48 AbbVie ABV 70.60 0.28 Accenture ACN 127.03 -0.22 Alcatel-Lucent ALU 178.76 -0.16 Adient ADNT 64.55 0.61 AdvanceAuto AAP 131.15 0.56 AdvSemiEng ASX 6.07 -0.04 AerCap AEG 4.98 -0.11 AerCap AER 46.21 -0.52 Aetna AET 149.30 0.83 AffiliatedMtrs AMG 163.05 -0.20 AgilitTechs AGT 59.21 -0.17 AgnicoreEagle AEM 46.39 -0.57 Agricor AGU 92.02 -1.38 AirProducts APPD 145.21 -0.35 AlaskaAir AIRL 88.41 -0.76 Albermarle ALB 106.05 -0.32 Alcoa AIA 30.74 -0.80 AlexandriaRealEst ARE 118.81 -0.96 Alibabba BAB 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151.91 -0.27 AmericaMovil AMV 15.80 -0.19 AmcAmpus ACC 48.16 0.07 AEP AEP 72.14 0.18 AmericanExpress AXP 80.70 -0.14 AmericanFIn AgFC 101.90 0.74 AmericanFint AgMH 22.42 0.06 AIG AIG 63.81 -0.44 AmeriTowerREIT AMT 130.87 1.01 AmerWaterWks AWK 82.07 0.04 Americas APU 44.20 -0.14 Ameriprise AMP 129.61 -1.72 AmericanSourceAgg ARS 94.43 0.53 Ametek AME 62.21 0.37 Amphenol APFL 47.02 0.24 AnadarkoPetro AgFC 46.11 -1.17 AB InBev BUD 112.31 -0.77 AnnalyCap NLY 12.34 0.05 AnteroMidstream AMR 32.55 -0.40 AnteroResources AR 22.35 0.47 Antithemis ANTM 188.75 -0.02 Aon AON 135.65 0.64 Apache APA 47.80 0.08 AristaNetworks ANET 151.23 0.18 AlibabaBABA BABA 130.05 -1.59 Allegheny Y 597.63 -1.58 Allegion ALL 80.75 1.00 Allergan AGN 24.76 1.72 AllianzData ADD 250.04 6.73 AllianzBerstein AMH 23.10 -0.20 AllianzFinance LNT 41.67 -0.10 AllianzTrans AMLN 37.13 -0.34 AllyFinancial ALL 20.51 0.52 Altira MO 76.41 0.56 AlumofChina ACC 11.90 -0.53 Ambev ABEV 5.45 -0.05 Ameren AEE 56.49 0.07 AmericaMovil AMX 151

BANKING & FINANCE



Greek pensioners chanted anti-austerity slogans in Athens on Thursday. Capital controls helped Greece avert a collapse of its banks.

Greece Defies Predictions

By NEKTARIA STAMOULI

ATHENS—When Greece imposed capital controls in the summer of 2015, the measures were a critical bulwark for banks left teetering after fears of a Greek exit from the European Union caused citizens to pull billions of euros in deposits.

Two years later, the country is a case study in capital controls. The measures prevented a collapse in the banking system, and predictions they would throw grit into the wheels of the economy haven't materialized. Instead, controls have produced some surprising results, including helping Greece combat tax evasion, a perennial scourge.

As Greece's creditors prepared to approve Thursday the final payment in the country's up-to-\$86 billion (\$96.5 billion) bailout, there was no talk of lifting the measures—a reflection of the continued fragility of its battered economy.

"If we put aside the chaos created in the first couple of months, the mechanism currently in place is running smoothly," says Nikos Manesis.

With ample warning about the measures, which began in June 2015 and included strict limits on bank withdrawals and money transfers, Greeks had plenty of time to stash their cash away. Cash in circulation shot up to €42 billion in May 2016, €10 billion higher than at

the end of 2014, according to Bank of Greece data.

"Over the first half of 2015, the domestic banking system experienced a slow-motion bank run," says Eurobank Group chief economist Platon Monokroussos. "Most of this excess liquidity remained within the country, but under the mattress."

The weekly limit on cash withdrawals is €420 and the average Greek salary is €700 a month.

Greek companies have had little trouble securing permission to move money overseas, with the special committees charged with approving such transfers typically dispatching them in days, according to officials, economists and businessmen. "I don't like having to fill in all these forms and submit them," says Kalypso Kannelli, a wood importer. "But it hasn't created much trouble."

And rules allowing foreign investors to take out money they have brought into the country haven't crimped the flow of money coming from abroad. For instance, Chen Bo, head of corporate communication for private Chinese conglomerate Fosun, says his company has put hundreds of millions of euros into Greek tourism and retail over the past few years. The measures haven't deterred Fosun from planning more investments in

the medium and long term.

Capital controls have chalked up one major accomplishment: putting the squeeze on Greece's notorious tax-evasion problem.

Cash withdrawal limits have forced Greeks to use more plastic, which is free from restrictions. The number of noncash transactions has tripled since 2014. About 1 million debit cards were issued in the summer of 2015, five times the rate before the bank restrictions, and that number has continued to grow.

The result has been an extra €1 billion in tax revenue a year, according to Greek officials.

But fears over the fragility of Greece's banks, a big motivation for the capital controls in the first place, continue.

Last year Greek bankers were working on a plan to ease restrictions, but talks founders when tensions over fresh austerity measures drove Greeks to pull more money from banks.

Deposits have fallen €2.4 billion since December and are now at their lowest levels since November 2001. The Greek banking system has lost about €120 billion in deposits, or about half the total, compared with peak levels in 2008.

Without a return of confidence in the banks, the government can't lift the controls. "It would be catastrophic if we lifted them and then had to impose them again," says one senior bank official.

Baidu's Move Into Fintech Arouses Caution

By ALYSSA ABKOWITZ

BEIJING—**Baidu** Inc. is among China's tech giants looking to get a leg up in the competitive financial-services market. Credit-rating companies aren't so sure it is a good idea.

Fitch recently placed Baidu on negative watch, citing "significantly higher" business risks as it moves into making unsecured consumer loans and selling uninsured investments known as wealth-management products, which Fitch said are "part of the shadow banking system in China."

Moody's decided last month to place Baidu's bond ratings on review for a downgrade, citing concerns over the firm's short history in the financial-services business.

Baidu's financial services, which also include its mobile payment platform, now account for about 12% of its assets, or 25 billion yuan (\$3.7 billion)—representing rapid growth for a firm that formed its financial-services group only about a year ago. That has significantly changed Baidu's credit profile, said Moody's vice president and senior credit officer Lina Choi.

"The execution risk is high," Ms. Choi said of wealth-management products, which are targeted at consumers looking to earn more than they could in bank deposits or bonds. "If these investments do not yield expected returns or generate losses for retail investors, that may result in reputation risks to Baidu."

A Baidu spokeswoman declined to comment on the actions by Moody's and Fitch. On Baidu's most recent earnings conference call, however, then-

Chief Financial Officer Jennifer Li said the firm's financial services were "progressing very well."

The credit-rating firms' reports haven't troubled Baidu's share price, which is up about 8% this year on Nasdaq through Wednesday. Analysts said the bigger issue is slowing growth, particularly in its core search business.

"Investors have been concerned about Baidu's slowing growth rate compared with the other internet giants in China," said Marie Sun, an analyst at Morningstar.

Along with Baidu, Chinese tech giants **Alibaba Group Holding** Ltd. and **Tencent Holdings** Ltd. also are moving into the attractive and risky fintech space as they all look to move beyond their core businesses. The fintech products they offer include short-term consumer loans and wealth-management products.

Fitch said Baidu's credit risk is higher than that of Alibaba and Tencent because it doesn't have the financial might of those two rivals, which are more profitable and have stronger cash-generation abilities. Alibaba shares are up 56% this year through Wednesday on the New York Stock Exchange, and Tencent shares in Hong Kong have risen 44% through Thursday.

Oftentimes, wealth-management products are bundles of corporate loans, trusts and other investment vehicles—making it difficult for investors to understand what they are getting. The products have attracted increasing regulatory oversight from China's central bank.

—Lillian Lin

contributed to this article.



Baidu's financial services account for about 12% of its assets.

Return-Hungry Investors Play Risky Role of Lender

By JON SINDREU

Desperate to increase returns, some of the world's most conservative investors are taking bigger risks by aping banks and lending directly to companies.

In recent years, there has been a surge in investments from pension funds and life insurers into specialist asset managers that lend to midsize firms who can't get financing from banks, which became more risk-averse following the financial crisis. But now the flood of cash is pushing down returns, leading these funds to design riskier and more complex products, while increasing their leverage.

Because ultralow interest rates and other monetary stimulus have pushed down yields across markets, pension funds and life insurers have struggled to match their long-dated liabilities.

That has encouraged them to chase riskier assets, such as real estate, private equity and now direct lending to companies.

That risk taking could backfire on investors for whom stable returns are particularly important.

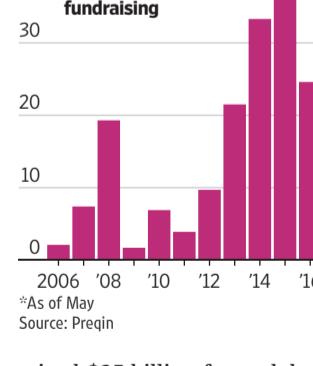
It could also be problematic for the companies and wider market, if defaults start rising and these investors suddenly pull out.

"It is concerning," said Niels Bodenhamer, private-markets director at consultancy bfinance. "A pension fund is not always aware of the difference between safer direct-lending investments and riskier ones, he said.

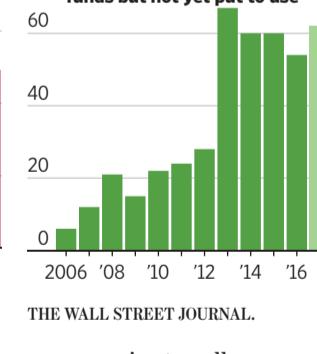
Last year, asset managers

Hunting for Yield

Funds are doing more direct lending to companies...



...and investors are giving them more money than they can deploy.



so are easier to sell on.

And the risks may be rising.

To increase their yield, funds are building up leverage and adding complexity to investments labeled as safe. Senior debt, which gets paid first in case of insolvency, is increasingly being packaged together in a single tranche with more-junior slices of debt, according to research and investors' accounts.

There is so much cash pouring in that the asset managers can't always invest it. In May, there was \$62 billion idling in these funds, according to Preqin, when a decade ago it was \$12 billion.

A recent survey by bfinance found that managers of unlevered senior private debt funds expect a return of more than 8%, but are getting between 5% and 6%. While figures for previous years aren't directly comparable, there is a noticeable spread compression since 2012," the report said.

Lending directly to companies will always bring more risks than pension and insurance funds' typical staple of bonds, which can usually be traded on public markets and

Bigger funds say these smaller players are the ones that pose the risks because they don't have the size to diversify their lending and prop-

Europe Banks Beat U.S. in Loan Growth

U.S. bank-lending growth has slipped behind that of the eurozone, as the economic recovery in Europe continues to pick up pace.

After six years of meager growth, eurozone bank lending to nonfinancial corporations increased by an annual rate of 2.4% in May, its fastest pace since mid-2009.

The deceleration in U.S. commercial and industrial loan growth has been steep. Annual growth has fallen from over 10% a year ago to just 2% in June, according to the latest figures published by the Federal Reserve.

Europe's has accelerated from 1.8% in the same period.

The latest time corporate credit growth was faster in the eurozone than the U.S. was in

early 2011, when the full debilitating effect of the sovereign-debt crisis was yet to feed through to local data.

The eurozone's economy grew faster than that of the U.S. last year for the first time since 2008. The European Central Bank expects growth of 1.9% this year, up from 1.7% in 2016. The Federal Reserve expects U.S. growth of 2.2% this year.

Despite this, though, analysts don't see any boom coming for bank lending in the eurozone.

"The recovery of the eurozone banking sector is on track, but the pickup in credit is likely to continue at a moderate pace," said Reinhard Cluse, an economist at UBS.

Several countries are still catching up. Bank lending in Germany and France, the currency bloc's biggest economies, has already outstripped the U.S., with growth rates of 3.4%

and 5.5%, respectively.

But Spain and Italy are still lagging behind, with growth rates of just 0.8% and 0.1%, respectively.

Meanwhile, the performance of U.S. banks has prompted worries among economists, even as other economic signals aren't pointing toward a meaningful slowdown.

The drop in U.S. bank lending is a "signal worth heeding," Standard Chartered said in a research note.

In the past three months, the bank said, "commercial and industrial loans have contracted by 5.4% on an annual basis, a pace of decline not seen since December 2008."

Some analysts have flagged turmoil in Washington as a potential explanation for the U.S. slowdown, suggesting that large businesses are waiting to see how tax-and-spending plans develop before making major decisions. —Mike Bird

has started catching up to the U.S. in recent years.

A key test for the market will come when default rates go up, since a single insolvency is much more damaging for a fund than a bank.

Greg Peters, a credit portfolio manager at PGIM Fixed Income, said he is concerned some companies do direct lending as a "short-time play."

"There's been a proliferation of new firms opening up with little capability and no track record and they're raising money," he said. "If there's a story to be written for the next recession, it's in private credit."

MARKETS

Technology Weakness Weighs On Stocks

BY AKANE OTANI AND GEORGI KANTCHEV

The Nasdaq Composite posted another session of declines as technology stocks resumed their slide.

Thursday's moves sent the index, which has outperformed the S&P 500 and Dow Jones Industrial Average this year, lower for the fourth time in the past five trading days.

U.S. stocks have hit a string of records this year, in part due to stronger-than-expected corporate earnings. But many investors are cautious, pointing to risks including elevated stock valuations and a recent patch of soft economic data.

"The U.S. economy looks quite dull at the moment," said Neil Dwane, global strategist at Allianz Global Investors. Despite falling unemployment, inflation is still low and the economy is struggling to grow in the "uninspiring" 1% to 2% range, he said.

The Dow Jones Industrial Average fell 14.66 points, or less than 0.1%, to 21359.90 on Thursday. The S&P 500 fell 5.46, or 0.2%, to 2432.46, and the Nasdaq Composite lost 29.39, or 0.5%, to 6165.50.

Tech stocks, which have outperformed the S&P 500 this year as investors bet on fast-growing companies, resumed a recent spurt of weakness, falling 0.5% in the broad index.

Shares of **Snap** narrowly avoided falling below their March IPO price of \$17. The parent of disappearing-message app Snapchat ended the day down 88 cents, or 4.9%, at \$17.

Energy stocks, the year's worst-performing S&P 500 sector, fell 0.7%. U.S. crude lost 0.6% to \$44.46 a barrel, its lowest settlement since November.

The U.S. dollar climbed a day after the Federal Reserve decided to raise benchmark interest rates—signaling that it would stick to its plans to gradually tighten monetary policy despite signs of cooling inflation.

The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, rose 0.6%.

Government bonds fell, with the yield on the 10-year U.S. Treasury note rising to 2.160% from 2.138% on Wednesday. Yields rise as bond prices fall.

While "there is some concern around inflation, the fundamental picture hasn't changed," said Victor Jones, director of trading at TD Ameritrade. "We're still cautiously optimistic."

The Stoxx Europe 600 lost 0.4%, weighed down by the tech and basic-resources sectors.

Stock indexes across Asia mostly ended lower. Hong Kong's Hang Seng Index fell 1.2%. However, in Tokyo at midday Friday, the Nikkei Stock Average was up 0.53%.

Treasury Auctions

The Treasury Department will auction \$97 billion in securities next week, comprising \$53 billion in new debt and \$44 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$39 billion in 13-week bills, a reopening of an issue first sold on March 23, 2017, maturing Sept. 21, 2017. Cusip number: 912796LNU.

Also, \$33 billion in 26-week bills, dated June 22, 2017, maturing Dec. 21, 2017. Cusip number: 912796MH9.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

♦ **Tuesday:** \$20 billion in 52-week bills, dated June 22, 2017, maturing June 21, 2018. Cusip number: 912796MF3.

Noncompetitive tenders must be received by 11 a.m. EDT Tuesday and competitive tenders, by 11:30 a.m.

♦ **Thursday:** \$5 billion in 29-year, eight-month 0.875% Treasury inflation-protected securities, a reopening of an issue first sold on Feb. 28, 2017, maturing Feb. 15, 2047. Cusip number: 912810RW0.

Noncompetitive tenders must be received by noon EDT Thursday; competitive tenders, by 1 p.m.

FANG Not Red in Tooth After All

By CHRIS DIETERICH

EQUITIES Bad case of FANG fatigue? Cliff Asness, co-founder of AQR Capital Management, says he has read one too many stories about the novelty of big tech stocks carrying the U.S. stock market higher.

While it is true that a handful of large stocks have run the show in 2017, the widely followed quant takes issue with the notion that this year is terribly different from any other year. His team's data show that a few well-performing stocks exert outsized influence on the S&P 500 every year.

In his words: "It's always interesting to report who won the Super Bowl. But, it's not at all interesting to report that someone won the Super Bowl. Now, it would indeed be interesting to report if the winning team did something truly outsize like post a 19-0 record for the season. A lot of the reporting of the FANGs returns has a strong whiff of a 19-0 season when statistically it turns out much more like reporting that, yet again, the Super Bowl indeed had a winner."

In 2015, when the acronym FANG (Facebook Inc., Amazon.com, Netflix and Google's parent Alphabet) emerged as shorthand for the best-performing stocks, Mr. Asness noted this group's impact

on the S&P 500's return was "staggeringly normal." The FANG components have been opened up for debate in the intervening years as Apple and Microsoft scored

above-market gains. A strategist at Goldman Sachs Group last week suggested that the most relevant acronym these days is FAAMG—Facebook, Amazon,

Top contributors to the S&P haven't had an outsize influence relative to history.

Apple, Microsoft and Google (Alphabet)—the five biggest tech and internet stocks. The Wall Street Journal reported that, before last Friday's drop in tech stocks, they had accounted for 41% of the S&P 500's market cap gain in 2017.

AQR's update, in a blog post out Wednesday, doesn't specifically break out the influence of big stocks on the market in 2017, the period that—while admittedly short—is what financial writers have focused on. Rather, it re-examines the impact of top-contributing stocks on the S&P 500 in the two years ended May 2017.

The results: The top five biggest-contributing stocks on the S&P 500 didn't exert unusual heft. The biggest S&P 500 contributors accounted for 4.1 percentage points to the S&P 500 over the past two years compared with the long-term average of 3.9 percentage points. In other words, top-contributing S&P 500 stocks haven't had an outsize influence relative to history.

Will FAAMG's contribution to the S&P 500 prove anomalous by year-end? Time will tell.

In the meantime, here is a quote from Mr. Asness: "If you go looking explicitly for extremes you're usually going to find them. The question then becomes, how extreme are the extremes this time around compared with the extremes you normally expect to find?"

Health Care Is This Year's Surprise Winner

By LIYING QIAN

EQUITIES Health-care stocks have risen 13% in the S&P 500 this year, making the sector the second-biggest gainer after technology. It is a turnaround for a group that underperformed the other 10 sectors in 2016, and many investors and analysts expect health care's rebound to continue.

According to month-end data, health-care surpassed financials in May to become the second-largest sector in the S&P 500 in market value, trailing only tech stocks.

A recovery in biotechnology stocks has helped boost health care this year. The Nasdaq Biotechnology Index posted its worst year since 2002 in 2016, partly as drug pricing came under scrutiny during the U.S. election campaign.

But the index has gained 11% this year, led by companies such as **Loxo Oncology**, whose shares rose more than 40% on June 5 after the company announced encouraging data from its studies of an experimental cancer drug.

Some investors appear to be betting on a favorable environment for policy and innovation. The Food and Drug Administration has approved 21 novel drugs so far this year, compared with an average of 15 from 2011 to 2016 by each year's end of June, according to the agency's website. Scott Gottlieb, the new commissioner of the FDA, has advocated faster drug approval.

Wells Fargo Investment Institute was optimistic about health care in a midyear report, citing the sector's long-term earnings-growth potential and current valuations.

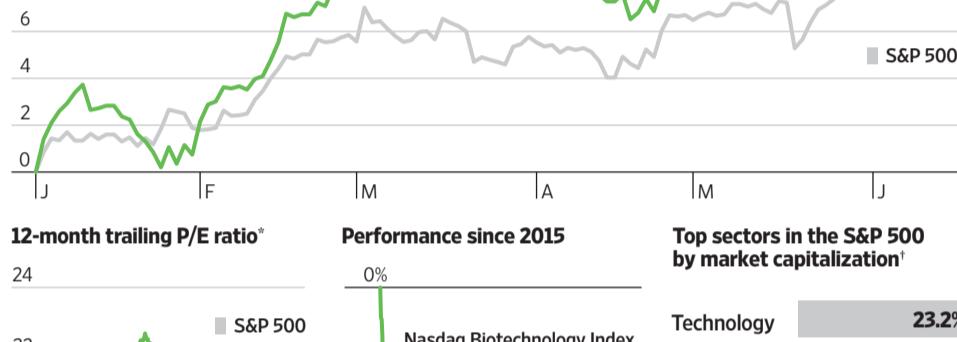
The health-care sector has been trading at a lower 12-month trailing price/earnings ratio than the S&P 500 for much of the time since last November's presidential election, which some analysts and investors said has made the sector relatively attractive. Earnings per share also have been rising.

"We are going to see moderate and steady growth" in health-care stocks, said Scott Wren, senior global equity strategist at Wells Fargo Investment Institute.

Bouncing Back

The health-care sector has outperformed the broader market this year.

Year-to-date performance



12-month trailing P/E ratio*



Performance since 2015



Top sectors in the S&P 500 by market capitalization¹

| | |
|------------------------|-------|
| Technology | 23.2% |
| Health care | 13.9 |
| Financials | 13.7 |
| Consumer discretionary | 12.5 |
| Industrials | 10.2 |
| Consumer staples | 9.4 |

THE WALL STREET JOURNAL.

Dollar Surges After Fed Optimism

By CHELSEY DULANEY

CURRENCIES The dollar rallied after the Federal Reserve indicated weak U.S. economic data won't derail its plans for raising interest rates.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, gained 0.6% to 88.65 Thursday, the largest gain since January. The dollar jumped 1.2% against the

Japanese yen to ¥110.93 and the euro fell 0.7% against the dollar to \$1.1446.

The dollar has surged since the Fed offered an upbeat message on the U.S. economy at the close of its latest policy meeting on Wednesday. The central bank raised interest rates by a quarter-percentage point and stuck to its projection for one more rate increase this year despite a recent slowdown in inflation.

"The willingness of officials to look past the recent economic weakness and softness of prices is important," said analysts at Brown Brothers Harriman in a research note. "The Fed is no longer worried about the recovery and expansion."

The dollar was sharply higher against emerging-market currencies. The dollar rose 0.7% against the Mexican peso on Thursday, 2% against the South African rand and 1% against the Korean won.

Still, some investors remain

skeptical that the Fed will raise rates again this year. Federal-funds futures, a popular tool for betting on the Fed's rate-policy outlook, show a less-than-50% chance that the central bank will raise rates again this year, according to CME Group data.

The dollar slipped less than 0.1% against the British pound, which was boosted after some Bank of England officials turned surprisingly hawkish at their latest meeting.

Swiss Leave Key Rate Unchanged

By BRIAN BLACKSTONE

BERN, Switzerland—The Swiss National Bank on Thursday defended its claim that the Swiss franc is "significantly overvalued," despite signs of modest economic growth, a high trade surplus and low unemployment.

The SNB has for many years warned that currencies too strong and repeated the "significantly overvalued" assessment on Thursday as it kept its key deposit rate at minus-0.75%, where it has stood since early 2015.

Because of Switzerland's stable economy and low debt, the franc tends to strengthen in times of global economic and political unrest as foreign investors pile into safe Swiss assets and Swiss residents keep their money at home rather than investing abroad.

"In periods of uncertainty, [the franc] is still subject to increased upward pressure," SNB Chairman Thomas Jordan said at a media conference.

In its policy statement, the SNB said: "The negative interest rate and the SNB's willingness to intervene in the foreign exchange market are intended to make Swiss franc investments less attractive, thereby easing pressure on the currency."

The euro fetched 1.088 francs midday Thursday in Europe, down slightly from Wednesday.

The hope in Switzerland was that reduced political uncertainty in Europe and tighter U.S. monetary policy would sap safe-haven demand for the franc. Though each has happened, the franc hasn't weakened much if any this year.

Still, Switzerland's resilience has raised questions about whether there is a distinction between an overvalued currency and one whose strength reflects a fair valuation by investors.



PRASHANT VISHWANATH/BLOOMBERG NEWS

Motorists fill their vehicles with compressed natural gas in New Delhi. India consumes over 5 billion cubic feet of natural gas a day.

BP's India Natural-Gas Plans Advance

By SARAH KENT

COMMODITIES London—BP PLC said Thursday it is pushing ahead with long-delayed efforts to develop natural gas offshore India, partnering with Reliance Industries to plow \$6 billion more into the first big investment it made following the Deepwater Horizon disaster.

BP and Reliance, one of India's biggest energy companies, are expecting to produce 425 million cubic feet of gas a

day from deep-water gas fields roughly 70 kilometers (43 miles) off India's east coast by 2020, in the first of three projects that they plan to develop with the funds.

Between 2020 and 2022, they are expecting to add another 1 billion cubic feet a day of new gas production, assuming the other two projects are approved by the government.

BP first partnered with Reliance in 2011, spending \$7.2 billion for a 30% stake in oil and gas fields operated by the Indian company. The deal was the company's first major in-

vestment since its fatal blowout in the Gulf of Mexico in 2010.

It was meant to mark a step toward new growth prospects in a market where demand for oil and gas was growing rapidly, but for years government caps on gas prices limited profitability and stymied investment.

"It's taken a while to develop a natural gas price to help develop these projects," BP's Chief Executive Bob Dudley told the industry CERAWeek conference in Houston in March.

The country already consumes over 5 billion cubic feet of natural gas a day, according to BP. That is a number that India hopes to double by 2022.

MARKETS

Investors Fear Policy Misstep by the Fed

Some worry central bankers will move too fast as expectations on economy, inflation fall

By MIN ZENG

While the Federal Reserve shakes off softening inflation data and sticks to its rate-raising plan, bond and commodity traders are increasingly anxious that a potential policy error by the central bank will become a problem for economic growth.

The yield premium investors demand to hold the benchmark 10-year U.S. Treasury note relative to the two-year note shrank on Wednesday to the smallest since September and approached the lowest since 2007. A falling premium is known as a flattening yield curve and typically happens when worries rise that economic momentum is slowing.

Inflation expectations, meanwhile, are sliding. One gauge, the 10-year break-even rate, which measures the yield premium on the 10-year Treasury note relative to the 10-year Treasury inflation-protected security, fell Thursday to the lowest since October. The Bloomberg Commodity Index slipped Wednesday to its weakest since April 2016.

Unease that the Fed will move too quickly signals deteriorating sentiment in the market after a period when stock prices soared to historic highs and valuations became stretched. The worries also mark a shift from earlier this year, when economic indicators prompted some to say the U.S. central bank was falling behind the curve in tightening policy.

The Fed concluded its two-day meeting Wednesday with a rate increase that was widely expected. What surprised many investors was that Fed Chairwoman Janet Yellen didn't blink after an inflation report, released right before the Fed's decision, was weaker for the

Market Vigilance

Softening inflation data have raised concerns that the Federal Reserve will raise rates just as a tepid recovery is stalling.

A shrinking yield premium is often a sign that investors see economic momentum slowing. It can also crimp profits at banks.

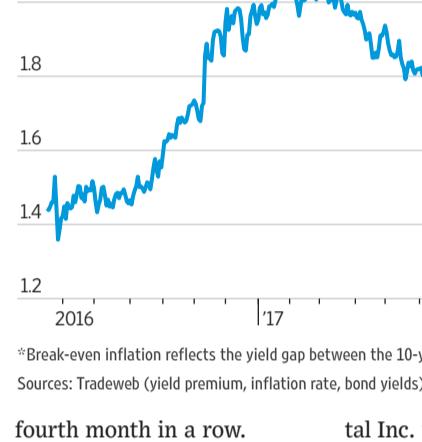
Yield premium, 10-year Treasury note relative to two-year note

1.4 percentage points



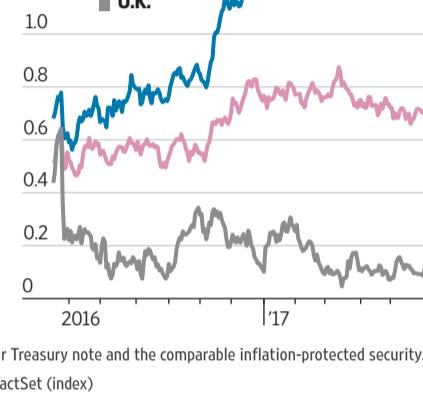
10-year inflation break-even rate*

2.2 percentage points



Two-year government-bond yields

1.4%



Bloomberg Commodity Index

90



*Break-even inflation reflects the yield gap between the 10-year Treasury note and the comparable inflation-protected security.

Sources: Tradeweb (yield premium, inflation rate, bond yields); FactSet (index)

fourth month in a row.

Instead, Ms. Yellen said the data, which showed inflation drifting below the central bank's 2% target again, can be noisy. The Fed chief said she believes that a robust labor market is likely to push up inflation.

But some money managers aren't buying it.

"The bond market is sending the world a warning that the Fed rate hike is unnecessary with inflation falling," said Jonathan Lewis, chief investment officer at Fiera Capital Inc.

"We are in a very dangerous stage of a market and growth cycle. Any misstep from the Fed would backfire."

Falling inflation expectations can be self-fulfilling. Not only would it make meeting the Fed's 2% target harder, but consumers and businesses who think inflation will fall may delay spending plans, which could in turn throttle economic growth.

The "tightening into a slowdown" narrative is "a bad cocktail for risk," according to Charlie McElligott, managing

director and head of U.S. cross-asset strategy at RBC Capital Markets. He said that is partly why U.S. stocks have slipped—albeit modestly—after the Fed's rate decision.

Compounding investor anxiety is that other major central banks became more hawkish this week, indicating a possible shift away from a period of highly accommodative monetary policy. Two Bank of Canada officials said this week that the nation's recovery is picking up, sending the country's two-

year bond yield higher. The U.K.'s two-year government-debt yield rose Thursday after three Bank of England officials called for a rate increase.

Predicting the inflation outlook appears to be a challenge for investors. In late 2016, a reflation trade—betting on stronger growth and higher inflation-dominated global markets as optimism rose over wide-ranging U.S. fiscal stimulus.

But that narrative has faded, as President Donald Trump's agenda hasn't gained traction.

For BofA, Fed Move Is a Mixed Blessing

Rising interest rates are good for banks. A flatter yield curve isn't.

That was the situation faced by banks as the Federal Reserve again raised interest rates Wednesday.

Bank of America, the second-largest U.S. bank by assets, illustrates the challenge. The bank is seen as the big bank that will benefit most from higher rates. Investors often buy and sell the lender's stock on rate expectations.

The Fed's rate increases have helped lift the bank's profits broadly. Notably, it has helped to relieve pressure on the bank's net-interest margin. While the bank has been able to charge more for some loans, it has been able to hold steady the rates it pays for deposits. That bolsters its net-interest margin.

Last year, Bank of America paid an average of 0.08% for its interest-bearing deposits in the U.S. That rate has barely budged since then. Despite this, Bank of America kept raking in customers' money; such deposits increased \$33 billion versus 2015.

"We are doing better than our models would have said" on how quickly the bank would have to increase deposit rates, Bank of America CEO Brian Moynihan said in late May.

In the first quarter, higher rates helped lift net interest income by more than \$700 million.

Over time, though, the bank and others are likely to have to increase the amount it pays to depositors. That will lessen some of the benefit from rising short-term rates.

—Rachel Louise Ensign

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Macy's Faces a Test of Loyalty

Relying on Regulars

Just 9% of Macy's shoppers account for nearly half of the store's sales.

Percentage of shoppers, grouped by frequency of store visits

← More frequent Less frequent →

9% 13% 38% 40%

Share of total sales

46% 19% 23% 12%

Source: Macy's

though the retailer remains in the program.

"I think they confused people," said Bram Hecht-kopf, chief executive of Kobi Marketing, which consults on loyalty programs with brands. "Loyalty programs that are all things to all people are the wrong approach."

Instead, companies should identify what makes their brand unique and tailor their program to reflect that, he said.

than get customers to spend more. It needs to keep its top customers from leaving, which could be devastating. Data the company collects through its loyalty program on the locations and spending patterns of these crucial customers should inform its decisions about inventory purchases and even where to close stores.

For Macy's, a new loyalty program should reflect its aims outlined at its investor day last week to offer more focused and more fashionable selection of products, including a greater number of exclusive designs. Higher tiers could come with more perks—free tailoring, shipping, gift wrapping, concierge service and invitations to events, to name a few—that lead shoppers to spend more in order to achieve them.

"You need to have unique attributes in the modern department store," said Oliver Chen, an analyst with Cowen. "It's a war for market share."

—Miriam Gottfried

Amazon.com's \$99-a-year Prime program is successful, not because it offers members lower prices but because it makes shopping on Amazon even more convenient.

Similarly, Starbucks's rewards program offers the ability to pay by phone and order ahead, in addition to points that can be used for purchases.

Macy's has to do more with its loyalty program

OVERHEARD

The line between utility and luxury is being blurred in the auto market, and it isn't where one would expect it.

Sport-utility vehicles have long been subject to creeping creature comforts—keeping up with the Joneses in the suburbs was nearly as tough a generation ago as today. No, the greatest feature and price inflation is in full-size pickup trucks according to car resale site Instamotor.

For example, back in 1997 a Honda Accord had a recommended selling price of \$15,100, about \$600 more than a Ford F-series truck. This year the truck is \$5,000 more expensive.

Most car and SUV models, despite being safer and more powerful than 20 years ago, are cheaper in inflation-adjusted terms.

But leading truck brands, which feature roomier cabs, leather seats and high-tech electronics are about 25% more expensive.

It is getting expensive to be a hardworking, salt-of-the-earth driver.

Lixo Strikes While the Iron Is Hot

In biotech, it is important to convert a buoyant stock price into cash. **Lixo Oncology** Inc. provides a case in point.

The company that is developing treatments for cancers caused by gene abnormalities late Wednesday said it raised about \$227 million in a public stock offering. In a positive sign, its shares traded above the \$72 offer price Thursday.

Lixo's capital raise clearly came at the right time. Lixo unveiled data that dazzled investors earlier this month. That excitement has helped the stock rise 130% so far this year, pushing Lixo's market value near \$2 billion. Lixo has nearly doubled its cash position while keeping shareholder dilution to a minimum.

That is important for a company that doesn't generate revenue and posted a loss of \$25 million in the first quarter. Any sales or profits from Lixo's drug candidates are likely months away.

Across the industry, opportunities to raise cash have become scarcer as investors get more selective. U.S. drug companies have raised about \$7.5 billion in follow-on offerings so far this year, according to Dealogic. While that is fairly high by historical standards, it wasn't too long ago that biotechs could raise cash almost at will. In 2015, they raised an aggregate \$38 billion on the secondary market. Funding historically has dried up almost completely when broader equity markets are bleak.

Whether Lixo will develop the next great cancer treatment is anyone's guess, but raising capital at the right moment has surely maximized its chances.

—Charley Grant

There Are Good Reasons Short Sellers Hunger for Apple

Hedged

Shares sold short by market value

\$10 billion

Apple Amazon Alphabet

8 6 4 2 0

D J F M A M J

Source: S3 Partners

June 8 close.

But not all short bets are created equal. Apple in particular is unusual given both the timing—a few months ahead of a major new iPhone launch—and its low valuation relative to the others. Apple trades at just over 14 times forward earnings, while Alphabet and Microsoft are at 26 times and 21 times, respectively.

The company's huge size also limits short sellers' sway; short interest represents just over 1% of Apple's public float, according to FactSet. But short sellers are still taking a special interest. The world's most valuable company is now the world's

third-largest short position by market value behind **Alibaba** and **Tesla**, S3 head of research Ihor Dusaniwsky noted.

The reasons why make sense. Unlike its big tech peers, Apple is highly dependent on a single product—the iPhone. That product has become highly cyclical. Sales of the iPhone fell in Apple's latest fiscal year and are expected to be relatively flat in the current one as the past two versions have offered only incremental changes and smartphone users hold on to their devices longer.

A big upgrade cycle is expected for the next device coming out this fall, but that

rightfully raises worries about what happens to Apple's stock following that launch.

The shares have seen two big selloffs over the past five years following big iPhone launches. Apple ended up losing more than one-third of its market value after the stock hit a peak in early 2015, driven by the highly successful iPhone 6 launch.

Shorting Apple now still seems premature given that the stock is likely to continue to net gains leading up to the next launch. But for those familiar with the company's cyclical nature, it may be more a question of when than if.

—Dan Gallagher

More investors are betting against big tech stocks these days. The biggest one of all is drawing an especially bold gamble.

Short sellers have been targeting **Apple Inc.**, **Amazon.com** and Google parent **Alphabet Inc.** over the past six weeks. The value of shares sold short on those three has jumped 38%, 25% and 22%, respectively, according to financial analytics firm **S3 Partners**.

Those bets were coming in before a selloff on big tech stocks began in earnest last week. Apple, Amazon and Alphabet, along with **Microsoft** and **Facebook**, are the five largest stocks in the S&P 500

Steve Case lists
onetime home
of Jacqueline Kennedy
for \$49.5 million

M3



MANSION

*What shelter to grow ripe is ours?
What leisure to grow wise?*

—Matthew Arnold

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Friday, June 16, 2017 | M1



Escape From The Hamptons

A five-minute ferry ride away, Shelter Island offers scant traffic and gentler prices.

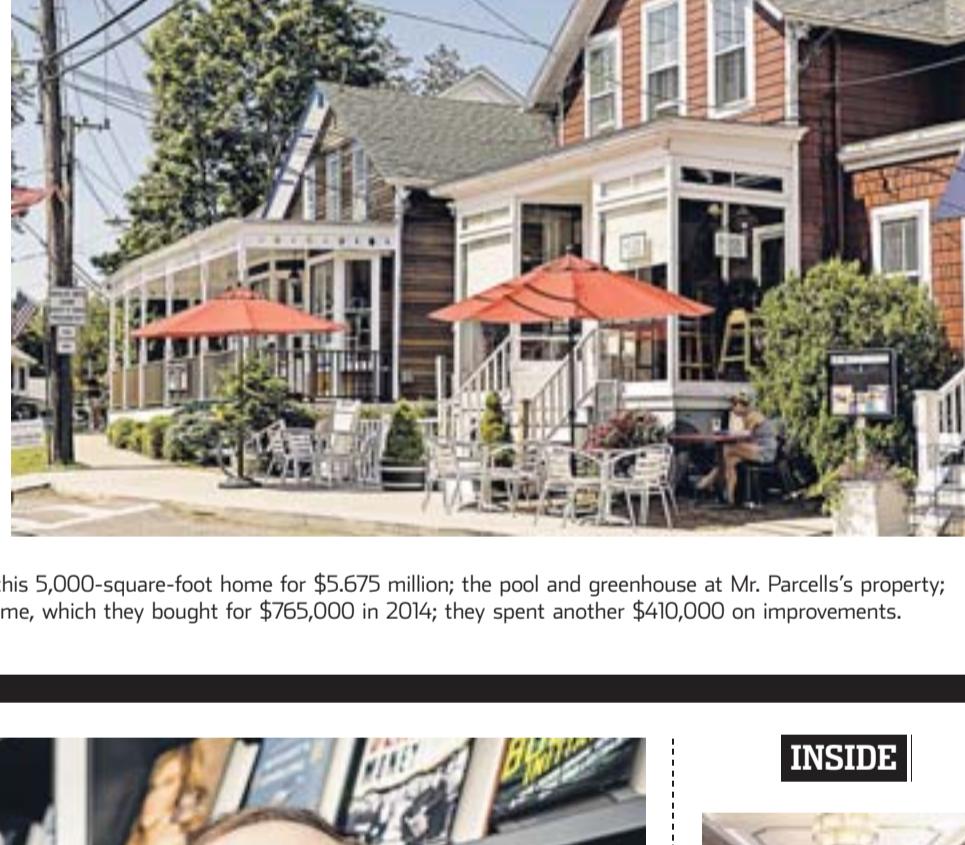
BY AMY GAMERMAN



MANHATTAN INTERIOR DESIGNER Kevin Roberts owns a beach house in the Hamptons with his partner and husband, Timothy Haynes. But when he wants to get away from it all, Mr. Roberts jumps on the ferry for a five-minute ride from the South Fork to Shelter Island, N.Y., where he owns not one, but two antique homes on Gardiners Creek.

"My house in the Hamptons is kept by 20 minions running around," said Mr. Roberts, who often meets clients there. On Shelter Island, he reads, gardens and kayaks between his Dutch gambrel cottage and his 19th century farmhouse, on facing sides of the creek. "I like to mow the lawn myself," he said. "It's so private and old-fashioned, and it feels so authentic in every way."

Please turn to page M2



GET AWAY Shelter Island offers good sailing, top; clockwise from top right: Patrick Parcells is selling this 5,000-square-foot home for \$5.675 million; the pool and greenhouse at Mr. Parcells's property; local shops; Sunset Beach; the dining room of Stephen Harvey and Perry Sayles; the exterior of the home, which they bought for \$765,000 in 2014; they spent another \$410,000 on improvements.

DOROTHY HONG FOR THE WALL STREET JOURNAL (7); GORDON BEALL (CASE)

HOUSE CALL | JAMES PATTERSON

ALONG CAME A WRITER

The prolific author grew up along the Hudson River in upstate New York; today he has an ocean view in Palm Beach.

James Patterson, 70, has written more than 150 novels, including "Pottymouth and Stoopid" (Jimmy), for middle-schoolers, and "Murder Games" (Little, Brown). He spoke with Marc Myers.

When I was 11, I watched my best friend ride his sled down an icy hill and fly into a busy street. His sled

passed under a moving car and shot out the other side safely, but the car's underside sheared his scalp. He needed 100 stitches. That's when I realized life can be taken away in the blink of an eye.

I grew up in Newburgh, N.Y., in the 1950s and early '60s. My grandparents had

Please turn to page M12



INSIDE



\$46 MILLION MANSE
London home tests luxury market M5



NEW COMMISSIONS
Sellers renegotiate a once-standard fee M4



TIME KEEPERS
Homes with clock towers M9

OPEN BOOK James Patterson, right, at publisher Hachette Book Group offices in Manhattan. His home in Palm Beach, Fla., above.

FROM LEFT: JESSICA KLEWKOWSKI/GLYNN FOR THE WALL STREET JOURNAL; CHRIS SORENSEN FOR THE WALL STREET JOURNAL (7); GORDON BEALL (CASE)

MANSION

ESCAPE FROM THE HAMPTONS



Continued from page M1

Shelter Island—an 8,000-acre island wedged between Long Island's North and South Forks that can only be reached by ferry or private plane—draws a moneyed crowd in search of a more laid-back vibe, along with a rich history, good sailing, scant traffic and more attractively priced vacation homes than can be found in the nearby Hamptons.

"Last year, we sold \$60 million in real estate on Shelter Island—that was a banner year," said Penelope Moore, a real-estate agent with Saunders & Associates. "What we are hearing from buyers is that the Hamptons are great, but they are getting too congested—the people that come over here want to be in a quieter place."

Shelter Island, whose core population of about 2,400 burgeons to 10,000 in season, has been a vacation destination since the 1870s, when a group of clergymen created a summer retreat of gingerbread cottages for Methodist camp meetings. A large hotel was built soon after: Sections of the golf course at the private Gardiner's Bay Country Club date to 1896.

Many Shelter Islanders have deep roots there—some can trace their family history on the island back to the Colonial period—and are wary of overdevelopment. Concerned by the prospect of a free-wheeling Airbnb-style tourist culture, the island's town board recently passed a measure to regulate short-term rentals, which prevents property owners from renting out their homes more than once in a two-week period.

"You never want to say no, but we also want Shelter Island to stay quiet," said Craig Wood, Shelter Island town assessor.

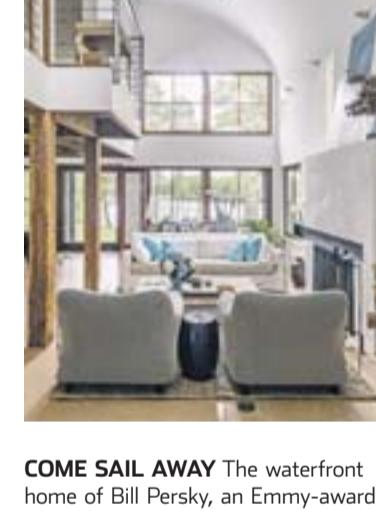
The market for vacation homes has tightened, with sales prices that are now surpassing prerecession levels in some categories. "Under \$1 million, I have very little to show," said Catherine Debackere, an agent with Daniel Gale Sotheby's International Realty. On the high end, she is showing a 5,400-square-foot home priced at \$4.7 million; "If that house were in the Hamptons, it would be \$6 million at least," she said.

"It's not precious, and people sort of want to keep it that way—thank God that ferry keeps people away," said Mr. Roberts, who bought his first home—Creek Cottage, a Dutch gambrel built for the island's first chaplain in the 1730s—for \$1.25 million in 2014, according to public records. The cottage is set within the gates of Sylvester Manor, a 243-acre nonprofit educational farm with a 1737 Georgian manor house that has remained in the same family for 11 generations—and which had long fascinated Mr. Roberts.

Shortly after he bought the cottage, Mr. Roberts learned a picturesque 19th-century yellow farmhouse opposite the creek was for sale. "When it looked like someone was going to buy it and rip it down, I threw all caution to the winds and bought it."

Mr. Roberts paid \$1.6 million last year for the house, called the Homestead, records show. He has stabilized an original circa-1750 portion, put on a wood shake roof, and is in the process of installing a heating and cooling system—part of a continuing restoration. He said the cost far exceeds any reasonable return on his investment. "It has nothing to do with real-estate values—but a love for the island and an interest in preserving

IT TAKES TWO Manhattan interior designer Kevin Roberts, above right, first purchased Creek Cottage, above and top right. Later, he bought a 19th-century farmhouse, below, which faces his cottage across the creek. Mr. Roberts owns a house in the Hamptons but says he uses these two homes to get away from it all.



COME SAIL AWAY The waterfront home of Bill Persky, an Emmy-award winning producer, director and writer, and his wife, Joanna Patton, below. The contours of the couple's main house evoke a billowing sail.



two historic properties," said Mr. Roberts, who intends to bequeath both homes to Shelter Island when he dies.

Some rooms are being left in their faded glory—like the dining room with peacock wallpaper dating to 1907 and a centuries-old sideboard, which Mr. Roberts bought from Glorian Dorsey, the 83-year-old matriarch of the family who had owned the house since prerevolutionary times. "That wallpaper was given to Glorian Dorsey's grandmother on her wedding day. It's peeling off and I'll never touch it," said Mr. Roberts.

"I love what he's doing—he's made wonderful changes," said Ms. Dorsey, who has become a close friend, staying in her old pink bedroom on visits from her home in Maryland.

Ms. Dorsey doesn't approve of other changes to the island—notably, Sunset Beach, the celebrity-friendly hotel and restaurant that André Balazs opened in 1997. "Shelter Island was not a fancy place, not until André Balazs ruined it," Ms. Dorsey said. "The secret got out. There are a lot of people with too much money and not enough taste." Mr. Balazs

couldn't be reached for comment.

Bill Persky, an Emmy-award winning producer, director and writer whose credits include "The Dick Van Dyke Show," "That Girl" and "Kate & Allie," built a waterfront home on West Neck Bay 20 years ago after spotting the site from his boat.

Mr. Persky, 85, and his wife, Joanna Patton, spent close to \$2 million to create their compound: a 2-acre property shaded by Norwegian spruce trees, with a 2,500-square-foot main house whose contours evoke a billowing sail, as well as a guesthouse and a pool.

"It's not like the Hamptons where there are a thousand places to go—there's one coffee shop and you see everybody there," said Mr. Persky, who is more likely to be found at the annual firehouse barbecue than a bash at Sunset Beach. "There's never any traffic—I don't think we have a traffic light." (Shelter Island has no traffic lights. "And in the winter they re-

move some of the 'Stop' signs," Ms. Moore said.)

Stephen Harvey, an Egyptologist, and his partner, Perry Sayles, a designer, bought a 1788 Colonial farmhouse for \$765,000 in 2014 after selling their home in Sagaponack. "It was 'On Goldman Pond,'" said Mr. Harvey, 51, of his former Hamptons neighborhood and its investment-banker denizens.

The couple spent another \$410,000 on improvements. While digging a pool trench, they discovered a trove of artifacts: bits of shell-edged pearlware, a Native American grinding stone, a pitchfork and a broken champagne flute dating from about 1810.

"There's this layering, and the feeling of all these families who have come and gone," Mr. Harvey said.

Other vestiges of Shelter Island's past are disappearing. All but a few of the tiny fisherman's shacks that once dotted Little Ram Island, a narrow peninsula, have been replaced by sprawling multi-

million-dollar homes.

Nor is the island immune to Hamptons-style spats between neighbors. In Dering Harbor—a tiny village with a year-round population of 11, according to a 2016 U.S. Census Bureau estimate—village authorities have taken residents to court for planting hedges without permits.

Patrick Parcells, who is selling his 5,000-square-foot home in Dering Harbor Village for \$5.675 million, ran an unsuccessful 2014 campaign for mayor of Dering Harbor against the incumbent Tim Hogue—currently serving his 13th two-year term. More recently, he has challenged the eligibility of some voters in village elections—notably, out-of-state adult offspring of vacation-home owners.

"I love the village and I'm going to continue to live in it, but the people who run the village have been running it for 30 years," said Mr. Parcells, a 66-year-old retired banker. "The mayor in particular is very litigious."

Mr. Hogue defended his role in hedge-gate. "You need to apply for a permit for a hedge, which is considered a fence," he said.

Mr. Parcells said his six-bedroom house is too big for his family now that his son is in college. The home and its 7.6 acres are part of a 19-acre property that Mr. Parcells purchased for \$2 million in 2001; once an arboretum, it features an allee of weeping beech trees, a 19th-century barn and a restored glass conservatory.

Mr. Parcells, who is reserving 3 acres for a smaller home, said his political opponents are still good neighbors. "We play golf," he said. "We don't agree about everything, but we're able to get along."



American grinding stone, a pitchfork and a broken champagne flute dating from about 1810.

MANSION

PRIVATE PROPERTIES | CANDACE TAYLOR

Steve Case Asks \$49.5 Million for Estate



PASTA HEIR LISTS ESTATE IN SWITZERLAND

A Swiss estate owned for decades by a branch of the Barilla family, founders of the pasta company, is asking 70 million Swiss francs, or roughly \$72 million.

Known as Domaine Pré Saint Jean, the roughly 10-acre estate located just outside Geneva in the wealthy suburb of Vandoeuvres is among the most expensive homes for sale in Switzerland right now, according to listing agent Alexander Kraft of Sotheby's International Realty France—Monaco.

Owner Riccardo Barilla said his branch of the family sold their stake of the family business in the 1970s, after which his parents moved from Italy to Switzerland; the company is now owned by his cousins.

Mr. Barilla, a banker, said he first moved into Domaine Pré Saint Jean as a teenager in the 1970s, when his parents bought the house. After inheriting the estate a few years ago, he embarked on an extensive renovation of the interior to give it a more contemporary look.

With views of Mont Blanc, the main house measures about 9,470 square feet with four bedrooms, Mr. Kraft said. A renovated barn serves as a guest house; a former stable now includes three studio apartments. Mr. Barilla obtained permits for two more houses to be built on the property.

Mr. Barilla said he and his wife initially planned to live in the house once the renovation was completed, but their plans have changed and they now want to relocate to Italy.



CLOCKWISE FROM TOP LEFT: SOTHEBY'S INTERNATIONAL REALTY FRANCE; GORDON BEALL; AP; ZECKENDORF DEVELOPMENT (RENDERING)

America Online co-founder Steve Case is selling Merrywood, a childhood home of Jacqueline Kennedy Onassis, for \$49.5 million.

Located in the affluent Washington, D.C., suburb of McLean, Va., the property is the most expensive on the market in the area and would set a record if it sells anywhere near its asking price, according to Mark C. Lowham of TTR Sotheby's International Realty, who has the listing with Juliana E. May of JLL. Mr. Lowham said the property also set a record the last time it sold, which was to Mr. Case in 2005 for \$24.5 million.

Located on the banks of the Poto-

mac River, the 7-acre estate is about 8 miles from downtown Washington. Its Georgian-style house measures about 23,000 square feet with nine bedrooms. Merrywood was renovated but a number of original details remain, such as elaborate plaster moldings. On the second floor, the master suite includes his-and-hers dressing rooms, a study and a gym.

The gated estate has rolling lawns and formal gardens, including a series of "garden rooms" for gatherings. The grounds also include a swimming pool, a tennis court and a pavilion containing an indoor lap pool, kitchen, gym and changing rooms. A carriage house provides parking for four cars, a security office and staff quarters.

Kennedy Onassis: A Life."

Mr. Lowham said the Cases are selling because they are empty-nesters and are traveling more. They also plan to spend more time at their farm in Warrenton, and they recently acquired an apartment in Washington, Mr. Lowham said. They also own a winery, Early Mountain Vineyards, in Madison County. Mr. Case, who resigned his post as chairman of AOL Time Warner in 2003, is currently chief executive of investment firm Revolution. His wife Jean is Chairman of the National Geographic Society. The Cases couldn't be reached for comment.



'ACE VENTURA' WRITER LISTS IN SOUTHERN CALIFORNIA



Steve Oedekerk, a screenwriter, producer and director whose credits include the "Ace Ventura" movies, is asking \$9,995 million for his 2-acre San Juan Capistrano, Calif., estate.

Mr. Oedekerk and his wife, Tonie, bought the Spanish-style property in

1997 for \$2.53 million, according to public records. They spent between \$5 million and \$6 million on renovations, expanding the main house to 10,400 square feet and turning a large garage into a 3,200-square-foot "clubhouse," Mr. Oedekerk said.

The clubhouse was designed as an office where collaborators could gather while his daughters played or did homework. "I was trying to figure out how not to have my career be a family-crusher," said Mr. Oedekerk, 56.

The estate has a heated gazebo, pool, tennis and basketball courts and a 680-square-foot guesthouse. In the clubhouse, two 25-foot desks and a custom-designed coffee table on hydraulic lifts are included in the sale, he said. San Juan Capistrano is about 55 miles south of Los Angeles.

The couple bought a lot nearby and are building a smaller home as they prepare for life as empty nesters, Mr. Oedekerk said. Kofi Nartey of Compass in Beverly Hills and Tracy Weintraub of Surterre Properties in Newport Beach are co-listing agents.

—Katy McLaughlin



TWO PRICEY NEW YORK CONDOS SELL

In the past week, the under-construction Manhattan condo tower 520 Park Avenue has sold two units priced at over \$70 million each.

Buyers have signed contracts on two high-floor duplexes priced between \$73 million and \$83 million, according to Louis Buckworth, director of sales at the 34-unit tower. Both duplexes have six bedrooms and a 42-foot balcony, and measure about 9,100 square feet. With ceilings measuring about 15 feet high in some rooms, the units have views of Central Park, the George Washington

Bridge and the Queensboro Bridge.

The fact that the two units went into contract at roughly the same time is "simply a coincidence," Arthur Zeckendorf, one of the project's developers, wrote in an email. "Although we have seen an uptick in activity in recent months, especially amongst domestic buyers, sales have been consistent since our launch at the end of 2015. That being said, sales are certainly bolstered by the fact that we have now topped-off and are close to completing the limestone cladding."



BROWN HARRIS STEVENS

Established 1873



NEW CONSTRUCTION • SOUTHAMPTON

\$4,795,000 | 1.84± Acres | 9,250± sf Including Finished Lower Level

6 Bedrooms | 7.5 Baths | Bonus Rooms | Heated Pool | WEB# 10338

54EdgeofWoods.com

JOHN P. VITELLO

631.204.2407 | jvitello@bhshamptons.com

BROWN HARRIS STEVENS.COM

THE HAMPTONS • NEW YORK CITY • PALM BEACH • MIAMI

All information is from sources deemed reliable but is subject to errors or omissions.

Equal Housing Opportunity Broker, Brown Harris Stevens of the Hamptons, LLC.

24 Main Street Southampton, NY 11968 • 631.287.4900

30 East 68th Street PENTHOUSE APARTMENT



Granite Kitchen • Dining Room • Den
Full floor apartment • Doorman Building

Inquire Within for Details

Please Contact
Mr. Kaier at 646-761-3595
or Ms. Allison at 212-324-1600
rentals@newparkmgmt.com

NO BROKERS FEE WITH THIS AD
BROKERS WELCOME & PROTECTED

MANSION

THE TRADE

Sellers Get Creative With Commissions

Some luxury homeowners offer incentives to motivate agents to sell homes quickly and for top dollar

BY ALINA DIZIK

WHEN IT CAME TIME to list his 4,000-square-foot spec home in Rancho Park, Calif., Ari Mahller persuaded his real-estate agent to accept some unusual terms.

His agent would earn a 2% commission, and the buyer's agent would get a 2.5% commission on the home's sale price. The sweetener: Mr. Mahller's agent also pocketed an extra 5% commission on the difference between the asking price of \$2.7 million and the final sale price, which was \$2.85 million.

Mr. Mahller, the 37-year-old owner of a jewelry business, says the bonus was a way to incentivize the agent to "get hungrier" and land top dollar for the home rather than unload the home as quickly as possible for a smaller amount. "It was a way to actually put him to work," he says.

In the end, Mr. Mahller paid \$135,750 in total commission—\$6,750 less than he would have paid using a flat 5% commission, which is typical in his market (and which is usually split between the seller's and buyer's agents when there is a buyer's agent involved).

"I realized it's not all black and white—there's room for negotiation," says Mr. Mahller, who got the idea for the commission structure from reality home shows.

High-end homeowners are increasingly reluctant to pay the oft-quoted 5% to 6% commission on a sale, many agents say. Their clients—especially those in the finance and tech industries—are creating a more complex tiered

commission structure or throwing in enticing perks to offset a lower commission percentage.

While real-estate agents are typically mum about specific negotiations, most agree that there's some wiggle room on fees for higher-end properties: "The effort that it takes to sell a \$4 million apartment is not necessarily double the effort that it takes to sell a \$2 million apartment," says Philip Lang, co-founder of TripleMint, a New York-based real-estate startup with 55 agents.

Overall, fees are trending downward: Last year, the average rate was 5.12%, down from 5.26% in 2015, according to data from Real Trends, a real-estate research firm in Castle Pines, Colo.

Nonetheless, negotiating commissions is not the norm. Only 22% of sellers bring up commission and successfully negotiate with the agents, while 14% of clients don't know that the structure can be negotiated, according to a survey of 5,465 primary-residence buyers by the National Association of Realtors, a trade group.

Millennial sellers are increasingly interested in negotiating rates or finding agents who charge lower commissions without foregoing marketing strategies, says Simon Ru, founder of UpNest, a website that allows real-estate agents to bid on potential listings. Home buyers submit basic information, such as their price range, financing options and home preferences, and real-estate agents submit proposals and their rates.

"Younger generations are more used to comparison shopping,"



DAVID DORAN

Mr. Ru said.

The Burlingame, Calif.-based company works with more than 6,000 agents in most of the U.S. Sellers pay an average 2.24% commission on homes that are listed for \$1 million or more, says Mr. Ru, who adds that many of the agents on the network are reluctant to admit to discounting.

At brokerage Redfin, sellers typically pay a 1.5% commission to their agent along with a 2.5% to the buyer's agent.

Tiered commissions that encourage a speedier sale are becoming more common, says Richard Schulman, an L.A.-based broker who works with UpNest. For exam-

ple, an agent may get a 5% commission if the home is sold within 90 days, with the percentage decreasing with time on the market. "If someone gives me a generous bonus structure, it certainly incentivizes me," Mr. Schulman says.

Not all agents agree. Frances Katzen, a New York broker with Douglas Elliman, says she discourages clients from structuring commissions with incentives. "I don't want them to feel like it will change my efforts [because] it doesn't," she says. In New York, most sellers pay a standard 6%, but properties above the \$15 million range tend to sell for 5% commission, while anything above \$20

million dips to 4% or less, Ms. Katzen says. She also notes that ultralow commissions can cut into fixed marketing costs, potentially hurting the seller in the long run.

Commissions typically don't dip below 4%—even for properties at the top of the market in New York, says TripleMint's Mr. Lang, who adds that one-of-a-kind luxury properties can turn out to be a gamble for a real-estate agent. Many agents must also tap into personal networks to find buyers and market the home, which takes additional resources. "When you cut a commission, it's bad for the industry," says Mr. Lang. "You don't want a race to the bottom."

PREMIER MANHATTAN LUXURY PROPERTIES



IMPORTANT LIMESTONE MANSION OFF 5TH AVENUE

7 East 67th St. 5-story single-family with exquisite refinements and upgrades. 25-feet wide with high ceilings. Great for entertaining. 19 rooms, 8 bedrooms, 7 baths, 3 half baths. Elevator, terrace, landscaped roof deck, patio and 11 working fireplaces. 11,550 SF interior, 2,217 SF exterior. Triple-mint. Co-Exclusive. \$36.5M WEB # 5137118



MUSEUM MILE TOWNHOUSE OFF 5TH AVENUE

12 E 80TH St. Gracious triple-mint home steps from the MET and Central Park. 7 beds, 9.5 baths, 10,000 SF over 6 stories with elevator. 3 terraces, South-facing garden and roof deck. High ceilings, huge windows. 4 FPs. Wired for the latest technology. Co-Exclusive. Price reduced. \$29.95M WEB # 3832950



RITZ-CARLTON PERFECTION

Central Park South. Breathtaking Central Park and City views from 34 windows. This award-winning 4,500+ SF home has 92' of Central Park frontage. Unique finishes throughout. Impeccable white glove service and hotel amenities. The ultimate in elegance and sophistication. \$27.5M WEB # 5119006



DAZZLING VIEWS FROM ONE BEACON COURT

E 58th St. First time on the market. Corner high-floor condo. 6 rooms, 3 bedrooms, 3.5 baths. Floor-to-ceiling windows, 11' ceilings. State-of-the-art systems with exquisite finishes throughout. Four exposures. Approx. 2,700 SF. Full-service building with private courtyard, valet parking and other great amenities. \$9.95M WEB # 5153515



TRIPLE-MINT UPPER WEST SIDE TOWNHOUSE

39 W 70TH St. Move right into this meticulously-restored townhouse right off CPW. 5 beds, 5 baths, 3 half baths, 6,600 SF with 5 GFFs, roof deck, rear garden, patio, terrace and 2 balconies. Period-correct wood paneling and gorgeous wide-plank flooring. Pre-wired for the latest technology. Price reduced. \$17.9M WEB # 3891547

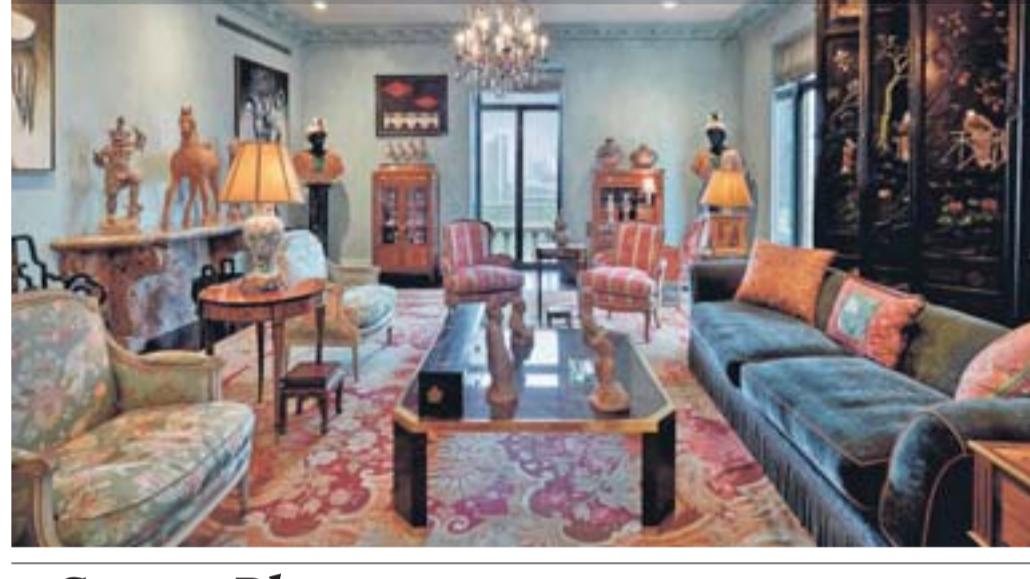


SOHO DUPLEX SENSATION

Wooster St. Dramatic duplex penthouse condominium with 15' ceilings. 4 beds, 4.5 baths, GFP, open chef's kitchen with center-island. 5,230 SF with 2,300 SF private roof terrace. Lounge/media room with wet bar. Marble spa baths. Charming cobblestone street. Full-time doorman. \$14.45M WEB # 5056038

ESTD 1896
WARBURG

East.



4 Sutton Place

Magnificent 4-bedroom, 6.5-bathroom sun-flooded duplex with a WBF, 3 Juliet balconies, beautiful moldings & high ceilings. | \$12,500,000.
Arlene Reed, 212.439.5180, Andrea E. Wernick, 212.439.5193



47 East 87th Street

Sunny & spacious 6.5-room, 3-bed, 3-bath home with open southern views in a full-service art deco co-op building. | \$2,395,000.
Harriet Kaufman, 212.439.4575



407 East 91st Street

Beautifully renovated convertible 3-bedroom residence w/ unique architectural details. | \$2,250,000.
Angela Wu, 212.439.3819
Claire Groome, 212.439.4524



240 East 79th Street

Lovely 2BR, 2BA home in a full service prewar co-op. | \$1,250,000.
Linda Reiner, 212.439.4538
Anna Haim Burak, 212.439.4520
Lisa Deslauriers, 212.439.5182



925 Park Avenue

Rare 10-room corner duplex w/ sunny South & West views, oversized windows & 3 WBFs. Co-exclusive. | \$8,950,000.
Annie Gruenberger, 212.439.4527



1185 Park Avenue

Bright & beautiful 7-room home with beamed ceilings and wood burning fireplace in a highly sought after prewar co-op. | \$5,000,000.
Wendy Greenbaum, 212.439.4542



840 Park Avenue

Perfectly renovated, light-filled 3-bed, 2.5-bath home in a prewar co-op overlooking the gardens of Park Avenue. | \$4,895,000.
Jane Andrews, 212.439.4536



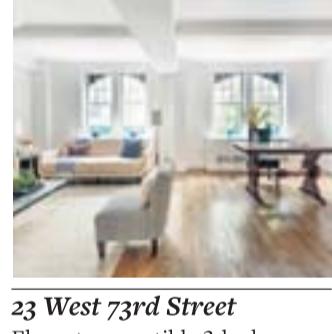
141 East 88th Street

Chic 2-bed, 2.5-bath maisonette with an enchanting private terrace in a highly desirable condominium. | \$2,950,000.
Lisa Larson, 212.439.5188



2109 Broadway

Glorious 2-bedroom, 2-bath sun-filled residence w/ beautiful arched transom windows and skyline views. | \$2,395,000.
Dorothy Schrager, 212.300.1822



23 West 73rd Street

Elegant convertible 3-bedroom home with a beautiful private terrace. | \$2,195,000.
Maria Daou, 212.439.4554
Rowena Dasgupta, 212.327.9618



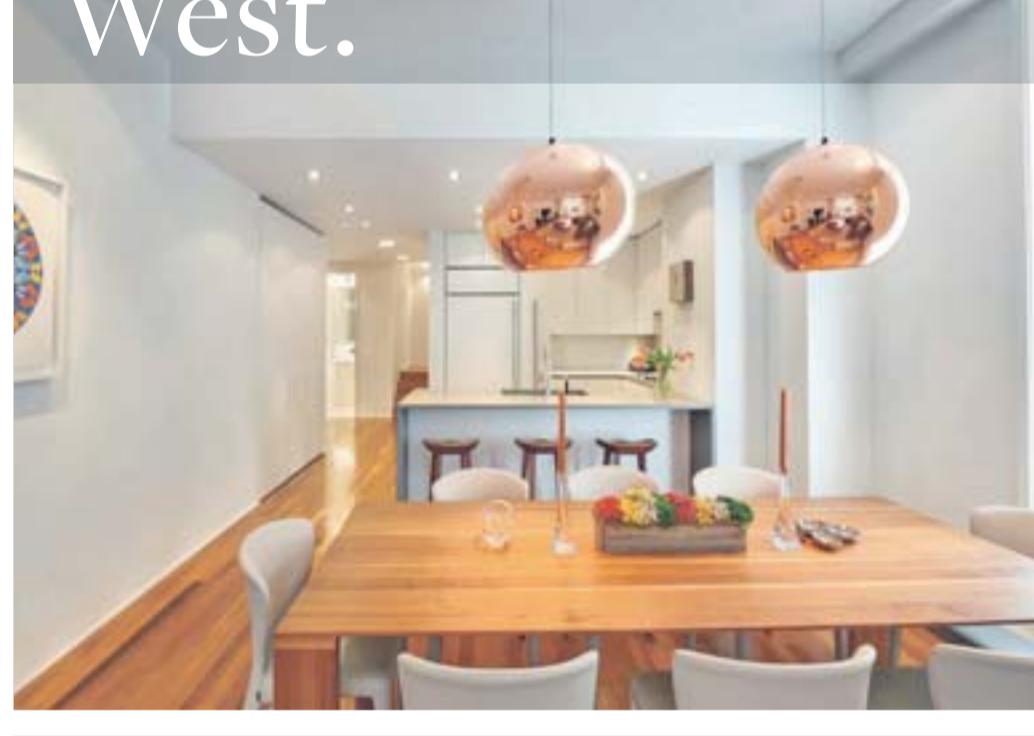
104 West 70th Street

Splendid 2BR, 2BA corner condo on the top floor with unobstructed southwest views. | \$2,095,000.
Lisa Chajet, 212.439.5199
Bonnie Chajet, 212.439.4540



21 South End Avenue

Stunning waterfront 2-bedroom Penthouse condo with incredible views of the Hudson River and NY Harbor. | \$1,925,000.
John Cronin, 212.439.4545



416 Washington Street

Pristine loft-like, 3-bedroom, 2.5-bath Tribeca condominium home spanning nearly 2,000 SF with a 539' landscaped terrace. | \$4,750,000.
Steven Gottlieb, 917.575.1225, June L. Gottlieb, 212.439.4565

warburgrealty.com

UPPER EAST SIDE | 654 Madison Ave., NY, NY 10065 | 212.439.4500

FLATIRON | 18 West 21st Street, NY, NY 10010 | 212.300.1850

TRIBECA | 124 Hudson Street, NY, NY 10013 | 212.380.2400

HALSTEAD

NEW YORK CITY | HAMPTONS | CONNECTICUT | NEW JERSEY | HUDSON VALLEY



East Hampton, NY

MODERN & PRISTINE BEAUTY | \$4,990,000 | Web#46895
Jennifer D'Auria 917.287.5533



Long Island City, NY

EXQUISITELY DESIGNED HOME | \$2,175,000 | Web#16614770
Robert Whalen 718.878.1801 | Jonna Stark 718.878.1807



Upper West Side, NYC

PENTHOUSE DREAM HOME | \$4,995,000 | Web#16524201
Lori Rosenblatt 212.381.2633 | Brian Lewis 212.381.2252



Upper West Side, NYC

LUXURIOUS & PRIVATE PENTHOUSE | \$11,300,000 | Web#16765294
Esther Wald 718.878.1758



TriBeCa, NYC

CONDO DUPLEX WITH TERRACES | \$5,999,000 | Web#16397820
Andrew Phillips 212.381.2227 | Amelia Gewirtz 212.381.2219



Upper East Side, NYC

DUPLEX PENTHOUSE ON FIFTH AVE | \$15,500,000 | Web#16755852
Jill Sloane 212.381.2206



Upper East Side, NYC

TERRACED PH & STUNNING VIEWS | \$18,500,000 | Web#16734739
Louise Phillips Forbes 212.381.3329



Upper East Side, NYC

DUPLEX PENTHOUSE ON FIFTH AVE | \$15,500,000 | Web#16755852
Jill Sloane 212.381.2206



Darien, CT

LUXURY LIVING | \$2,300,000 | Web#99162087
Jane Glassmeyer 203.722.2325



Greenwich, CT

IMMACULATE HOME | \$5,850,000 | Web#99186094
Christopher B. Finlay 203.969.5511



The Official Luxury Real Estate Firm of the New York Yankees

Learn more at halstead.com/Yankees

halstead.com

LUXURY PORTFOLIO
INTERNATIONAL™

Leading
REAL ESTATE
COMPANIES
OF THE WORLD.™

exclusive affiliate of
CHRISTIE'S
INTERNATIONAL REAL ESTATE
in Darien, New Canaan, & Wilton

MAYFAIR
International Realty

Halstead Property; Halstead East Hampton; Halstead Connecticut; Halstead Property New Jersey; Halstead Property Hudson Valley. All information is from sources deemed reliable but is subject to errors, omissions, change or price, prior sale or withdrawal without notice. No representation or warranty is made as to accuracy of any description. All measurements and other information should be re-confirmed by customer. All New York Yankees trademarks and copyrights are owned by the New York Yankees and used with the permission of the New York Yankees.

MANSION

LIVING HISTORY

Gilded Grandeur. Bad Timing.

A London mansion hits the market at nearly \$46 million amid political uncertainty

BY RUTH BLOOMFIELD

WHOEVER GAVE Mansion House its name went straight to the point: This five-story behemoth in London measures 11,075-square-feet and was built to impress, with towering columns and an elaborate classical pediment.

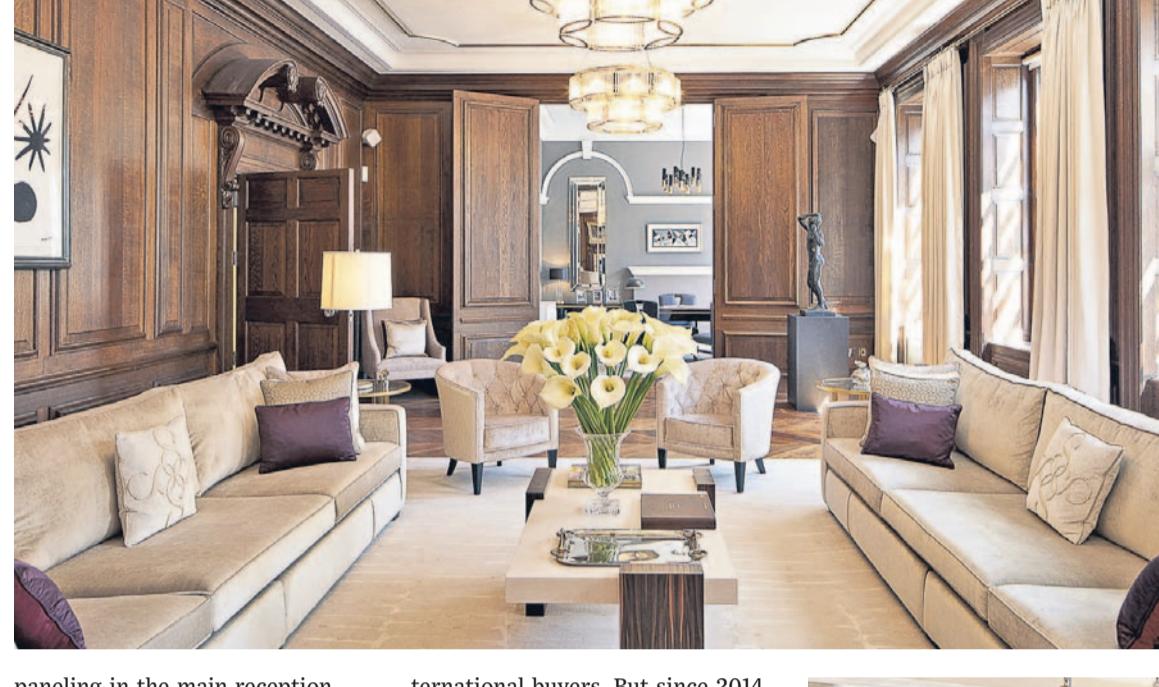
However the name is misleading in one respect. Although the property is 112 years old, it has never actually been a house—until now. After serving as a company headquarters and political command post, it has been converted into a seven-bedroom house, listed for almost \$46 million. The price tag includes all its furniture and fittings, down to the artwork (a bronze nude by Rodin stands in the main living room).

Mansion House's new identity was given to it by London-based luxury developer Saigol DDC. In 2013, when London's prime property market was skyrocketing, it bought the building in Westminster, home of the British government.

The building, designed by architect Horace Field and built in 1905, was originally the London office of the North Eastern Railway Company at a time when the railways were the locomotive of Britain's expanding industrial power.

In 1982, the centrist Social Democratic Party (since renamed the Liberal Democrats) took over the building. The party had been founded the year before and Mansion House—then known simply as 4 Cowley Street—was conveniently close to parliament. The Liberal Democrats remained there until 2011, when the run-down building was listed for \$14 million.

Saigol's renovation concentrated on restoring the property's original features—the dark wood



paneling in the main reception rooms and the central staircase. A lavish cupola lights the stairs, a glass dome decorated with gold leaf and a confection of plaster scrolls and flowers.

With Calacatta Oro marble and parquet flooring, chandeliers hanging and a gray/white/taupe color palette, Mansion House is an exercise in grandeur. In addition to seven bedrooms and seven bathrooms, the house includes a dining room, formal and informal living rooms, a media room, wine room and staff quarters.

Outside is a walled backyard and a roof terrace with views of the Houses of Parliament and the peak of Big Ben. The basement features a pool tiled in gold, green and bronze mosaic tiles, as well as a hot tub and sauna.

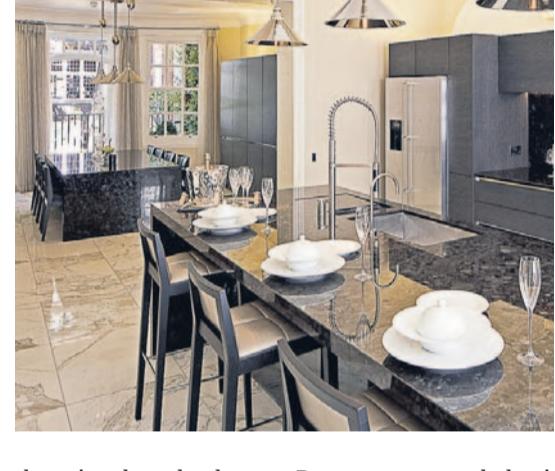
When Saigol bought the property, offices across London were being converted into luxury homes to satisfy raging demand from in-

ternational buyers. But since 2014, a combination of tax increases and the fallout from Brexit has seen prices fall substantially.

The stamp duty bill for anyone who pays \$46 million for a prime residence in the U.K. would be about \$5.4 million. For a second home, that bill would increase to about \$6.8 million.

Mansion House officially went on the market in May but has been offered "off market" since the start of the year—an arrangement where key clients are invited to see a property in advance of its official launch. Charles Lloyd, a director at Savills and one of Mansion House's two selling agents, said it attracted global interest, but no buyer, and its original asking price of \$54.77 million was rapidly adjusted.

Tax and politics aside, Mansion House's location may be a disadvantage. Westminster lacks the boutiques, bars and restaurants of



LIVING LARGE Mansion House, top, measures 11,075 square feet and has lavish classical details. The home has seven bedrooms and seven bathrooms, as well as two living rooms, above left, and a chef's kitchen, left. Above, a glass dome decorated with gold leaf and intricate plasterwork.

the prime heartland areas. But Alastair Nicholson, a director of Knight Frank and the other selling agent, believes this won't be an obstacle. "It is quiet, but you are close to the River Thames and you can be anywhere in 10 minutes," he said.

And the fact that this month's



general election has left the British government in disarray might be a silver lining for Mansion House.

The pound, already weak against the dollar and euro, has tumbled still further, making the giant house a—relative—bargain to overseas buyers.

FIND YOUR PLACE IN THE WORLD WITH OUR EXPERT GUIDANCE



One Beacon Court | 151 East 58th Street, 32D • \$33,000 per month

It's easy to find the right place when you know the right people.
Find experienced agents and exceptional properties.

bhhsnyproperties.com

BERKSHIRE HATHAWAY
HomeServices
New York Properties

212.710.1900 • contact@bhhsnyproperties.com • 590 Madison Avenue, New York, New York 10022

© 2017 BHHS Affiliates, LLC. An independently operated subsidiary of HomeServices of America, Inc., a Berkshire Hathaway affiliate, and a franchisee of BHHS Affiliates, LLC. Berkshire Hathaway HomeServices and the Berkshire Hathaway HomeServices symbol are registered service marks of HomeServices of America, Inc. Equal Housing Opportunity. Information not verified or guaranteed. If your home is currently listed with a Broker, this is not intended as a solicitation.

MANSION

THE MARKET

That Castle? It's Owned by the Bank

Post-foreclosure properties lose their stigma in tight markets; risks are weighed against bargains

BY STEFANOS CHEN

AFFLUENT HOME BUYERS, desperate for inventory in the hottest markets, are giving a fresh look to bank-owned homes.

Savvy buyers could be rewarded with a discounted luxury home in a posh neighborhood. But they also could be stepping into a money pit with legal snarls.

It's a risk more buyers are willing to take. "Everyone is just chasing whatever it is that's coming online," said Matthew Gardner, chief economist for Seattle-based brokerage Windermere Real Estate. He says the appeal of these post-foreclosure homes, often called real-estate owned, or REO, properties, has grown because of tight inventory in many markets.

"Having those three letters [REO], it used to be a huge anchor on the property, but now it propels it," said Danny Hertzberg, an agent with the Jills Group of Coldwell Banker in Miami Beach.

In March, he sold Villa Katerina, a 10,383-square-foot, six-bedroom Spanish Colonial on the water in Miami Beach, for \$8.7 million, about 6% below asking price.

He says local buyers today can expect about a 10% discount on luxury bank-owned properties, when just a few years ago 20% to 30% was common, amid a glut of distressed properties available.

BridgeInvest, an asset-management firm focused on real-estate lending in the southeastern states and Texas, was the seller. Ian Glaser, a partner at the firm, said they sold the villa at a "fire sale" price, because they're not in the business of holding real estate. Last year, he said, the home was appraised for about \$13 million. He wouldn't name the buyer, but said the buyer plans to live in the home.



BANKING ON IT This 7,540-square-foot castle in Cohasset, Mass., above, is listed for \$1.2 million. Villa Katerina, in Miami Beach, Fla., below, was sold in March for \$8.7 million. Both are real-estate owned, or REO, properties.



Most REOs break even or turn a profit, he said, because their value now exceeds outstanding debt.

The inventory even for these distressed properties is tight. In April, 734,996 properties were in some stage of foreclosure, down about 66% from a peak 2.2 million in 2010, said Daren Blomquist, senior vice president of Attom Data Solutions. Meanwhile, million-dollar homes made up 2.06% of all

REO sales in 2016—the largest share in three years, he said.

In an analysis of 20 metro areas with the most distressed properties for sale over \$750,000, including bank-owned homes, the median sales price was \$932,500, 3.4% lower than the sales price of non-distressed homes in those markets, stated research firm Clear Capital. The biggest discount for luxury distressed properties was in the

greater Dallas area, where they sold for a median 13% below asking price. In San Jose, Calif., they sold for 0.5% above list price.

There are some rare finds. In Cohasset, Mass., a seaside town about an hour south of Boston, one lender is selling an REO castle. Built in 1930, the 7,540-square-foot French Norman-style home fell into foreclosure in 2014, says listing agent Brian Gagnon of Coldwell Banker. He listed the home, which is vacant, for \$1.2 million in May; it was listed in 2010 for just under \$3 million. "I wish there were more of

CLOCKWISE FROM TOP: CHARLIE ABRAMS; ZACHARY BALBER (2)

these," said Mr. Gagnon, who gets approached by lenders to sell one or two REOs of this caliber a year.

Buying a luxury REO can present unusual obstacles. Mary Lou Castellanos, an agent with Sotheby's International Realty, was listing a \$1.795 million four-bedroom home in Oakland, Calif., that was repossessed by the lender and had been sitting vacant. She was in escrow with a buyer when she received a voicemail from someone claiming her "services were no longer needed." Two days later, she discovered the home was being occupied by an anarchist group claiming ownership.

"I felt like I was in an episode of 'Law and Order,'" said Ms. Castellanos, who, with the help of the police, forced the group out. The home sold in March for \$1.46 million, about 19% below the original asking price.

Buyers willing to put up with extra hassles are sometimes rewarded. In Maui, a 4,700-square-foot home with an ocean view sat vacant for nearly a decade after being repossessed. When it finally came on the market late last year for \$3 million, the family of Alex Iskenderian was ready to pounce, said Mr. Iskenderian, 27, an agent and co-owner of BHHS Maui Properties. They made a full-price offer the day it was listed.

Then, a title report showed unpaid property-tax claims and other liens. Damage was found during inspection. After delays, the price was renegotiated to \$2.86 million. "There was a lot of complexity," said Sid Kirkland, who brokered the deal for the buyers.

The deal closed in January. Mr. Iskenderian said his parents will move in after "a couple hundred thousand" in renovations. For a house vacant for a decade, he said, the condition was remarkably good.



The Thousand

REAL Trends and The Wall Street Journal present the 11th annual Top 1,000 Real Estate Professionals special advertising feature, which pays tribute to the industry's best professionals who are realizing incredible success in the luxury real estate sector.

Celebrate your agents, brokers or team by promoting their accomplishments in this special advertising feature.

Issue Date: 6/23 | Close Date: 6/16 | Section: MANSION

For advertising opportunities, please contact:
sales.realestate@wsj.com | 800.366.3975



Experience a California Closets system custom designed specifically for you and the way you live.
Visit us online or in our showroom today to arrange for a complimentary in-home design consultation.

CALIFORNIA CLOSETS®

UPPER EAST SIDE 212.517.7877

TRIBECA & BROOKLYN 646.486.3905

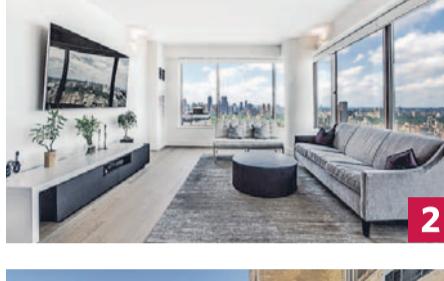
NASSAU & QUEENS 516.334.0077

WESTCHESTER & HUDSON VALLEY 914.592.1001

ROCKLAND 845.570.9922

californiaclosets.com

Stribling®



2



5



3



6



4



7

EAST SIDE

Mint 5BR, 5.5 Bth Park Ave Dpx Condo. New 5702 sf full flrs, 50' Park Ave frontage, balsc. CAC, FS condo. \$17,995M. Web 16029263. Patricia Shiah 212.585.4566

Park Ave 3BR, 2.5 Bth PH Dpx w Terraces & Views. WBFP, EIK, Whlglv co-op. \$8,995M. Web 16552573. Susan Ingram 212.452.4453/Bonnie Lindenbaum 212.452.4457

Hi Floor 10 Rm Park Ave Duplex. 4-5BR, 4.5 bth prewar. FS co-op w 4 fpcls, library, EIK & Indry area. \$8.25M. Web 16245540. Merrill Curtis 917.412.7602/Megan Scott

Crrn 4BR, 3.5 Bth at 920 Fifth Ave. Major rms face 5th Ave/73rd. 9 rms, 3 WBFPs, EIK. FS co-op. \$6.7M. Web 16659398. Mercedes Menocal Gregoire 212.452.4416

Triple Mint Sutton 3BR, 4 Bth w Rvr/City Vus & Terr. Renov 3300 sf. Open LR/DR/kit. W/D, CAC, FS co-op. \$6.7M. Web 16559078. Linda Maloney 212.585.4527

Fab Carnegie Hill 4BR Condo. Appx 3000 sf. Views, hgwds, dbl LR & DR, cust EIK, Indry rm, office. FS condo. \$6.35M. Web 16769962. Linda Maloney 212.585.4527

5 Top of the Park 7 on 5th Ave. Hi flr, 2BR, 3.5 bth. CP, skyline views, solarium, Indry rm, parking spot. FS co-op. \$5.65M. Web 16363422. C.B. Whyte 212.452.4446

860 5th Ave 7Rm. Fab views, terr, garage. Renov LR, FDR, 2 MBRs, dbl staff, 3 fbths. \$5.5M. Web 16564540. Elizabeth Meyer 212.452.4417/Elizabeth Goss 212.570.2717

Carnegie Hill Designer 5BR, 3.5 Bth. Chef's kit, den, Indry. FS co-op. 65% fin. \$5.295M. Low mt. Web 16706440. Elizabeth Goss 212.570.2717/Nicole Heffner 917.692.7477

3BR, 3 Bath Appx 3300 SF Duplex. 17+ celis, WBFP, dbl-hght wndws. Solarium & FDR. E 57th FS drmn co-op. \$5.195M. Web 16720385. Pamela D'Arc 212.452.4377

17th Flr Crrn Park Ave 3BR, 3.5 Bth. Planted terr, views. FDR, paneled library. FS co-op. \$4.995M. Web 16335458. Cindy Kurtin 212.452.4406/Jill Bernard 212.585.4543

Park Ave 8 Rm 3BR, 3 Bth. LR w WBFP, EIK. Lrg wndws. W/D, FS co-op. 50% fin. \$4.995M. Web 15733151. Maureen McCarron 212.585.4565/Kirk Henckels 212.452.4402

Corner Park Ave Hi Flr 3BR, 3.5 Bath. Avenue views. LR w WBFP, FDR, bksfst rm, staff rm. FS co-op. 50% fin. \$3.995M. Web 16440995. Elizabeth Goss 212.570.2717

Sunny 7 at 75th/Park Ave. 4BR, 3.5 bth. LR, DR, Irg wndws, updted EIK, W/D, WBFP. FS co-op. 50% fin. \$3.795M. Web 16546161. Maureen McCarron 212.585.4565

Sunfilled 8 in the 80s on Park. Grand LR w WBFP, 10' celis, FDR, 3BR/3bth. W/D. White glove co-op. \$3.675M. Web 16707530. Sharon Walker Flynn 917.744.9693

2 Renov 2BR w 34th Flr Central Park Views. Wall of wndws. Open kit, balc, 2.5 bths. E 69th FS co-op. Co-excl. \$3.65M. Web 14402141. Ginger Shukrun 646.613.2761

3BR Condo w 2 Terraces on East 63rd. Btwn Lex/3rd, sundrenched dpx beauty. LR w dining 'L'. FS condo w gar. \$3.195M. Web 16747710. Knight Meem 917.318.6242

Designer Madison/82nd St Condo. Stunning, mint, renov 2BR w 13' celis, balcony, CAC. Boutique FS condo. \$3.195M. Web 16449397. Bahar Tavakolian 212.434.7062

Mint Renov 3BR/3 Bth Close to Park Ave/E 81st. Lux LR, DR, EIK, W/D, FS co-op. Co-excl. 50% fin. Low mt. \$2.895M. Web 16769948. Jocelyn Gold 212.570.5110

Carnegie Hill Renov 6. LR w WBFP, chef's EIK, 2BR, offc, 2.5bths. W/D, FS co-op. 70% fin. \$2.85M. Web 16713491. Melissa Kaiser 212.585.4554/Laurie Diamond 212.585.4553

23rd Flr Crrn 2BR, 2 Bth on E 70th w 2 Terrs. 3 expos & views from every rm. FS condo. \$2.5M. Web 16632814. Cindy Kurtin 212.452.4406/Jill Bernard 212.585.4543

Sutton Place 3BR/3 Bth w Balc. Bright crrn unit at Plaza 400, S & E expos. Split BR, wndwd kit & bth. FS co-op. \$2.1M. Web 16685673. Michael Chapman 646.613.2621

Prewar 6 off Park Ave. South-facing, quiet 3BR, 2 bath on E 84th w renov EIK. 75% fin. \$2.1M. Web 16512942. Amanda Cannon 917.716.8716/Megan Scott/Merrill Curtis

Park Block 2BR, 2.5 Bth Triplex Co-op on E 81st. LR/DR, 2 WBFPs, 12' celis. \$1.799M. Web 16826573. Brooke Joslyn 718.208.1906/Gregory Spock 646.613.2744

Renov Corner Carnegie Hill 2BR. Wndwd EIK w banquette, 3 expos, tree-top views. 9' celis. FS co-op. \$1.45M. Web 16707853. Walter McCullough 212.787.0881

Elegant & Bright 2 Bedroom/2 Bath on Sutton Place. FS co-op w private storage, gorgeous roofdeck & garden. \$1.275M. Web 16557613. Heidi Kesseler 212.452.4376

Renov 2BR, 2 Bth off Sutton Place. Lrg LR w decor fpcls, beamed celis. Renov kit, den/BR, garden views. FS co-op. \$1.16M. Web 16825868. Jeffrey Stockwell 646.613.2615

Bring Architect! 1BR, 2 bath on E 83rd btwn Mad & 5th. Large LR, kit w serv entr, massive clsts. 1block to CP. FS co-op. \$999K. Web 16810516. Ginger Shukrun 646.613.2761

Sunny Spacious 1BR on E 74th & Madison. Needs TLC. Square balcony, low mt. FS co-op. \$975K. Web 16818179. Phyllis Mack 212.452.4412/Sam Pollach 212.452.4365

Sunny Gold Coast Loft-Like 1BR. Unusual layout, S & E N expos. FS prwr co-op, half block to CP. Grt pied-a-terre. \$900K. Web 16708196. Beatrice Ducrot 212.452.4381

Chic Chelsea Prewar Loft Condo. Tastefully renov 2BR, 2 bth, office, CAC, high ceilings. Appx 2160 sf. \$3.575M. Web 16436010. Shannon Helms Wisniewski 646.613.2604

Tribeca Duplex Condo with 2 Private Terraces. Triple mint 3BR + den + office, 3.5 bath in drmn bldg. 3992 sf. \$2.85M. Web 16627565. Tracie Golding 212.452.4394

Tribeca New Development Resale! Stunning 5BR/4.5 bath loft. 12' celis. FS 24-hr drmn condo w gym & roofdeck. \$7.25M. Web 16627722. Tracie Golding 212.452.4394

3800 SF Live/Work Loft. 335 West 38th. 11' ceilings, 3 baths, CAC, outdoor space. Can be divided for income. \$3.7M. Web 16544159. Peter K. Browne 347.234.8709

Renov Village Brownstone Parlor 2-3BR Co-op off Fifth Ave. 2 bths, 10+ celis, chef's kit. W/D, CAC, Sonos. \$3.2M. Web 16797513. Lee Ann Jaffee 917.626.2497

Mint Chelsea 2BR, 2 Bath. Ter, city views, 10+ celis, flr-to-ceil wndws. LR/DR, open grmt kit. W/D, FS condo, prkg spot. \$3.1M. Web 16282902. C.B. Whyte 212.452.4446

Village 3BR, 2 Bath at Devonshire House. Maisonneuve pvt entr. 20' LR/DR, custom kit. W/D, FS condo. Co-excl. \$3.075M. Web 16272281. Shelton Smith 917.750.3047

Mint Chelsea Split 2BR. High ceilings, open chef's kit, 2.5 marble bths. W/D, FS condo w pool. 421a tax abatement. \$2.795M. Web 16677179. James Schoenfeld 917.828.1192

Chelsea 2BR, 2 Bath. Flr-to-cell windows, open views, hi celis, custom kit. CAC, W/D. New FS boutique condo. \$2.695M. Web 16626071. Susan Wires 646.613.2653

3-4BR, 2 Bth Condo on W 110th Across from CP. Open plan, walls of wndws, cathedral/Morningside vus. \$2.125M. Web 16706369. Benjamin Melting 646.613.2732

Beresford 3BR on CPW. Grand 7.5 rooms w Museum views. 2.5baths. LR w WBFP, EIK, breakfast rm. White glove co-op. \$5.75M. Web 16422112. Valerie Artzt 212.585.4525

10 Room Penthouse on RSD. 33+ LR w Park, Hudson, Bridge views, FDR, EIK, 4-5 BRs, 3 baths. Prewar FS co-op. \$5.9M. Web 14158908. Tanner Garland 646.613.2626

Berkeley 3BR on CPW. Grand 7.5 rooms w Museum views. 2.5baths. LR w WBFP, EIK, breakfast rm. White glove co-op. \$5.75M. Web 16422112. Valerie Artzt 212.585.4525

3-39' Terrace at The Majestic. Hi flr, lrg LR & DR, 2BR, 2 bth. Bright, Dakota-side CP vus. Prwr co-op at 72nd. Co-excl. \$3.995M. Web 16213167/Rosette Arons 917.886.7796

Flatiron Renov 1BR/Con 2BR Loft. 11' beamed celis, new windows, double expos. Grmt kit. FS co-op. \$1.475M. Web 16798488. Bahar Tavakolian 212.434.7062

West Village 1BR, 1.5 Bth. Oversized windows, LR/DR, kit w SS applis. Boutique co-op. \$1.1M. Web 16713297. Lee Ann Jaffee 917.626.2497/Steven Sumser 917.733.9244

Chelsea Full Flr 1BR, 2 Bth. Expos brick, 10' beam celis, custom kit. Indry rm. Low CCs. Boutique co-op. \$2.375M. Web 16720267. Paul LeMarc Brown 646.613.2799

Gramercy House 1BR, 1 Bath. Lrg fyr, LR w WBFP, DR, wndwd kit. City views, hi beamed ceilings. FS co-op. 60% fin. \$879K. Web 16714576. Rona Blum 914.953.9969

Murray Hill Prewar Gem. Renov 1BR/1 bath, windowed dining alcove. Custom kit w SS appliances. New bath. FS co-op. \$870K. Web 16769927. Julie Perlin 212.452.4373

Long Island City. Incredible River/Skyline Views. Duplex penthouse, FS condo, 3BR, 4 bth w terr & balc, 14' celis, flr-to-ceil wndws. \$3.995M. Web 16079677. Sharon Flynn 917.744.9693

BROOKLYN

Brooklyn Heights 4BR, 2 Bath. Panoramic Manhattan views. State-of-art kit. FDR, renov bths, prwr details. FS co-op. \$3.995M. Web 16551442. Karen Foley 917.364.9264

Hi Flr Prewar Fort Greene 2BR, 1.5 Bth. Sponsor Sale. 9' beamed celis, lrg wndws, open views. LR/DR/kit. FS co-op. \$1.295M. Web 16395557. John Barbato 917.254.7622

Brooklyn Heights 2BR. Prewar co-op a block from the Promenade & Bklyn Bridge Park, renov kitch & bath, W/D. \$1.149M. Web 15744527. Violette Tonuzi 718.208.1925

DOWNTOWN

16,000SF Trlx PH in Historic NoHo. Largest PH on mrkt. 360° vus. 90+ windows. 2400 ext sf. FS condo. \$295M. Web 14893439. Michael Chapman 646.613.2613

7 West Village Full Flr 3BR + Den. 360° city views. 3.5 bth, CAC, open custom kit. Crestron, laundry rm. FS condo. \$10.2M. Web 16747596. Ellen Cohen 212.585.4548

Tribeca Duplex Condo with 2 Private Terraces. Triple mint 3BR + den + office, 3.5 bath in drmn bldg. 3992 sf. \$2.85M. Web 16627565. Tracie Golding 212.452.4394

Tribeca New Development Resale! Stunning 5BR/4.5 bath loft. 12' celis. FS 24-hr drmn condo w gym & roofdeck. \$7.25M. Web 16627722. Tracie Golding 212.452.4394

3800 SF Live/Work Loft. 335 West 38th. 11' ceilings, 3 baths, CAC, outdoor space. Can be divided for income. \$3.7M. Web 16544159. Peter K. Browne 347.234.8709

Renov Village Brownstone Parlor 2-3BR Co-op off Fifth Ave. 2 bths, 10+ celis, chef's kit. W/D, CAC, Sonos. \$3.2M. Web 16797513. Lee Ann Jaffee 917.626.2497

Mint Chelsea 2BR, 2 Bath. Ter, city views, 10+ celis, flr-to-ceil wndws. LR/DR, open grmt kit. W/D, FS condo, prkg spot. \$3.1M. Web

ADVERTISEMENT



LAGUNA BEACH, CALIFORNIA

One of only 12 Exclusive Private Custom Estates at the Montage
Laguna Beach 7,500 sq.ft luxury estate features five-star amenities available in the privacy of your own home, four master suites, contemporary elegance with concrete, mahogany, stone and bronze details, panoramic Pacific ocean views, pool, two spas, two-story waterfall, smart home with top security features, additional 3,000 sq.ft basement with endless possibilities.

\$21,995,000 21MontageWay.com

Villa Real Estate

Shana Spitzer & Laura Roche

phone: 949.338.1070 or 949.836.4751

CHARLESTON, SOUTH CAROLINA

2 Amherst Street. Considered valuable to the City and listed on the National Register, this commercial property located on Upper East Bay Street originally served as a fine Charleston Residence. The building is currently used as Office Space and is zoned Limited Business. The potential for this historic gem could include mixed use, residential and a myriad of commercial use. Approximately 4,513 sq. ft.

\$1,998,000 www.handsomeproperties.com

Handsome Properties

Debbie Fisher

phone: 843.810.4110 (M) 843.727.6460

NOVA SCOTIA, CANADA

Magnificent granite Chateau with ruggedly beautiful oceanfront. Dramatic & distinctive with extravagant finishes. Slate roof, bird's eye maple ceilings, cherry paneled den, stone fireplace, heated granite floors. Materials & craftsmanship are exceptional. 400 ft of ocean, panoramic views, rolling surf. ±2 hours from international airport. 10 min to amenities.

\$1 million USD. <http://novascotiaocceanfrontforsale.com/>

Land & Sea Real Estate

Sheila Sinnott

phone: 1.902.624.1991 email: sinnott@1novascotia.com



CHARLESTON, SOUTH CAROLINA

20 South Battery. Built in 1843 by Samuel N. Stevens and renovated in 1874 by Col. Richard Lathers, The Stevens-Lathers House overlooks White Point Garden. This handsome mansion on a deep lot is made up of a private residence of 5 bedrooms, 4 full and 2 half baths, and the charming Battery Carriage House Inn which includes 8 - 11 operational guest suites. Total square footage of the private residence as well as the Inn is approximately 15,699.

\$5,399,000 www.handsomeproperties.com

Handsome Properties

Debbie Fisher

phone: 843.810.4110 (M) 843.727.6460 (O)

LAKE GEORGE, COLORADO

Rocky Mountains, South Platte River. Contemporary Style on the River - Gated 140± acre (shared amenity community) on the trout filled South Platte River 4,000+ sf 3 bed / 5 bath 40'x20' great room w/ 13' ceilings and 53' deck overlooking the river. +Spa deck, gameroom, wine room. Sportsmen's Paradise is surrounded by National Forest, Nature, Wildlife, Hiking, Fishing, Gem & Mineral Prospecting, ATV Trails.

\$1,970,000 www.940EastPlatte.com

Owner/Builder

phone: 719.839.0888

DOWNTOWN ST. PETERSBURG FLORIDA

Live a fabulous Urban Lifestyle in vibrant downtown St. Petersburg. 3 blocks from the water, artfully designed townhomes now under construction on a private, gated lane. Totaling 2,335 sq. ft., 3 bedrooms, 3 ½ baths, 2 car garage, private elevator, and amazing rooftop terrace. Low HOA fees. Walking distance to world-class restaurants, museums, shopping, parks, marina, and Tampa Bay.

From the \$800's to \$900's www.RegentLane.com

NJR Property Investments LLC

phone: 727.515.5556 email: natalie@njrdevelopment.com



JOHN'S ISLAND - VERO BEACH, FLORIDA

Located where the "tropics begin" sits one of the most renowned seaside communities on the eastern coast with 3 miles of pristine beaches, 3 championship golf courses, 17 Har-tru tennis courts, squash and Beach Club. This luxurious 5BR retreat offers 8,694± GSF, golf views, a pool, den, indoor/outdoor living, summer kitchen, wine room and guest cabana.

\$4,200,000 JohnsIslandRealEstate.com

John's Island Real Estate Company

phone: 772.231.0900 email: wj@johnsislandrealestate.com

SACRAMENTO, CALIFORNIA

River front single family home on a double lot on the American River with stunning views, mature landscaping and diverse wildlife. Your own sanctuary only 8 miles from downtown. 5100 s/f plus remote guest quarters/artist studio. 7 bedroom, 5+1/2 bath, temp. controlled wine room, outdoor spa, swimming pool and more.

\$1,795,000 www.9783miradelrio.com

Dunnigan Realtors

Tim Collom, Realtor

phone: 916.247.8048 email: tim@timcollom.com

PEORIA, ARIZONA

Beautiful foothills of northwest Phoenix. Join the Movement. Live Happier™. Schedule your private tour of Trilogy and discover the perfect place for a happier life. Perfect for your next chapter, homeowners enjoy two stylish resort clubs and a packed social calendar with events, parties, clubs and trips to exciting destinations. Grand Opening Now! Second Resort Club and New Models!

Mid \$200's to \$700's trilogylife.com/Vistancia

Trilogy® at Vistancia®

55+ Golf Resort Community

phone: 855.451.0964



KIawah Island, South Carolina

With 3,832 square feet, 4 bedrooms, 4 baths and 2 half baths, 59 Surfsong Road features spectacular Atlantic Ocean views and 10 miles of sandy beach just steps away. Offered separately or together with a large lot next door, it's perfect for a seaside family estate with multiple dwellings. A Kiawah Island Club Membership is available with this property.

\$2,650,000 or \$8,250,000 w/lot kiawahisland.com/real-estate

Kiawah Island Real Estate

phone: 866.312.1780 e-mail: info@kiawahisland.com

CRAZY MOUNTAINS, EAST OF BOZEMAN, MONTANA

Alta Vista Ranch- 440 acres A spectacular retreat! Near Big Timber, Montana, National Forest, and Yellowstone River. Nice, secluded house. 3 bedrooms, each with a private bath, 3-car garage. Barn, Springs. Wildlife. Birds. Pristine fields not grazed in 10 years. Qualifies for conservation easement and possible tax benefits. Note: This rare property has the privacy, beauty, location and feel of a large trophy ranch – at a fraction of the cost

\$1,175,000 (270 acres & house \$885,000) MileHighMontana.com

ORLANDO, FLORIDA

Twin Lakes is now selling homes from the \$200s in the Orlando Area. Here residents will enjoy a magnificent 20,000 sq. ft. clubhouse with amenities that are usually reserved for fine resorts. The outstanding views and location are only surpassed by our cutting edge home styles and luxurious included features that are an upgrade to other builders. Twin Lakes is a 55+ Active Lifestyle Community.

From the \$200s TwinLakesFL.com

Twin Lakes

phone: 407.499.8865

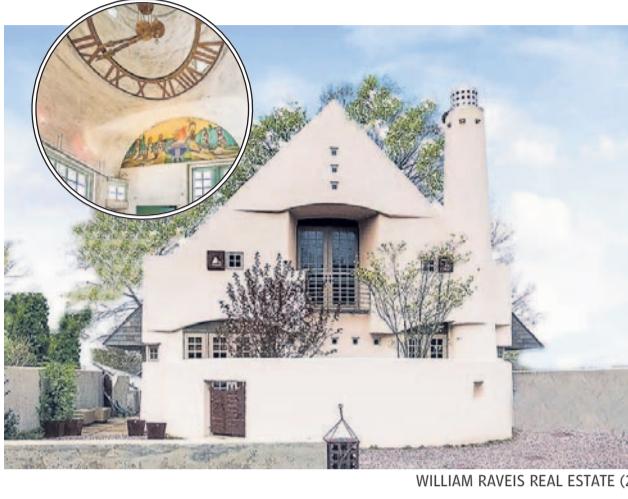
To Advertise Call: 800-366-3975

MANSION

RELATIVE VALUES

HOMES WHERE YOU CAN WHILE AWAY THE HOURS

Three properties in eastern U.S. that have incorporated clock towers, new and restored, into their living spaces



WILLIAM RAVEIS REAL ESTATE (2)

\$1.799 million

Rowayton, Conn.

Three bedrooms, three bathrooms

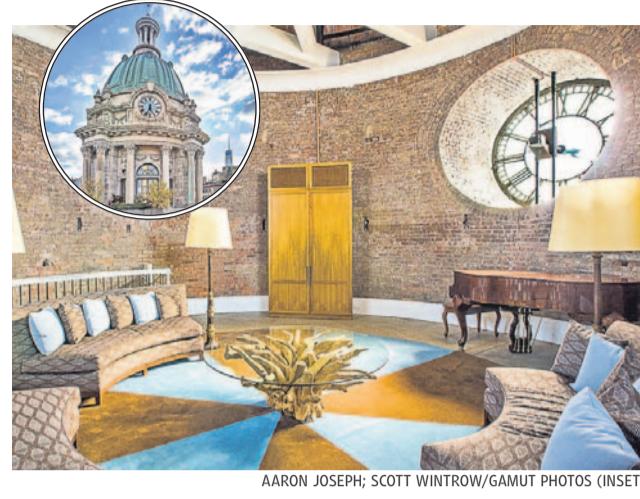


KURFISS SOTHEBY'S INTERNATIONAL REALTY (2)

\$16.9 million

Villanova, Pa.

Eight bedrooms, nine bathrooms, four half-baths



AARON JOSEPH; SCOTT WINTRIDGE/GAMUT PHOTOS (INSET)

\$27.9 million

Manhattan

Four bedrooms, four bathrooms, one-half bath

This 17-acre estate holds a main residence, two guest homes, a "party barn" and office space within the restored clock tower. The 11,000-square-foot main residence was renovated with a paneled library, wine cellar and a great room with a stone fireplace.

Agent: Lisa Yakulis, Kurfiss Sotheby's International Realty

The clock tower of the former New York City Police Headquarters building was transformed into this 5,500-square-foot penthouse apartment. The cupola gets light from the 6-foot clock faces.

Agents: Herbert Chou and Natalya Bowen, Warburg Realty

—Emily Nonko

ADVERTISEMENT

Distinctive Properties & Estates

To advertise: 800-366-3975 or WSJ.com/classifieds

NEW YORK

116
UNIVERSITY
PLACE

corcoran

corcoran group real estate

The Cathy Franklin Team
212.323.3236 | 116university.com

Pricing starting at \$7,200,000
Estimated Occupancy Q1 2018

116 University Place is an intimate luxury condominium in the heart of Greenwich Village. Offering four full-floor corner residences and a crowning penthouse with a private terrace. Each home has over 3,000 square feet of living space with three to four bedroom layouts, ceilings over 10-feet and custom Smallbone of Devizes kitchens. Designed by Morris Adjmi Architects, the building features oversized coffered windows with multiple exposures for each residence, attended lobby, common roof terrace with kitchen, fitness center and private storage.

The complete offering plan is available from the Sponsor. File No. CD16-008. Artists renderings. Equal Housing Opportunity.

CALIFORNIA

California Winery Resort Opportunity

90 Acre Winery Resort with Approved Plans For 408,000 SF Expansion to Existing Winery 180 Room Hotel, Casita's, Weddings & Events, Restaurant & Tasting Room, Wine Club 1800 Seat Amphitheater www.mountpalomar.com SERIOUS INVESTORS ONLY May Real Estate & Management Kris May, Broker [\(760\) 533-5595](mailto:kris@mountpalomar@gmail.com) (818) 634-3433

PANAMA

Saturday, June 24th
ABSOLUTE AUCTION
SELLING REGARDLESS OF PRICE

Koko Resort
Bocas Del Toro, Panama
Main House and 6 Over Water Bungalows
Established Business • Main House 2BR, 2BA
Live, Work & Play in the Tropics
**DAVIS
INTERNATIONAL**
10% Buyers Premium

CALIFORNIA

Wine Country, Paso Robles CA

3,200/6060 Sq. Ft. 20 acre 4 beds, 4 baths
Option: Boutique vineyard
Virtual Tour CentralCoastWineRetreat.com/

FARMS/RANCHES/ACREAGE

H H

SALES | AUCTIONS | FINANCE | APPRAISALS | MANAGEMENT
HALL & HALL[®]
Dedicated to Land and Landowners Since 1946

MOTHERWELL RANCH | STEAMBOAT SPRINGS, COLORADO
Spanning an enormous block of contiguous land rising from a trout-filled river up to the national forest, this exceptional 10,350+ acre sporting paradise is distinguished by its diverse landscape, big game hunting and extraordinary privacy. **\$45,000,000**

FOUR BEAR RANCH | CODY, WYOMING
OUTSTANDING BIG GAME HUNTING. 25 miles west of Cody, a 1,246± acre ranch in a private basin adjoining USFS. 6,800± sq. ft. architect-designed home is dramatically sited under Jim Mountain with breathtaking, unspoiled views. **Reduced to \$7,950,000**

WWW.HALLANDHALL.COM | INFO@HALLANDHALL.COM | 888.407.8129

ADVERTISEMENT

New England Properties

To advertise: 800-366-3975 or WSJ.com/classifieds

Special Advertising Feature

Where to Find Natural Beauty and Culture

PROSPECTIVE PURCHASERS MUST KEEP AN EAGLE EYE ON THE MARKET—PROPERTY IS MOVING FAST

By Joseph Dobrian

Massachusetts and Rhode Island offer the most popular urban destinations in New England—Boston and Providence, respectively—and business is booming in both. Estate homes, with acreage, are available in the Berkshire Hills in western Massachusetts, or in and around Newport, R.I.

In Boston, especially, brokers are advising both buyers and sellers not to “time the market.” Expect a well-priced property to go quickly if you’re a seller, they say, and watch the listings daily if you’re a buyer, because your dream property could come on the market at any time.

SELLER OPPORTUNITIES

Mark Lippolt, senior vice president at Hammond Residential Real Estate in the Boston suburb of Chestnut Hill, characterizes the market as “consistent,” which he says means great opportunities for sellers but frustration for buyers, because of low inventory and limited space to add inventory.

“We ordinarily advise our seller clients that March 1 is the ideal time to put property on the market, weather permitting, because historically you needed to have a property on the market for 90 to 120 days to find the right buyer. Today, because of higher demand, properties are coming

MICHAEL OSEAN



Architecturally significant Wild Moor sits on 11 acres in Newport, R.I.

“THE BERKSHIRES ARE WHERE NATURE SETS THE STAGE AND CULTURE STEALS THE SHOW.”

on the market every day and selling faster. For example, just today, according to our multiple-listing service (MLS), 30 new condo listings have hit the market in Boston, priced from \$399K in the South End to \$2 million on Commonwealth Avenue in Back Bay.

“Be aware that the property you’ve been dreaming of might come on the market in the second week of July. Buyers just need to be diligent and keep checking for new inventory every day, or work with a real-estate agent who has knowledge of what is coming on the market.”

CLEAN AIR

Many Bostonians like to escape to the Berkshires, either

seasonally or permanently; so do many New Yorkers. Cindy Welch, president manager for the Berkshires at the Lenox, Mass., office of LandVest, says that a combination of clean air, natural beauty and various nearby educational and entertainment facilities is what makes the Berkshires a legendary cultural center.

“I like to say the Berkshires are where nature sets the stage and culture steals the show,” she says. “We still have a few privately owned gilded-age houses, but many of them have been turned into museums. LandVest is currently offering Southmayd, in Stockbridge, for \$6.9 million, fully restored on land that was once owned by Henry Wadsworth Longfellow.

“Morewood, in Pittsfield, stands adjacent to the country club, and the owners have exactly replicated its original design. It’s available for \$3.4 million. We also have typical country farmhouses on 20 acres or so, and contemporaries for \$1 to \$2 million.”



The owners of Morewood in Pittsfield have replicated its gilded-age design.

URBAN DESTINATION

At Mott & Chace Sotheby’s International Realty in Charlestown, R.I., broker/owner Judy Chace reports that Providence, R.I. is gaining importance as an urban destination because of lack of inventory in Boston.

“For \$1.5 million, you can buy a beautiful downtown estate home in Providence—one third of what you’d pay in Boston,” she says. “Providence has evolved. It’s much more culturally oriented, and you can’t get a bad meal there. It’s urban, but with lots of open space. It’s got amazing architecture that’s being turned into condos and lovely shops.

“Our coastal areas are going strong, too, because our beaches are clean and pristine, and less expensive than Cape Cod or the Hamptons. In Newport, we have a major estate on the market, and we’re trying something new: hiring a luxury auction company to sell it.”

Also in Newport, Kate

Greenman, agent at Gustave White Sotheby’s International Realty, is offering the architecturally significant Wild Moor, where a buyer could pay \$8.6 million for a 22-acre estate with two buildable lots, or \$6.5 million for the manor house, which sits on 11 acres.

“Another historic home is Moorland Lodge, which is impeccably renovated, on 13 acres: two separate lots being sold together for \$6.9 million,” she says. Finally, she cites a listing for a formal gilded-age house in Newport, which she describes as having been “perfectly restored.”

In terms of local culture, Ms. Greenamn says, “In the summertime we have three music festivals: folk, jazz, and classical. All the Newport Mansions are constantly hosting special events, and we have so many yachting events.

“Newport has the country’s oldest synagogue, built in 1763, and it also has the country’s oldest lending library that’s still in its original building.”

The Wall Street Journal news organization was not involved in the creation of this content

Hammond Residential

Real Estate

FINE PROPERTIES



BROOKLINE, MASSACHUSETTS

Washington Square. Gut renovation. 3 bedrooms. 3 bathrooms. Over 1,800 sq. ft. Amazing roof deck. ...\$1,999,999



BROOKLINE, MASSACHUSETTS

Fisher Hill. Spectacular 12 room residence. 5 en suite bedrooms. 6.5 bathrooms. High-end renovation....\$4,495,000



NEWTON, MASSACHUSETTS

Expansive 13 room residence. 6 bedrooms. 6 bathrooms. Over 6,100 sq. ft. Inviting open floor plan. ...\$2,359,000



BROOKLINE, MASSACHUSETTS

Coolidge Corner. 7 bedrooms. 3 full and 2 half bathrooms. Over 3,900 sq. ft. Detached 2-car garage. ...\$2,575,000



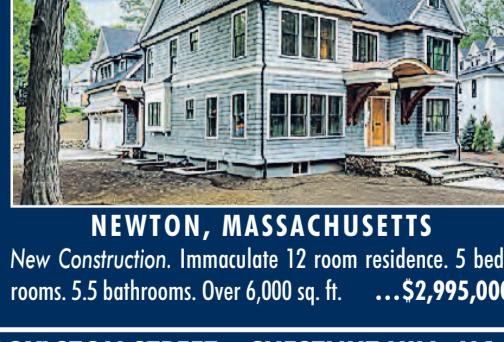
NEWTON, MASSACHUSETTS

Prominent 15 room residence. 5 bedrooms. 3 full and 2 half bathrooms. Over 6,100 sq. ft. 6 fireplaces. ...\$2,750,000



NEWTON, MASSACHUSETTS

New Construction. Magnificent 11 room residence. 5 bedrooms. 5 full and 2 half bathrooms. ...\$3,088,000



NEWTON, MASSACHUSETTS

New Construction. Immaculate 12 room residence. 5 bedrooms. 5.5 bathrooms. Over 6,000 sq. ft. ...\$2,995,000



BROOKLINE, MASSACHUSETTS

Cottage Farm. Elegant Queen Anne Victorian 10 room residence. 5 bedrooms. 2.5 bathrooms. 6 fireplaces. ...\$2,195,000



BROOKLINE, MASSACHUSETTS

Delightful 2016 rehab by Urbaness. 7 room residence. 3 bedrooms. 3 bathrooms. Cutting edge design. ...\$1,925,000

ADVERTISEMENT

New England Properties

To advertise: 800-366-3975 or WSJ.com/classifieds

Special Advertising Feature

Cape Cod, The Islands, See Tighter Supply, Higher Prices

SWIMMING POOLS AND BRAND-NEW READY FURNISHED HOUSES ARE INCREASINGLY POPULAR

By Joseph Dobrian

Cape Cod, Martha's Vineyard, Nantucket: the names summon fantasies of carefree summers of swimming and boating, and perhaps picturesque winters as well. Entry to these markets has become a bit more difficult this year, though. Increased buyer confidence is driving up home prices, and inventory is always tight.

Kathy Forrester, director of marketing at The Randall Family of Companies, which has several offices on Cape Cod, Mass., notes that in many communities there and on nearby islands, owners of second homes outnumber year-round residents. Overall, she says, this trend has been accelerating since the 1960s, and the most significant part of it is the increase in sales in the \$1 million-plus market.

"Sales of all Cape Cod single-family homes in the first quarter of 2017 were up 10% as compared to the first quarter of 2016," she reports. "In the million-plus market, over the same period, sales of single-family homes were up 20%. This is especially impressive since

the high-end market also saw a significant increase in 2016."

"On the Massachusetts south coast and south shore, according to data from Property Information Network (PIN), sales of high-end properties in this area increased 43% in the first three months of 2017, compared to the first three months of 2016."

"In addition, properties spent 46 fewer days on the market in the first three months of 2017 in comparison to 2016."

CONFIDENCE RISES

The high-end market had been stagnant for several years till 2016, Ms. Forrester notes. Today, confidence in the market has risen, and properties are moving due to pent-up demand and limited inventory.

"Demand is also raising selling prices and lowering the number of days that high-end properties stay on the market," she adds. "The number of days that a single-family home spends on the market today is 20% less than it was a year ago, and prices on high-end second homes, especially, are increasing at a fast clip."

Abby Rabinovitz, principal broker and co-owner at Tea Lane Associates, on Martha's

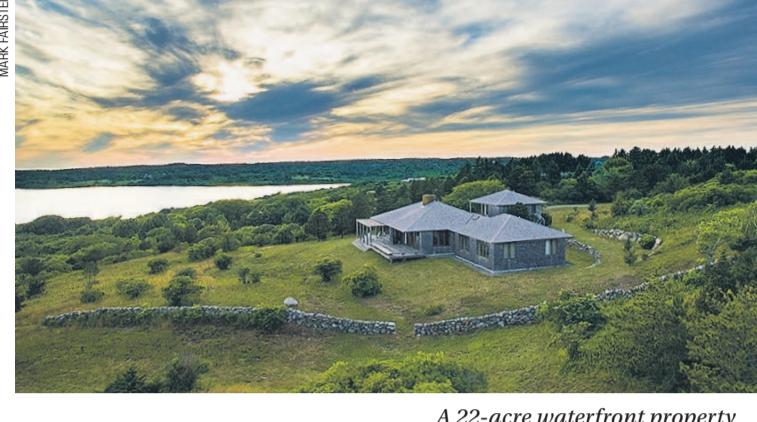


Luxury homes like this one on Cape Cod are moving due to pent-up demand.

Vineyard, Mass., reports that winter and spring "felt like August" in terms of sales. "Buyers are eager to get in as inventory shrinks," she says.

CONFIDENCE IN THE MARKET HAS RISEN, AND PROPERTIES ARE MOVING DUE TO PENT-UP DEMAND AND LIMITED INVENTORY.

"We're seeing multiple bids, starting in 2016 and continuing into this year, because inventory has come down from a peak of 800 properties in 2008 to the low 300s today. The entry level is very strong: people want to get into this market for less than \$1 million. On the Vineyard, we have fewer upper-end sales than



A 22-acre waterfront property for sale on Martha's Vineyard.

321 homes for sale in that market. He remarks that he'd prefer 450; sellers would rather see 250; buyers wish for 500.

"Of those products, some of which are vacant land, properties under \$2 million are 117, with an average of 242 days on the market; between \$2 and \$5 million we have 129 properties. The properties over \$10 million spend an average of 354 days on the market, which for a resort is not that long.

"I've noticed that today's buyers will pay a premium for brand-new and furnished properties that they can move into with just a suitcase and buy their own artwork.

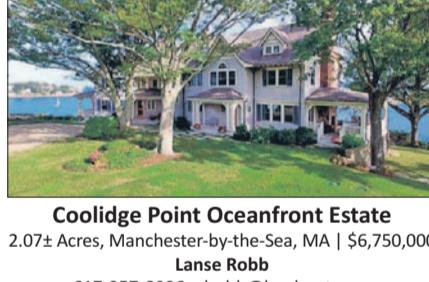
"This tells me that people don't like the building process as much as they used to, and have created an opportunity for builders and renovators to improve their margins."

Another important trend, he notes, is a demand for swimming pools.

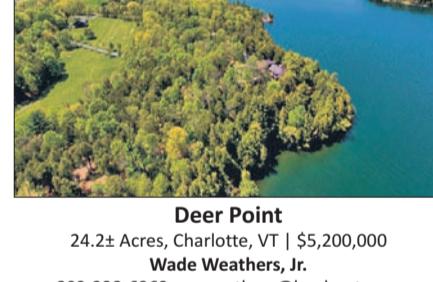
"Whether people are members of clubs or not, they want to spend time at home, and they don't always want to go to the beach for a swim," he says. "Ten years ago, there were maybe 25 pools on the island. Now we're building approximately 90 pools a year."

LandVest®

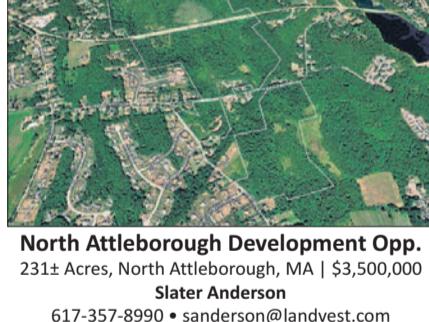
LUXURY PROPERTIES | TIMBERLAND | CONSULTING



Coolidge Point Oceanfront Estate
2.07± Acres, Manchester-by-the-Sea, MA | \$6,750,000
Lanse Robb
617-357-8996 • lrobb@landvest.com



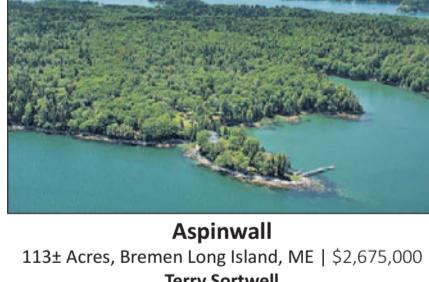
Deer Point
24.2± Acres, Charlotte, VT | \$5,200,000
Wade Weathers, Jr.
802-238-6362 • wweather@landvest.com



North Attleborough Development Opp.
231± Acres, North Attleborough, MA | \$3,500,000
Slater Anderson
617-357-8990 • sanderson@landvest.com



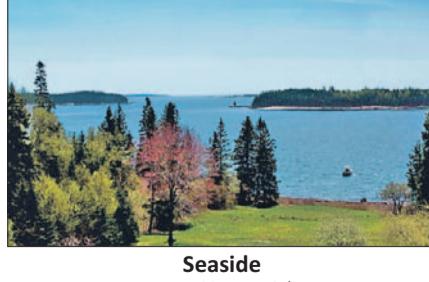
32 Claypit Hill Road
2.25± Acres, Wayland, MA | \$3,495,000
Terrence Maitland
617-357-8949 • tmaitland@landvest.com



Aspinwall
113± Acres, Bremen Long Island, ME | \$2,675,000
Terry Sortwell
207-236-3543 • tsortwell@landvest.com



31 Brush Hill Lane
1.69± Acres, Milton, MA | \$2,199,000
Jay Boyle
617-648-5444 • jboyle@landvest.com



Seaside
9.2± Acres, Brooklin, ME | \$1,495,000
Story Litchfield
207-276-3840 • slitchfield@landvest.com



Lambert Road Farm
17.48± Acres, Freeport, ME | \$1,350,000
John Scribner
207-874-2057 • jscribner@landvest.com



Barrington \$2,995,000
MLS #1161523 401.245.3050



East Side \$1,195,000
MLS #1159647 401.314.3000



Charlestown \$2,397,000
MLS #1159263 401.364.6700



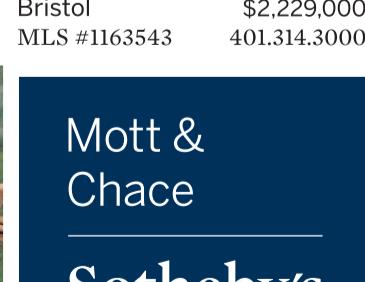
Westerly | Champlin Woods \$1,449,000
MLS #1122215 401.245.3050



Bristol \$2,229,000
MLS #1163543 401.314.3000



Richmond | The Preserve \$1,299,000
MLS #1155342 thepreserveri.com



Mott & Chace
Sotheby's
INTERNATIONAL REALTY

BARRINGTON | CHARLESTOWN
EAST GREENWICH | NARRAGANSETT
PROVIDENCE | WATCH HILL

mottandchace.com

Sound Advice, Exceptional Results
www.landvest.com

ADVERTISEMENT

New England Properties

To advertise: 800-366-3975 or WSJ.com/classifieds

Special Advertising Feature

Maine, New Hampshire Offer Coastal and Inland Options

TASTE IS STARTING TO SHIFT TO CONTEMPORARY PROPERTIES, SOME OF THEM ENERGY STAR-RATED**By Joseph Dobrian**

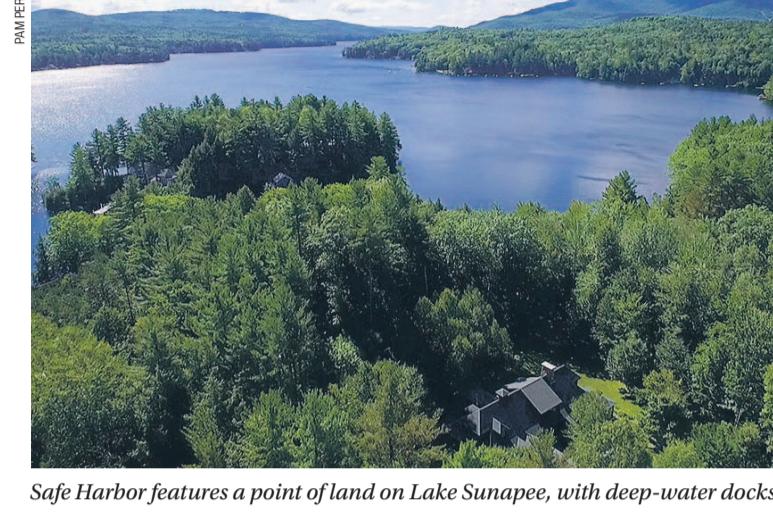
First- and second-home buyers sometimes overlook New England's two northernmost states, which don't have the big cities and glamorous resort areas that Massachusetts and Rhode Island offer. But Maine features more coastline than any other one of the United States, while New Hampshire promises quiet lakes and rugged mountains—and both present a wealth of options to the homebuyer who's looking for a relaxing experience and a slightly lower-cost alternative to Cape Cod, Newport, or Nantucket.

A GREAT YEAR

Chris Lynch, broker/owner of Legacy Sotheby's International Real Estate, notes that 2016 was a great year for Maine in terms of weather and real-estate sales: the latter were up 15% in unit volume, year over year, with median prices up 10%.

"The luxury market is quite small in terms of units sold, but showing solid performance," he says. "April was one of the best months on record. June 2013 was the last time we saw such a strong performance."

"Second-home buyers typically come here for a summer or two, then come back in the fall to buy, once the kids go back to school, and are serious about



Safe Harbor features a point of land on Lake Sunapee, with deep-water docks.

buying for the following year, so September and October are strong; November and December are big months for closings."

The Greater Portland market has been "on fire" for the past three or four years, Mr. Lynch notes, and inventory is short. Thus, properties typically don't linger on the market.

"We're starting to see a real shift in taste, from the classic New England-style cottage, which is still in great demand, to more interest in contemporary properties. We're seeing new architects, new architecture, popping up across the state. We are launching an exciting new community in Freeport, which is Energy Star Rated/Net Zero with post-and-beam homes. It's a cool and timely concept."

"THE COMBINATION OF OUR EASY COMMUTE TO NEW YORK AND BOSTON, AND OUR PRICING, HAS SPARKED RENEWED INTEREST."

"Each house has a different reason why people are moving into it," remarks David Banks, broker/owner at RE/MAX by the Bay in Portland. "We have a wide diversity of people coming into this area. Often they come here looking for quality of life in retirement. We recently sold a house to a family from New Jersey whose home had been destroyed by Hurricane Sandy. They came here because it's a good place for their children to live, and for the fishing."

"Currently, we have a property available for \$4.9 million: 8,000

square feet on the rocky coast.

"In general, you'll find very few properties priced over \$5 million. What you can get here, you'd pay twice as much for in many markets," he says.

WATERFRONT HOMES

Sue Bradley, associate broker at Coldwell Banker in Laconia, N.H., focuses on waterfront properties along Lake Winnipesaukee. She notes that many homebuyers are attracted by New Hampshire's tax situation: the state has no tax on retail sales, capital

artists from all over. We're a two-hour drive from Boston; an hour from the sea coast."

LAKE AREAS

Pam Perkins, owner/broker at Four Seasons Sotheby's International Real Estate, based in New London, N.H., notes that the Lake Sunapee area provides another freshwater alternative, and a 5,200-square-foot timber-and-stone compound property is coming onto the market there.

"Safe Harbor Lake Sunapee consists of three distinct buildings that have interconnected rooflines, on three-and-a-half acres, featuring a point of land on Lake Sunapee with a sandy beach and deep-water docks," she says, adding that this luxury property is priced to sell for \$2.85 million.

"Demand is so high that sometimes a broker will list a property with certain buyers in mind, and sell it before it really hits the market. If you're looking here, you need to find brokers with long experience in the area, [because] they're the ones who are most likely to have the most desirable properties."

"We find that the combination of our easy commute to New York and Boston, and our pricing, has sparked renewed interest," Ms. Perkins concludes.

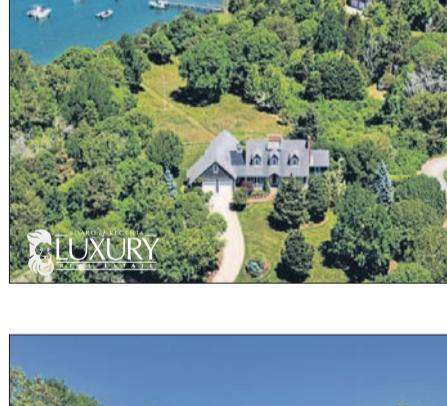
Joseph Dobrian is a freelance writer specializing in real estate.

THE RANDALL FAMILY OF COMPANIES

An Experienced Leader in Coastal Real Estate Serving Eastern Connecticut, Rhode Island and Massachusetts



KinlinGrover.com



Chatham MA

Waterfront on Oyster River. 4 bedroom 3.5 bath expanded Cape on 1.62 pastoral acres. Water access for boating.

\$2,900,000

Chatham Office
508.945.1856

RandallRealtors.com



PageTaft.com



South Kingstown RI

Comfortable yet elegant oceanside living, steps to the Atlantic and views from every room. Wide open floor plan, high ceilings.

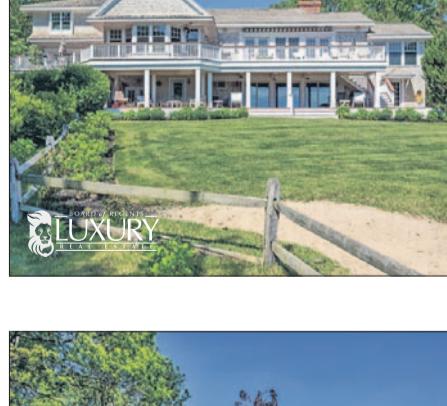
\$1,699,000

Dan Babich
860.212.8680

Westbrook CT

Spectacular waterfront location. Over 2.5 acres with main home and carriage house awaits the discerning buyer.

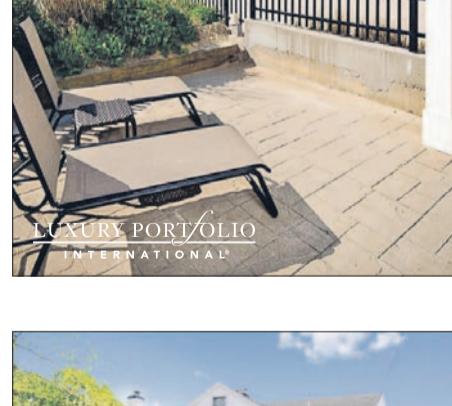
\$2,549,000

John Campbell
203.245.1593 x1103

Centerville MA

Beautiful Contemporary waterfront estate on Lake Wequasset with its own private beach. Gourmet kitchen & more.

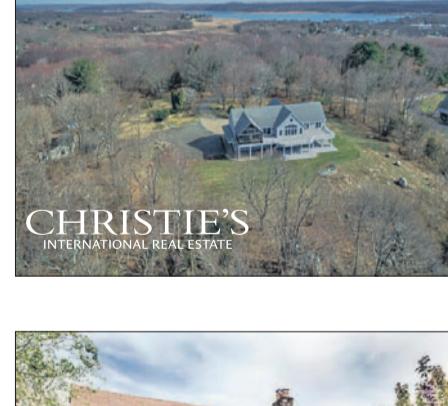
\$2,200,000

Osterville Office
508.420.1130

Watch Hill RI

Oceanfront Condo on Carousel Beach. Lovingly renovated turn-key and immaculate. Enjoy this setting of serenity.

\$1,300,000

Judith Gauvain
401.348.0700

Old Saybrook CT

Extraordinary attention to detail in this hilltop residence. Custom Post & Beam home with sweeping views.

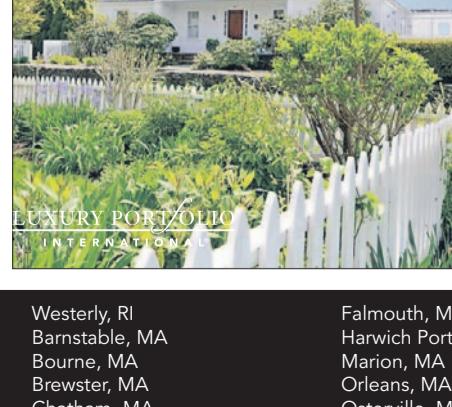
\$1,999,000

CT River Properties Team
860.767.5390 x3112

Sandwich MA

Fine home overlooking a water feature on the 18th green at The Ridge Club. Extensively remodeled, with heated gunite pool.

\$1,600,000

Ridge Realty Office
508.428.2770

North Kingstown RI

Wickford waterfront with beautiful views of the Harbor and marinas. Lots of windows, porches and patios to enjoy the vista.

\$1,200,000

Sue Moore
401.952.9164

Branford CT

Rare opportunity to enjoy spectacular views perched high above Branford Harbor. Direct Sound access from private jetty.

\$1,875,000

Willard Finkle
203.453.6511 x2123

| | | | | | |
|---------------|---------------------|----------------|------------------|--------------------|-----------------------|
| East Lyme, CT | Norwich, CT | Westerly, RI | Falmouth, MA | Plymouth, MA | Turbo, MA |
| Essex, CT | Charlestown, RI | Barnstable, MA | Harwich Port, MA | Provincetown, MA | Wellfleet, MA |
| Guilford, CT | South Kingstown, RI | Bourne, MA | Marion, MA | Ridge Realty, MA | Yarmouth Port, MA |
| Madison, CT | North Kingstown, RI | Brewster, MA | Orleans, MA | Sandwich, MA | vacationcapecod.com |
| Mystic, CT | Watch Hill, RI | Chatham, MA | Osterville, MA | South Yarmouth, MA | vacationrentalsri.com |

ADVERTISEMENT

New England Properties

To advertise: 800-366-3975 or WSJ.com/classifieds

MAINE

Legendary Rangeley Lakes of Maine

Moosekumeguntic Lake, Rangeley
Plantation; 2.3 acres, 130' lake frontage, dock
and mooring. Spectacular lake & mountain
views. Open plan multi-level living, 3+ BR, 3.5
BA, stone fireplace, granite kitchen; detached
2-car garage. ME MLS # 1297216 \$795,000

Sue MacPhee
sue@citycoverrealty.com
citycoverrealty.com
City Cove Realty
Rangeley, ME 04970
(207) 441-9973

**MID-COAST MAINE
WATERFRONT FAMILY
COMPOUND OFFERING**

Prime, 12 acre parcel with rare,
secluded waterfront site with
potential for development of 4
additional, separate family home
parcels. All surveyed and soil tested.
Unparalleled exclusivity in renowned
ME coastal locale. Great access: 45
minutes north of Portland Jetport; a
fast 3 hours from Boston. Offered at
\$1.25 mm. Brokers protected.
(813) 545-9512

RHODE ISLAND

**PRIVATE PLUM BEACH
WATERFRONT ESTATE**

3+ acre waterfront estate with spectacular
views on Narragansett Bay. Features 5 beds,
5 baths, private guest suite, 3 fireplaces &
tennis court. Patio overlooks lawn to beach &
deep water dock. 3-car garage, walk to
private Plum Beach Club. \$2,500,000

R.D. Denelle & Co., Inc., Realtors
(401) 783-7777 • info@denelle.com
www.denelle.com

VERMONT



Manchester Village 16 Acre Compound. Elegant
7 BR residence / guest cottage, barn, 6 bay
garages, ponds, pastures, streams and Equinox
Mountain views. \$1,975,000. MLS # 4634446

Listing agent: Laura Beckwith
Josiah Allen Real Estate
3115 Rte 30
Dorset, VT 05251
[\(802\) 777-3573](mailto:laurabeckwith@josiahallen.com)

MASSACHUSETTS

**1 HOUR WEST OF BOSTON.**

Stunning 60+ acre country estate. House (8608sf), Guest House (2000sf), barn, corral, pool & cabana, tennis (grass & clay), pond, hillside stream, mature gardens, rolling pastures, network of trails, park quality woodland. Within 5 minutes of I-90. Three state capitals (Boston, Hartford, Providence) and 4 international airports within 1 hour. Private estate or development opportunity.

Sean Finicane, jseanfinicane@aol.com, 203-650-4009,
www.glenfiddich.website. (See also MLS#72082981)

\$4,499,000.

**Piney Point Waterfront - Marion, Massachusetts**

Sprawling waterfront compound with private deep water dock and sandy beach located in the highly desirable Piney Point neighborhood. Set on 21 acres overlooking Wing's Cove and Buzzard's Bay, this lovely 5800 sq. ft. home offers an attached guest house, views from every room, and in close proximity to the association dock, beach club, and tennis courts.

Exclusively listed at \$3,999,000

Converse Company Realtors
166 Front Street Marion, Massachusetts 02738
508.748.0200 • www.conversecompanyrealtors.com

**89
BEACON****BEACON HILL - BOSTON**

NEW CONSTRUCTION
EXQUISITE MANSION ON
BOSTON PUBLIC GARDEN
FACING SOUTH
GARAGE PARKING

WWW.89BEACON.COM

SHELagh BRENNAN
617-840-6168
SHELagh@CABOTANDCOMPANY.COM

CABOT & COMPANY

RESIDENTIAL AND COMMERCIAL REAL ESTATE

SHELagh BRENNAN
617-840-6168
SHELagh@CABOTANDCOMPANY.COM



Plymouth, MA
\$2,695,000

Macdonald & Wood
Sotheby's
INTERNATIONAL REALTY

Liz Bone | (781) 325-8079
Liz@macdonaldwood.com

MASSACHUSETTS



Residential • Commercial • Mortgages • Relocation

5pinetreedrive.com



ONSET, MA: Waterfront property overlooking Buzzards Bay. Mooring access and beach out your own back door. Exquisite details with spectacular views. Separate guest suite. \$2,495,000. 508-758-4944.

19prospectrd.com



MATTAPoisETT, MA: Surrounded on three sides by conservation/land trust property sits this stately 4-bedroom Colonial situated on a long tree-lined road. Beautiful workmanship throughout, with an open floor plan ideal for entertaining. \$749,900. 508-758-4944.

83summerstreet.com



HINGHAM, MA: One of Hingham's best! Circa 1803 and fully restored with all of today's amenities. Stunning water views of Hingham Harbor. Short distance to Hingham center, World's End and train. \$2,300,000. 781-749-1600.

www.jackconway.com

LUXURY PORTFOLIO
INTERNATIONAL

Leading
REAL ESTATE
COMPANIES
IN THE WORLD

The News You Need. Straight to Your Inbox.

Stay informed on your busiest days with
targeted email alerts and newsletters.

Sign Up Now: wsj.com/newsletters



THE WALL STREET JOURNAL.
Read ambitiously

MANSION

PATTERSON

Continued from page M1

built a small restaurant and, behind it, a house and two cottages. My family first lived in one of the cottages—two parents and three kids in two small bedrooms.

I loved walking in the woods and making up adventure stories about Indians—no cowboys. We lived there until I was 6. Then we moved into another tiny two-bedroom house—the kind you wouldn't notice driving by.

My father, Charles, had grown up in Newburgh's poorhouse. His mother was a charwoman, and for cleaning bathrooms there, she and my father were given a single room. He was naturally smart and went on to attend Hamilton College on a scholarship.

My father never knew his dad, so he wasn't fully aware of his role as a parent. The guy tended to be emotionally cautious and withholding. The only time I remember him giving me a hug was on his deathbed.

My maternal grandparents assumed a parental role. "You won't play in the NBA," my grandmother told me, "but you can achieve other things you want to do."

My grandfather was similarly encouraging. Before he built his restaurant, he drove a delivery truck. Once a week in the summer, I'd accompany him.

As we drove over Storm King Mountain on our way to West Point, he'd sing in his horrendous voice. He said, "Whatever you do in life, make sure you're singing when you go over the mountain to work in the morning." I still do.

My Newburgh neighborhood was a combination of African-American children, farm kids and the offspring of military families stationed at nearby Stewart Air Force Base. That was a sad thing for me. I lost many close friends when they moved away to other Air Force bases.

When I was 11, my father gave up driving a bread truck to sell insurance. We moved into a two-story house on North Street that was built in the 1930s and over-

looked the Hudson River. I loved the view.

My mother, Isabelle, taught in the local Catholic school that I attended, and I served Mass each day. Because I was a teacher's kid, an altar boy and first in my class, I tended to be bullied. One kid slapped me around two or three times a week.

I asked my father to teach me to box, but he said, "Just stand up for yourself." So the next time I was roughed up, I threw as many slaps and punches as I could. Many landed, and the kid didn't bother me again.

During my senior year in high school, my father received a promotion at the insurance company to run its office in Belmont, Mass. He wanted me to finish high school in Newburgh first and to go on to college.

Right after my senior year, I tried selling encyclopedias but quit after a day. I learned the tricks to get people to buy them, but I couldn't knock on doors and shame strangers into spending money they didn't have.

Instead, I landed a job as an aide at a psychiatric hospital in Belmont. I worked the overnight shift and began reading everything that I could find. I was especially taken with Jerzy Kosinski and Evan S. Connell Jr. Both were concise storytellers.

After I graduated from Manhattan College in 1969, I got a full scholarship to Vanderbilt University's English graduate program. I dropped out after a year. This was near the end of the Vietnam War, and to keep my high draft lottery number, I had to leave school.

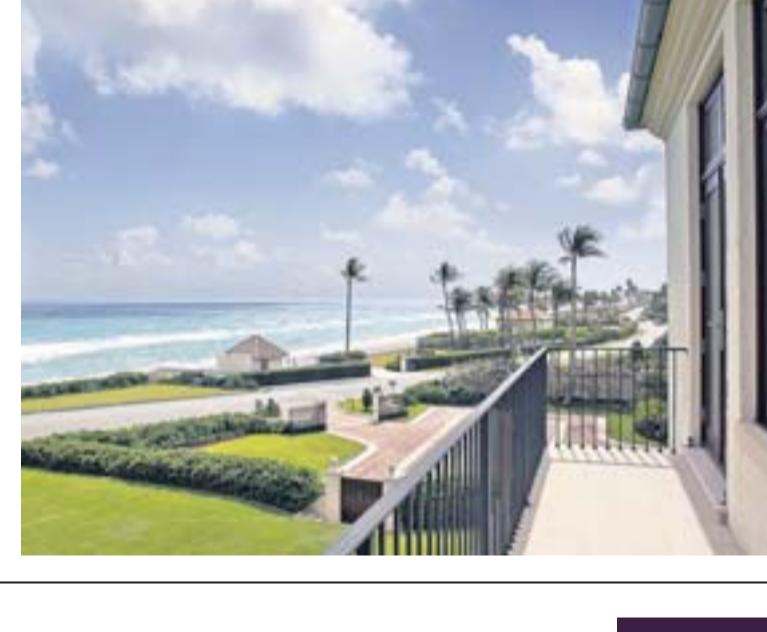
I put together an ad book and went to see the creative director of J. Walter Thompson in New York. He was a friend of a friend. I also brought along two short stories. He read one of them during our meeting and hired me as a junior copywriter.

I first lived in New York's Washington Jefferson hotel on West 51st Street, which had a bright red cross outside my window that



CLOCKWISE FROM TOP: JAMES PATTERSON (2); JESSICA KLEWICKI GLYNN FOR THE WALL STREET JOURNAL

THRILL SEEKER James Patterson, above, in Newburgh, N.Y., in 1953, and in his high-school senior portrait in 1965, right. Below, a 2012 photo of the Palm Beach, Fla., home that Mr. Patterson shares with his wife, Sue.



blinked all night. The wallpaper had little pendants. Someone had drawn an "X" in every one of them. I had to get out of there.

Within a few years, when I was 34, I became the agency's creative director. One of the lines I came up with was "I'm a Toys 'R' Us Kid." Then in 1984, I became CEO of the agency's U.S. operations.

While working there in 1976, I sold my first book, "The Thomas Berryman Number," to Little, Brown. I left Thompson in 1996 to write full time.

The big turning point in my writing career was the Alex Cross character I created for "Along Came a Spider." It convinced Larry Kirshbaum, the head of Time Warner Books, the owner of Little, Brown, to make me a two-book deal. Then I was off to the races.

Today, my wife, Sue, and I live in Palm Beach, Fla. Our house is larger than we need, but we wanted to live on the ocean.

The person we bought it from had started a major renovation of the house but ran out of either patience or money. We told the town that we'd take it over only if they'd let us put in large windows. Most of the other beachfront houses had small traditional windows. Reluctantly, they let us do it.

I'm happiest when I'm in my office writing in longhand and looking up occasionally at the water. Each time I do, the ocean is a different color and texture. It's like owning a great painting that changes shapes and colors all day long.

FOR COMPARISON PURPOSES,
THERE'S NO COMPARISON.



Luxury homes that aren't everything to everyone. But everything to a select few.
Browse our collection at berkshirehathawayhs.com



BERKSHIRE HATHAWAY
HomeServices

LUXURY
COLLECTION